

1 August 2013

Market Announcements Office  
Level 8  
Exchange Plaza  
2 The Esplanade  
Perth, WA 6000

## QLD IRON LIMITED PROSPECTUS

Further to the announcement made on 1 February 2013, we have pleasure in lodging the prospectus for Qld Iron Limited for the issue of 79,799,572 securities.

The issue of securities in Qld Iron Limited is subject to shareholder approval. A Notice of Meeting, Explanatory Memorandum and Proxy Form is expected to be lodged with the ASX and distributed to shareholders on 7 August 2013 for a General Meeting to be held on 10 September 2013.

The issue is an in specie distribution by way of capital reduction to Viento Group Limited shareholders of one security in Qld Iron Limited for every security held in Viento Group Limited.

This issue will be to eligible Viento shareholders and will enable them to participate in the future potential of the Constance Range Iron Ore deposit.

Qld Iron Limited's main objectives on completion of the Offer are to conduct studies of the Project with the aim of identifying a commercially viable method of extraction of the Inferred Mineral Resource; and sourcing additional capital and/or joint venture partners to help fund those activities.

Full details of the proposal and the project are to be found in the enclosed Prospectus. You should read the Prospectus in its entirety and consult your professional advisors in respect of the contents of the Prospectus.

For any further information or explanations you may contact Chief Executive Officer, Robert Nichevich at the office details provided.



Robert Nichevich  
Chief Executive Officer  
Viento Group Limited

**VIENTO GROUP LIMITED**  
**ACN 000 714 054**

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**PROSPECTUS**

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**For an offer to transfer 79,799,572 fully paid ordinary shares in the capital of Qld Iron Limited to shareholders of Viento Group Limited pursuant to a reduction of capital by way of an in specie distribution contained in Resolution 1 of the Viento Notice of Meeting dated 7 August 2013.**

**The details of this Prospectus should be considered carefully in conjunction with the Notice of Meeting.**

**IMPORTANT INFORMATION**

This Prospectus is important and requires your immediate attention. You should read this Prospectus in its entirety and consult your professional advisors in respect of the contents of this Prospectus.

The Directors consider Shares in Qld Iron which will be transferred under this Prospectus to be highly speculative.

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## CONTENTS

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1.	CORPORATE DIRECTORY – QLD IRON LIMITED .....	1
2.	IMPORTANT NOTICE .....	2
3.	INVESTMENT OVERVIEW .....	4
4.	CHAIRMAN'S LETTER.....	13
5.	OFFER BY WAY OF CAPITAL REDUCTION.....	14
6.	COMPANY AND PROJECT OVERVIEW.....	16
7.	RISK FACTORS .....	18
8.	INDEPENDENT GEOLOGIST'S REPORT.....	23
9.	INVESTIGATING ACCOUNTANT'S REPORT .....	46
10.	SOLICITOR'S REPORT ON TENEMENTS .....	69
11.	MATERIAL AGREEMENTS.....	86
12.	ADDITIONAL INFORMATION .....	88
13.	DIRECTORS' AUTHORISATION .....	94
14.	GLOSSARY .....	95

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## 1. CORPORATE DIRECTORY – QLD IRON LIMITED

### **Directors**

Robert Charles Nichevich  
*Executive Chairman*

Damian Richard Wright  
*Non-Executive Director*

Nicholas John Silverthorne  
*Non-Executive Director*

### **Company Secretary**

Damian Richard Wright

### **Corporate Advisor**

Pendulum Capital Pty Limited  
Level 2, 24 Outram Street  
West Perth WA 6005

### **Solicitors**

Steinepreis Paganin  
Level 4, The Read Building  
16 Milligan Street  
Perth WA 6000

### **Head & Registered Office**

Level 1, 76 Hasler Road  
Osborne Park WA 6017

Telephone: + 61 8 6145 2400  
Facsimile: +61 8 9443 9980

### **Independent Geologist**

AI Maynard & Associates Pty Ltd  
Unit 9, 280 Hay Street  
Subiaco WA 6008

### **Share Registry**

Qld Iron Limited  
Level 1, 76 Hasler Road  
Osborne Park WA 6017

Telephone: + 61 8 6145 2400  
Facsimile: +61 8 9443 9980

### **Investigating Accountant**

BDO Corporate Finance (WA) Pty Ltd  
38 Station Street  
Subiaco WA 6008

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## **2. IMPORTANT NOTICE**

This Prospectus is dated 31 July 2013 and was lodged with ASIC on that date. ASIC and its officers do not take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Shares may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

The Company will provide, free of charge, a copy of the Prospectus to anyone contacting the Company at its registered office during normal business hours whilst the Prospectus is open.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

This Prospectus is important and should be read in its entirety. If you do not fully understand this Prospectus or are in any doubt as to how to deal with it, you should consult your professional advisors.

The Shares in Qld Iron to be transferred under this Prospectus should be considered highly speculative.

### **2.1 No quotation of Qld Iron Shares**

Qld Iron is an unlisted public company. No application has been made to ASX or to the operator of any other financial market to list Qld Iron or to grant quotation of the Qld Iron Shares so as to enable the Shares to be traded on a financial market. The Company does not intend to apply for quotation of Qld Iron's Shares post-completion of the Capital Reduction.

### **2.2 Exposure Period**

This Prospectus will be circulated during the Exposure Period. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the Distribution.

### **2.3 Website – Electronic Prospectus**

A copy of this Prospectus can be downloaded from the website of Viento at [www.vientogroup.com/qld-iron/](http://www.vientogroup.com/qld-iron/). No document or information included on our website is incorporated by reference into this Prospectus.

You may obtain a hard copy of this Prospectus free of charge by contacting the Company.

### **2.4 Competent Person's Statement**

The information in this Prospectus that relates to Exploration Results is based on information compiled by Allen J Maynard, who is a member of the Australasian Institute of Mining & Metallurgy and a member of the Australian Institute of Geoscientists. Mr Maynard 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 2004 Edition of the JORC Code. Mr Maynard consents to the inclusion in this Prospectus of the matters based on his information in the form and context in which it appears. Mr

Maynard has not withdrawn his consent prior to the lodgement of this Prospectus with the ASIC.

## **2.5 Forwarding-looking statements**

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of Qld Iron, its Directors and management.

No assurances can be given that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and Viento Shareholders are cautioned not to place undue reliance on these forward-looking statements.

There is no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

These forward-looking statements are subject to various risk factors that could cause Qld Iron's actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 7.

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### 3. INVESTMENT OVERVIEW

The information in this Section is a summary of the key points only and is not intended to provide comprehensive details of the Offer. You should read the Prospectus in its entirety, together with the accompanying Notice of Meeting and, if in any doubt, you should consult with your professional advisors.

#### 3.1 Details of the Offer

The issue of the Notice of Meeting with the Capital Reduction resolution constitutes an “offer” by Viento of the Qld Iron Shares to be distributed and transferred to Eligible Shareholders and, accordingly, the Company has prepared this Prospectus to accompany the Notice of Meeting.

The proposed Offer of Shares under this Prospectus will be by way of a Capital Reduction of 79,799,572 Shares held by Viento in Qld Iron to Eligible Shareholders.

The Capital Reduction will be affected and satisfied by way of a pro rata in specie distribution to each Eligible Shareholder of one Qld Iron Share for every one Viento Share held by that Eligible Shareholder as at the Record Date. The value of the Qld Iron Shares will be determined by dividing the net assets of Qld Iron as at the Record Date by the total number of Qld Iron Shares on issue.

Based on the pro-forma Qld Iron net assets detailed in Section 9, the value of the 79,799,572 Qld Iron Shares being distributed to Shareholders would be approximately \$1,829,000 or \$0.023 per share.

Viento will not hold any Qld Iron Shares following the completion of the Distribution.

Qld Iron is an unlisted public company. As at the date of this Prospectus, no application has been made to ASX, or to the operator of any financial market (whether in Australia or elsewhere), to list Qld Iron or to grant quotation of the Qld Iron Shares so as to enable the Shares to be traded on a financial market.

Subject to approval of Resolution 1 outlined in the Notice of Meeting, the Distribution will be implemented in accordance with the timetable set out in Section 3.7.

#### 3.2 The Company

Formerly known as Constance Range Pty Ltd, the Company was incorporated on 27 June 2005 as the entity to acquire an interest in the Constance Range iron ore project located in Northern Queensland (**Project**). The Company is a wholly owned subsidiary of Viento.

On 3 February 2012 the Company changed its name to Qld Iron Pty Ltd and subsequently converted to a public unlisted company, Qld Iron Limited, on 26 April 2013.

Qld Iron’s sole asset is a 70% joint venture interest in the Project, being tenement EPM 14479. The Project is located approximately 230 kilometres North West of Mt Isa and up to 200 kilometres from the Gulf of Carpentaria. The remaining 30% interest is held by KBL Mining.

The Project was extensively explored by BHP (formally BHP Ltd) between 1956 and 1963, completing over 200 drill holes, sinking of two exploration shafts to 75 metres, underground mining trails and bulk sample extraction for metallurgical testing.

CBH conducted a drilling program of 14 holes to broadly confirm and validate the BHP data. Significant sedimentary mineralisation was identified, with a preliminary modelling exercise establishing a JORC Code compliant Inferred Mineral Resource estimate outside of the National Park stated as 236Mt at 53.2% Fe, 10.3% SiO<sub>2</sub>, 0.02% P, 0.07% S, 1.6% Al<sub>2</sub>O<sub>3</sub> and 11.2% LOI.

Further details about the Inferred Mineral Resource estimates are contained in the Independent Geologist's Report in Section 8.

### **3.3 Business model – Exploration Company**

As at the date of this Prospectus, Qld Iron has no producing assets and is expected to generate losses for the foreseeable future.

Qld Iron's sole asset is a 70% joint venture interest in the Project. Qld Iron acts as the manager of the Project and all costs are borne by the Joint Venture partners on a pro-rata basis.

Over the next 6-12 months, Qld Iron intends to conduct studies on the Project to determine viable infrastructure and transport options in the event that further exploration carried out on the Project upgrades the current status of the Inferred Mineral Resource Estimate and identifies a commercially viable method of extraction.

The Company has entered into a Loan Agreement with Viento to assist with the ongoing funding of Qld Iron's operations. Details of the Loan Agreement are included in Section 11.2.

Qld Iron will seek to obtain additional equity or debt funding for its operations from third parties in due course; however, the Company makes no guarantee that Qld Iron will be able to secure any additional funding.

A summary of the Project is set out in Section 6 of this Prospectus and more detailed information is included in the Independent Geologist's Report in Section 8.

### **3.4 The objectives**

The Company's main objectives on completion of the Offer are:

- conduct studies of the Project with the aim of identifying a commercially viable method of extraction of the Inferred Mineral Resource; and
- sourcing additional capital and/or joint venture partners to help fund the activities listed above.

### **3.5 Key risks**

The business, assets and operations of the Company are subject to certain risk factors that have the potential to influence the operating and financial performance of the Company in the future. These risks can impact on the value of the Shares in Qld Iron to be transferred under this Prospectus.

The Board aims to manage these risks by carefully planning its activities and implementing risk control measures. Some of the risks are, however, highly unpredictable and the extent to which they can effectively manage them is limited.



Set out below are specific risks that the Company is exposed to. Further risks associated with the Qld Iron Shares are outlined in Section 7.

<b>Specific Risk Area</b>	<b>Risks</b>	<b>Clause</b>
<b>Shareholder Approval</b>	The Offer is conditional on the shareholders of Viento approving the in specie distribution in accordance with the Corporations Act.	7.2(a)
<b>Areas within National Park and Wild Rivers Reserve</b>	The area of tenement is overlapped by National Parks and Wild River high preservation areas known as "environmentally sensitive areas". Watercourses and lakes within the high preservation area and preservation areas may only be explored using limited hand sampling techniques.	7.2(b)
<b>Environmental Risk</b>	Due to the Project lying within areas of the Boodjamulla National Park and high preservation areas, development of a mining operation within those areas is likely to be subject to a more strenuous approval process by the relevant Queensland Government bodies and the conduct of mining operations within those areas, if allowed, will need to have greater regard than normal for environmental protection.	7.2(c)
<b>Title Risk</b>	The Company could lose title to or its interest in the concessions if licence conditions are not met or if insufficient funds are available to meet expenditure commitments.	7.2(d)
<b>Native Title and Aboriginal Heritage</b>	Native Title exists (and an ILUA registered) in an area located southwest of Doomadgee, west of Gregory Downs and north of Camoowea. The Company may be affected by the ability to explore or mine on the Tenement.	7.2(e)
<b>Tenure Risks</b>	There is no guarantee that current or future tenements or future applications for production tenements will be approved.	7.2(f)
<b>Government Policy</b>	Adverse changes in government policies or legislation in Queensland and other jurisdictions may change resulting in impairment of rights and possibly expropriation of the Company's properties without adequate compensation.	7.2(g)
<b>Liquidity Risks</b>	On completion of the Capital Reduction, the Company will not be admitted to the official list of the ASX or any other financial market. Therefore, there is an increased liquidity risk as the issued capital will not be able to be traded on the ASX.	7.2(h)
<b>Future Capital Requirements</b>	Qld Iron will seek to raise further capital (equity or debt) within an acceptable time; however, Qld Iron's ability to do so will vary according to a number of factors. There can be no assurance that funding will be available on satisfactory	7.2(i)

	terms or at all. Any inability to obtain finance will adversely affect the business and financial condition of Qld Iron and, consequently, its performance. Any additional equity financing will dilute shareholdings and debt financing, if available, may involve restrictions on financing and operating activities.	
<b>Joint Venture Risks</b>	Qld Iron's sole asset is the 70% joint venture interest in the Project with KBL Mining. The Directors are therefore unable to predict the risk of financial failure or default by KBL Mining or any other future participant in the Joint Venture to which the Company is a party.	7.2(j)

Viento Shareholders should be aware that the Shares offered under this Prospectus are considered highly speculative. Careful consideration should be given to all matters raised in this Prospectus and the relative risk factors, together with information contained in Notice of Meeting, before deciding how to vote at the Meeting.

Some of these risks can be mitigated by the use of appropriate safeguards and actions, but some are outside the Company's control and cannot be mitigated. The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by Shareholders the Company.

### 3.6 Effect on Viento Shareholders

The effect of the Offer of Shares to Viento Shareholders by way of Distribution is set out in the Notice of Meeting accompanying this Prospectus.

This Prospectus should be read in conjunction with the Notice of Meeting and considered in its entirety.

### 3.7 Indicative Timetable

Subject to the ASX Listing Rules, the Corporations Act requirements and Viento Shareholder approval, Qld Iron anticipates completion of the Capital Reduction in accordance with the following indicative timetable (which is subject to change by Viento):

Notice of Meeting and Prospectus despatched to Shareholders	7 August 2013
Meeting to approve Capital Reduction	10 September 2013
Results of Meeting are announced on the ASX	10 September 2013
Last day for trading in pre-reorganised securities	11 September 2013
Trading in the reorganised securities on a deferred settlement basis starts	12 September 2013
Trading in the reorganised securities on an 'ex return of capital' basis starts	12 September 2013
Record Date	18 September 2013
Last day to register transfers on a pre-reorganisation basis	18 September 2013

First day for Viento to register securities on a post-reorganisation basis and first day for issue of holding statements	19 September 2013
Deferred settlement market ends	25 September 2013
Last day for securities to be entered into the holder's security holdings and to send notice to each security holder*	25 September 2013

\*Please note, normal (T+3) trading starts on the next business day after the issue date (i.e. 26 September 2013) provided the entity tells ASX by noon that the issue has occurred. Settlement of trades conducted on a T+3 basis and the first settlement of on-market trades conducted on a deferred settlement basis occurs 3 business days after T+3 trading starts (i.e. 1 October 2013).

The above dates are indicative only and may change without notice. The Company reserves the right to amend the indicative timetable.

### 3.8 Capital Structure

The capital structure of the Company following completion of the Capital Reduction (subject to approval at the Viento Shareholders meeting) is summarised below<sup>1</sup>:

(a) Shares<sup>2</sup>

	Number
Shares currently on issue <sup>3</sup>	79,799,572
Shares to be Distributed under the Capital Reduction	79,799,572
<b>Total Shares on completion of the Offer</b>	<b>79,799,572</b>

<sup>1</sup> Refer to the Investigating Accountant's Report set out in Section 9 for further details.

<sup>2</sup> The rights attaching to the Shares are summarised in Section 12.1.

<sup>3</sup> The number of Shares to be issued and then Distributed under the Capital Reduction are subject to the finalisation of the Eligible Viento Shareholders as at the Record Date.

(b) Options

There are no options on issue or proposed to be issued under the Capital Reduction.

### 3.9 Financial information

The Company has a limited operating history and expenditure as a wholly owned subsidiary of Viento and has only incurred the minimum expenditure as required under tenement EPM 14479.

As a result, the Company is not in a position to disclose any key financial ratios other than its balance sheet which is included in the Investigating Accountant's Report set out in Section 9.

### 3.10 Funding arrangements

The Company has entered into a Loan Agreement with Viento to facilitate the immediate short term funding requirements of the Joint Venture. Viento has agreed to loan up to \$200,000 which will be repayable either by 30 June 2014, unless as otherwise agreed between the parties, on 60 days' written notice

being provided to Qld Iron by Viento or any event of default. Details of the Loan Agreement are summarised in Section 11.2.

In addition, Qld Iron will also seek to obtain additional equity or debt funding for its ongoing exploration activities.

### 3.11 Taxation

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each Shareholder. All Eligible Shareholders are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors do not accept any liability or responsibility with respect to the taxation consequences Shares transferred under this Prospectus.

A general tax overview has been provided in the accompanying Notice of Meeting; however Eligible Shareholders are urged to seek independent advice.

### 3.12 Dividend policy

The Company anticipates that significant expenditure will be incurred in the evaluation and development of the Project. Accordingly, the Company does not expect to declare any dividends in the near future.

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the availability of distributable earnings and operating results and financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

### 3.13 Corporate governance

The Company has adopted systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

As the Company's activities develop in size, nature and scope, the Board will look to implement additional corporate governance policies as required.

### 3.14 Substantial Shareholders

The Substantial Shareholders of Viento Group Limited at the date of this Prospectus, are set out in the table below.

Shareholder	Shares	%
Mr Robert Nichevich & Associates <sup>1</sup>	10,860,000	13.6%
Mr Nicholas John Silverthorne & Mrs Maureen Silverthorne atf The Silverthorne Trust A/c <sup>2</sup>	10,739,914	13.5%
Hanscon Holdings Pty Ltd atf the Hanscon Discretionary Trust	10,487,568	13.1%
De Mol Investments Pty Ltd & Associates	4,452,131	5.58%

Blissett Holdings Pty Ltd <sup>3</sup>	4,000,000	5.01%
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<sup>1</sup> The relevant interests are held by Mr Robert Nichevich, Koy Pty Ltd and Deluge Holdings Pty Ltd. Koy Pty Ltd is controlled by Mr Nichevich by virtue of him being the sole director and secretary. Mr Nichevich is a director of Deluge Holdings Pty Ltd and is the Executive Chairman of Qld Iron and director of Viento.

<sup>2</sup> UBS Wealth Management Australia Nominees Pty Ltd hold the Shares on behalf of Mr Nicholas John Silverthorne and Mrs Maureen Silverthorne as trustee for The Silverthorne Trust a/c. Mr Nicholas Silverthorne is a Non-Executive Director of Qld Iron and executive director of Viento.

<sup>3</sup> Blissett Holdings Pty Ltd is controlled by Mr Raymond Campbell Munro by virtue of him being the sole director and secretary. Mr Munro is the chairman and non-executive director of Viento.

### 3.15 Directors and key personnel

The Board will initially be responsible for the day-to-day operations of Qld Iron, including the management of the Project, managing the engagement of consultants and contractors and the identification of any potential acquisitions to diversify the Company's operations.

The Board of Qld Iron consists of the following:

(a) Mr Robert Nichevich, Executive Chairman

A Director of Qld Iron since 18 December 2008, Robert is a director of Viento (and acting chief executive officer if required) and held the position of executive chairman of Viento from November 2008 to June 2013.

He is a Chartered Accountant with extensive financial management experience and a 20 year track record of working for Viento, transitioning the business from its beginnings in mining and exploration, its foray into property funds management and now its transition through to a mining services company.

Robert has extensive knowledge of the Project and remains a director of Viento.

(b) Mr Damian Wright, Non-Executive Director

Appointed as a Director on 24 April 2009, Damian is a financial and corporate executive with broad experience in all aspects of accounting and corporate governance functions.

He is currently chief financial officer and company secretary for Viento and its subsidiaries. Damian has extensive experience in statutory reporting, financial analysis, budgeting and forecasting.

Damian has worked in the accounting industry since 1995 and has been a recognised Certified Practising Accountant since 1999. He completed a Graduate Diploma in Applied Corporate Governance and became a Chartered Secretary in 2010.

(c) Mr John Silverthorne, Non-Executive Director

Mr Silverthorne was appointed as a non-executive Director on 15 March 2013.

John has over 33 years experience in the earthmoving and resources industry including his role as one of the two founders and an original director of specialist mining services company, NRW Holdings Limited prior to it becoming an ASX listed company.

He maintains key roles in a broad range of companies within the mining and resources industry including his role as an executive director of Viento. John brings his knowledge of resource extraction and skill for business development to the board of Qld Iron.

There are currently no direct employees of Qld Iron. The Board will determine the engagement of direct employees and contractors with the development of the Project as required.

### 3.16 Disclosure of interests

The Company has paid no remuneration to its Board since incorporation to the date of this Prospectus and no remuneration will be paid or accrue until such time as the Distribution is complete and Qld Iron has sufficient capital to meet its ongoing costs and expenditure.

Subject to Viento Shareholder approval of the Distribution; it is proposed that the Executive Chairman, Mr Robert Nichevich, will be entitled to receive an annual remuneration from Qld Iron of \$25,000 (including statutory superannuation) following the Distribution.

Subject to Viento Shareholder approval of the Distribution, the Director's proposed remuneration and interests in Viento and Qld Iron are shown below on a diluted and undiluted basis:

Director and Key Management	Remuneration	Viento Shares (Undiluted)	Viento Options (Diluted) <sup>1</sup>	Qld Iron Shares (Undiluted)	Qld Iron Shares (Diluted) <sup>2</sup>
Robert Nichevich	\$25,000	10,860,000	600,000 <sup>4</sup>	10,860,000	11,460,000
John Silverthorne	Nil	10,739,914	600,000 <sup>4</sup>	10,739,914	11,339,914
Damian Wright <sup>3</sup>	Nil	20,000	500,000 <sup>5</sup>	20,000	520,000

<sup>1</sup> Options held by the Directors and key management that have vested as at the date of the Notice of Meeting.

<sup>2</sup> Assumes the Directors and key management have exercised all of the unlisted Viento Options that have vested prior to the Record Date.

<sup>3</sup> Damian Wright is the Chief Financial Officer of Viento and is a Non-Executive Director of Qld Iron.

<sup>4</sup> The Options held by Robert Nichevich and John Silverthorne are exercisable at \$0.25 cents on or before 30 June 2015.

<sup>5</sup> The Options held by Damian Wright are exercisable at various prices and dates, including 100,000 Options exercisable at \$0.125 on or before 29 September 2013, 100,000 Options exercisable at \$0.15 on or before 30 June 2014, 100,000 Options exercisable at \$0.40 on or before 30 June 2015 and 200,000 Options exercisable at \$0.25 on or before 30 June 2015.

### **3.17 Agreements with Directors or related parties**

Qld Iron has entered into deeds of indemnity, insurance and access with each of its Directors. Under these deeds, the Company agrees to indemnify each officer to the extent permitted by the Corporations Act against any liability arising as a result of the officer acting as an officer of the Company. Qld Iron is also required to maintain insurance policies for the benefit of the relevant officer and must also allow the officers to inspect board papers in certain circumstances.

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#### 4. CHAIRMAN'S LETTER

Dear Shareholders

On behalf of the Board, we are pleased to present this Prospectus to you. It should be read in conjunction with the Notice of Meeting sent to you at the same time as this Prospectus.

On 1 February 2013, Viento announced a proposed Distribution which, if implemented, will result in the separation of Viento's mining services business and the Qld Iron Constance Range iron ore Project.

The proposed demerger is subject to approval by Viento Shareholders and, if approved, will proceed by way of an in specie distribution pursuant to which 79,799,572 of the issued shares in Qld Iron held by Viento will be transferred to Shareholders in the ratio of one Qld Iron Share for every one Viento Share held as at the Record Date by way of Capital Reduction.

As part of a review of Viento operations, the Board of Viento identified a way to remove the Constance Range asset from the Viento balance sheet, as it is no longer considered a core part of Viento's business, and distribute it to Eligible Shareholders with the aim of extracting greater Shareholder value by establishing the Project as a stand-alone operation.

Following the Distribution, the Company intends to conduct studies on the Project to determine viable infrastructure and transport options in the event that further exploration carried out on the Project upgrades the current status of the Inferred Mineral Resource Estimate and identifies a commercially viable method of extraction.

My fellow Directors believe that Shareholders will be able to participate directly in any potential upside of Qld Iron's operations, as Qld Iron pursues its individual corporate strategies as an independent company.

You are therefore encouraged to attend and vote in relation to Viento's General Meeting. If you are unable to attend the General Meeting, a copy of your proxy form is attached. Please complete it by filling out your voting preference, and lodging it in the specified manner by the specified date.

We look forward to welcoming you as a Shareholder of Qld Iron.

Yours sincerely

**Mr Robert Nichevich**  
**Executive Chairman**  
**For and on behalf of Qld Iron Limited**



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## **5. OFFER BY WAY OF CAPITAL REDUCTION**

As announced by Viento to ASX on 1 February 2013, Viento is proposing to restructure its assets through the divestment of its interest in Qld Iron to Viento Shareholders.

Viento Directors believe that the Distribution is in the best interests of the Viento Shareholders based on the view that greater value may be created for Shareholders through the proposed demerger and allow Viento to focus on its mining service activities.

Subject to Resolution 1 of the accompanying Notice of Meeting, Viento will distribute 79,799,572 Qld Iron Shares to Eligible Shareholders.

The Shares will be distributed to Eligible Shareholders in respect of the number of shares in the Company on issue as at the Record Date. Viento will not retain any Qld Iron Shares following the Capital Reduction. The number of Qld Iron Shares each Shareholder will receive is one Qld Iron Share for every one Viento Share held by the Eligible Shareholder.

The value of the Qld Iron Shares will be determined by dividing the net assets of Qld Iron as at the Record Date by the total number of Shares on issue. Based on the pro-forma Qld Iron net assets as at 31 December 2012, the value of the 79,799,572 Qld Iron Shares being distributed to Shareholders would be approximately \$1,829,000 or \$0.023 per share.

A copy of the Independent Geologist's Report is provided in Section 8 of this Prospectus.

### **5.1 Purpose of the Offer**

As part of a proposal to extract value for Shareholders, the Viento Board of Directors identified the opportunity to make a Distribution of the Qld Iron asset to Shareholders.

The purpose of the Distribution is to demerge the asset from the books of Viento and simplify the balance sheet as it is no longer part of Viento's core business.

If the separation of Viento and Qld Iron is completed it is likely that Qld Iron will seek to raise funds to progress its 70% share in the Project.

Shareholders will have a direct shareholding interest in the Project as a result of the Distribution. In this regard, the Viento Directors believe that Shareholders will be able to participate directly in any potential upside of Qld Iron's operations. Qld Iron, an unlisted public company, will operate as a separate company pursuing different corporate strategies to that of Viento.

Subject to Viento Shareholder approval at the Meeting, the Distribution will be implemented in accordance with the timetable set out in Section 3.7.

### **5.2 Applications**

No applications for Shares are required under the Offer. If the Capital Reduction is approved by Viento Shareholders at the Meeting, then Eligible Shareholders on the Viento share register on the Record Date will be entitled to be transferred the Qld Iron Shares on a pro rata basis as set out in the Notice of Meeting.

### **5.3 Minimum subscription**

There is no minimum subscription under this Offer as there is no capital being raised. If the Offer is approved by Shareholders then 79,799,572 Qld Iron Shares will be transferred to Shareholders on the Viento share register on the Record Date in accordance with the timetable set out in Section 3.7.

### **5.4 Restricted securities**

As at the date of this Prospectus, there are no Qld Iron Shares subject to escrow.

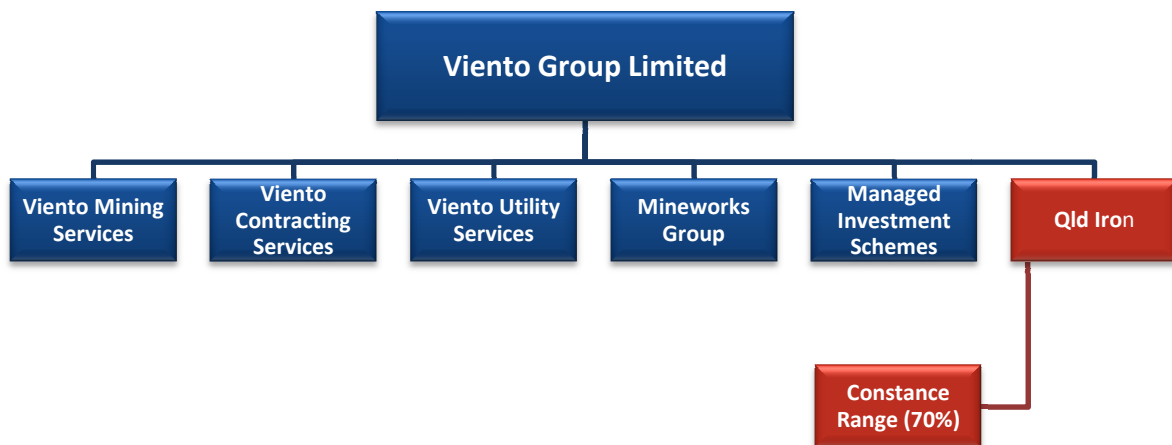
Shareholders should note that the Qld Iron Shares to be transferred under this Prospectus are not quoted on a stock exchange and are therefore not liquid or readily tradeable.

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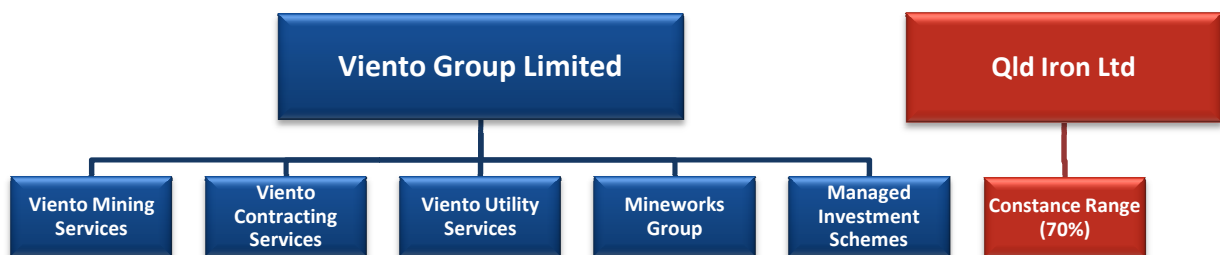
## 6. COMPANY AND PROJECT OVERVIEW

### 6.1 Proposed Structure

*Pre-Capital Reduction Structure:*



*Post-Capital Reduction Structure:*



### 6.2 Project overview

Qld Iron's sole asset is a 70% interest in the Constance Range iron ore Project located in the Lawn Hill district of North West Queensland, approximately 230 kilometres north west of Mt Isa and some 200 kilometres from the Gulf of Carpentaria.

The main iron deposits that comprise up to six beds at Constance Range consist of dominantly hematite with siderite and silica zones. These beds are hosted in the Train Range Ironstone member of the middle Proterozoic Mullera Formation situated within the South Nicholson Basin.

Australia's largest open pit zinc mine, Century zinc mine, which is owned by MMG Limited is located 45 kilometres west of the Project.

The Project holds the EPM 14479, with 59 sub-blocks covering a large exploration tenement 192 kilometres squared.

The remaining 30% interest in the Project is held by Qld Iron's Joint Venture partner, KBL Mining. Qld Iron is responsible for the management of the Joint Venture which operates with standard rules for programs of work and cash calls with dilution clauses.

The EPM was initially granted on 27 March 2006 for a five year term which has now been extended until 26 March 2014.

BHP first explored the area in the period 1956 to 1963 and delineated 15 iron deposits over a strike length of 100 kilometres. The two largest deposits (A and P) outlined by the BHP drilling are contained within the Joint Venture exploration permit EPM 14479. However, the BHP results were not reported in accordance with the standards as required under the JORC code.

CBH since conducted a drilling program of 14 holes to broadly confirm and validate the BHP data and infill widely spaced holes. A preliminary modelling exercise conducted by independent consultants CSA Australia Pty Ltd for CBH was completed using sectional interpretation with missing collar elevation data and absolute hole positions.

The program established a JORC Code compliant Inferred Mineral Resource estimate outside of the National Park stated as 236Mt at 53.2% Fe, 10.3% SiO<sub>2</sub>, 0.02% P, 0.07% S, 1.6% Al<sub>2</sub>O<sub>3</sub> and 11.2% LOI.

Additional information on the Project is provided in the Independent Geologist's Report in Section 8 of this Prospectus.

### **6.3 Constance Range development**

Based on the above Inferred Mineral Resource identified, the Company plans to progress a detailed study to identify the commercial viability of the Project and assess the infrastructure requirements of delivering the ore to market.

The Company will review opportunities to utilise existing regional infrastructure to establish how this may be used to develop the Project and seek out discussions with site operators to determine availability.

The Joint Venture will also look to advance scoping studies to define the Project parameters and determine the best extraction method for the Inferred Mineral Resource. The Company will also look to negotiate support from the Queensland Government and Traditional landowners.

Refer to the Independent Geologist's Report in Section 8 of this Prospectus for additional information about the Project.

### **6.4 Joint Venture expenditure**

Under the terms of the EPM 14479 for the Project, the Joint Venture is responsible for meeting certain expenditure in order to maintain the permit.

The costs associated with the EPM include annual rent of \$131.40 per sub-block, or a total cost of \$7,752.60 per annum for all 59 sub-blocks, payable to the Queensland Department of Minerals & Energy.

In addition, the Joint Venture must achieve a minimum expenditure under EPM 14479 of \$150,000. All Project costs are split by the Joint Venture on a pro-rata basis.

Once additional studies have been carried out, as highlighted under Section 6.3, it is likely that the Company and/or Joint Venture will seek to bring external investors or a major partner in to assist in the Project development.

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## 7. RISK FACTORS

### 7.1 Introduction

The Shares offered under this Prospectus are considered highly speculative. The Shares are not risk-free and the Directors strongly recommend Shareholders consider the risk factors described below, together with information contained elsewhere in this Prospectus and the Notice of Meeting, before deciding how to vote at the Meeting.

There are specific risks which relate directly to the Company's business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this Section, or other risk factors, may have a material impact on the financial performance of the Company and the value of the Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

### 7.2 Qld Iron Specific Risks

(a) Shareholder Approval

The Offer is conditional on the shareholders of Viento approving the in specie distribution in accordance with sections 256B and 256C(1) of the *Corporations Act 2001* (Cth) at a general meeting of shareholders to be held on 10 September 2013 (or any adjournment of that meeting). There is a risk that this approval may not be obtained.

(b) Areas within National Park and Wild Rivers Reserve

The area of the Tenement is overlapped by areas classified as environmentally sensitive areas under the *Environmental Protection Act 1993*. This includes the Boodjamulla National Park where exploration or development is prohibited and Wild River high preservation areas. Watercourses and lakes within the high preservation area may only be explored using limited hand sampling techniques. Areas within and up to one kilometre each side of the wild river and its tributaries and special off-stream features, such as floodplain wetlands may be constrained under the *Wild Rivers Act 2005*. As such, there is a risk that the Company may not be able to complete all of its preferred exploration programmes in its preferred timetable or at all in respect of this area.

(c) Environmental Risks

The operations and proposed activities of the Company are subject to Queensland State and Federal laws and regulation concerning the environment. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

In this regard, the Queensland Department for Natural Resources and Mines from time to time reviews the environmental bonds that are placed on tenements. The Directors are not in a position to state

whether a review is imminent or whether the outcome of such a review would be detrimental to the funding needs of the Company.

Due to the Project lying within areas of the Boodjamulla National Park and high preservation areas, development of a mining operation within those areas is likely to be subject to a more strenuous approval process by the relevant Queensland Government bodies and the conduct of mining operations within those areas, if allowed, will need to have greater regard than normal for environmental protection. The full impact on excluded areas is not yet known but may have a significant impact on the cost and operation of mining activity.

(d) Title Risk

Interests in the Tenement are governed by the legislation and regulations applicable to Queensland and are evidenced by the granting of licences or leases. Each licence or lease is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, the Company could lose title to or its interest in the concessions if licence conditions are not met or if insufficient funds are available to meet expenditure commitments.

(e) Native Title and Aboriginal Heritage

In relation to Tenement which the Company has an interest in or will in the future acquire such an interest, there may be areas over which legitimate common law native title rights of Aboriginal Australians exist. If native title rights do exist, the ability of the Company to gain access to tenements (through obtaining consent of any relevant landowner), or to progress from the exploration phase to the development and mining phases of operations may be adversely affected.

Native Title exists in areas that overlap the Tenement and is held by the Waanyi Peoples. In addition, a registered ILUA is in place called the Waanyi People Boodjamulla National Park Indigenous Land Use Agreement and covers an area of approximately 3,798 square kilometres, located southwest of Doomadgee, west of Gregory Downs and north of Camooweal.

The terms and conditions of any such ILUA may be unfavourable for, or restrictive against the Company which may affect the ability of the Company to explore or mine on the Tenement.

In addition, the Tenement contains Aboriginal cultural heritage sites. The existence of the Aboriginal cultural heritage sites within the Tenement may lead to restrictions on the areas that the Company will be able to explore and mine.

(f) Tenure Risks

Mining and exploration tenements are subject to periodic renewal. There is no guarantee that current or future tenements or future applications for production tenements will be approved.

Tenements are subject to the applicable mining acts and regulations in Queensland. The renewal of the term of a granted tenement is also subject to the discretion of the relevant Minister. Renewal conditions may include increased expenditure and work commitments or

compulsory relinquishment of areas of the tenements comprising the Company's Project. The imposition of new conditions or the inability to meet those conditions may adversely affect the operations, financial position and/or performance of the Company.

Please refer to the Solicitor's Report on Tenements in Section 10 for further details.

(g) Changes in Government Policy

Adverse changes in government policies or legislation in Queensland and other jurisdictions in which the Company may operate from time to time affecting taxation, royalties, land access, labour relations, and mining and exploration activities may affect the operations of the Company. It is possible that the current system of exploration and mine permitting in Queensland may change, resulting in impairment of rights and possibly expropriation of the Company's properties without adequate compensation. In addition, there is a possibility that the Company's agreements with governments or joint venture partners may be unenforceable against such parties.

(h) Liquidity Risk

There are currently 79,799,572 Qld Iron Shares already on issue. On completion of the Capital Reduction, the Company will not be admitted to the official list of the ASX or any other financial market and it is not intended that an application be made for quotation of the Shares on completion of the Capital Reduction. Therefore, there is an increased liquidity risk as the issued capital will not be able to be traded on the ASX. There is no guarantee that the Shares will be listed at a later date. Therefore, the Shares may be considered to be illiquid.

(i) Future capital requirements

As at the date of this Prospectus, Qld Iron will be dependent on Viento to support its future activities and operations. Qld Iron will seek to raise further capital (equity or debt) within an acceptable time; however, Qld Iron's ability to do so will vary according to a number of factors, including:

- the results of subsequent feasibility studies regarding the Project;
- the ability to access existing infrastructure;
- sharemarket and industry conditions; and
- the commodity price of iron ore versus the possible extraction rate.

There can be no assurance that such funding will be available on satisfactory terms or at all. Any inability to obtain finance will adversely affect the business and financial condition of Qld Iron and, consequently, its performance. Any additional equity financing will dilute shareholdings and debt financing, if available, may involve restrictions on financing and operating activities.

(j) Joint Venture risks

Qld Iron's sole asset is the 70% joint venture interest in the Project with KBL Mining. The Directors are therefore unable to predict the risk of

financial failure or default by KBL Mining or any other future participant in the Joint Venture to which the Company is a party.

### 7.3 Industry specific and general risks

(a) Resource Estimates

Resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and mining plans which may, in turn, adversely affect the Company's operations.

(b) Exploration Success

Shareholders should understand that mineral exploration and development are speculative undertakings.

There can be no assurance that Qld Iron's exploration for iron ore on the Project or any other exploration properties that may be acquired, will result in the discovery of iron ore. Even if an apparently viable resource is identified, there is no guarantee that it can be economically extracted.

(c) Operating Risks

The operations of the Company may be affected by various factors, including without limitation, failure to locate or identify mineral deposits, failure to achieve predicted grades in exploration and mining, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

(d) Exchange rate risks

International prices of various commodities including iron ore is denominated in United States dollars; whereas, the income and expenditure of Qld Iron will be taken to account in Australian currency, exposing Qld Iron to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

(e) Commodity price volatility

If Qld Iron achieves success leading to mineral production, the revenue it derives through the sale of commodities may expose the potential income of Qld Iron to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors which would be beyond the control of Qld Iron. Such factors include supply and demand fluctuations for iron ore, technological advancements, forward-selling activities and other macro-economic factors.



(f) Contractor risks

The Directors are unable to predict the risk of financial failure, insolvency, managerial failure or default by any of the contractors or other service providers used (or to be used in the future) by the Company in any of its activities.

(g) Economic

General economic conditions, introduction of tax reform, new legislation, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

(h) Investment speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by Shareholders in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus.

Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Eligible Shareholders should note that the Qld Iron Shares to be transferred under this Prospectus are not quoted on a stock exchange and are therefore not liquid or readily tradeable. The Qld Iron Shares are considered highly speculative.



**AL MAYNARD & ASSOCIATES Pty Ltd**

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*Australian & International Exploration & Evaluation of Mineral Properties*

**INDEPENDENT GEOLOGICAL REPORT**

ON

THE CONSTANCE RANGE IRON PROJECT (EPM 14479)

IN

QUEENSLAND, AUSTRALIA

PREPARED FOR

**Qld Iron Limited**

Author: Allen J Maynard BAppSc (Geol), MAIG, MAusIMM  
Company: Al Maynard & Associates Pty Ltd  
Date: July, 2013

## Executive Summary

EPM 14479 is located 230km NW of Mt Isa and 200km from the Gulf of Carpentaria. The main iron deposits that comprise up to six beds at Constance Range consist of dominantly hematite with siderite and silica zones. These beds are hosted in the Train Range Ironstone member of the middle Proterozoic Mullera Formation within the South Nicholson Basin.

From 1956-63 BHP Billiton Ltd (then BHP Ltd) explored the area and established a (pre-JORC Code) mineral inventory of 310Mt at 50.4% Fe and 9.03% SiO<sub>2</sub> using a 10% SiO<sub>2</sub> cut-off in seven deposits. We would refer to this as Target Mineralisation today although best-industry practices would have been incorporated with that work.

The best tested portion is Deposit 'A' with 245Mt at 51.8%Fe and 9.4% SiO<sub>2</sub>. However, only 10Mt was identified as possibly amenable to open pit mining. BHP then considered an underground operation but relinquished the project in 1965 on economic grounds as not being viable. Please note, these historical results reported by BHP Ltd are not reported in accordance with the JORC Code. Kindly refer to Annexure 2 for clarification of the use of these results for the purposes of this Report to comply with the JORC Code.

With respect to the BHP results alone, a competent person has not done sufficient work to classify the historical estimates of mineral resources or ore reserves in accordance with the JORC Code. It is uncertain that following evaluation and/or further exploration work that these BHP estimates will be able to be reported as resources or reserves in accordance with the JORC Code.

Qld Iron Limited ("QIL") now has an Exploration Permit for Minerals 14479 ("EPM") over 59 sub-blocks covering 192km<sup>2</sup> which was granted on 27<sup>th</sup> March, 2006 for a five year term expiring on 26<sup>th</sup> March, 2011. An extension was granted to 26<sup>th</sup> March, 2014. The annual rent payable to the Queensland Department of Minerals & Energy ("DME") is \$131.40 per sub-block. The cost for the 59 sub-blocks is \$7,752.60 per annum. The minimum expenditure required is \$150,000 per annum. QIL is the operator of an established JV on the EPM and QIL has a 70% interest. KBL Mining Limited ("KML") (ASX:KBL) holds the balance of 30% interest.

The EPM covers Deposit 'A' and Deposit 'P' and is subject to a Native Title agreement with the traditional owners, the Waanyi People granting QIL exploration access rights. The EPM is also bounded on three sides by the Lawn Hill National Park which, in a central block, covers some of the deeper mineralisation. The balance of the mineral inventory occurs to the east, west and north of the National Park.

The holder of an EPM has the exclusive right to explore, and if successful, apply for mining rights within the same ground. At present it is not known how much expenditure has been recently incurred on this ground by previous 30% interest holder CBH Resources Limited ("CBH").

CBH is replaced by KML. There are no known references to previous purchasers or occupiers of this ground other than as stated below in S4.3. The KML explanatory memorandum indicates expenditure of approximately \$1m up to 2012. Since then QIL has expended a further A\$105,000.

Metallurgical testing prior to 1963 confirmed that the iron can be beneficiated by a fine grind followed by 600°C reduction and wet magnetic separation to a 66.4% Fe and 6.5% SiO<sub>2</sub> concentrate with a 90.5% recovery. Nonetheless, metallurgical tests using modern technology are required for future work.

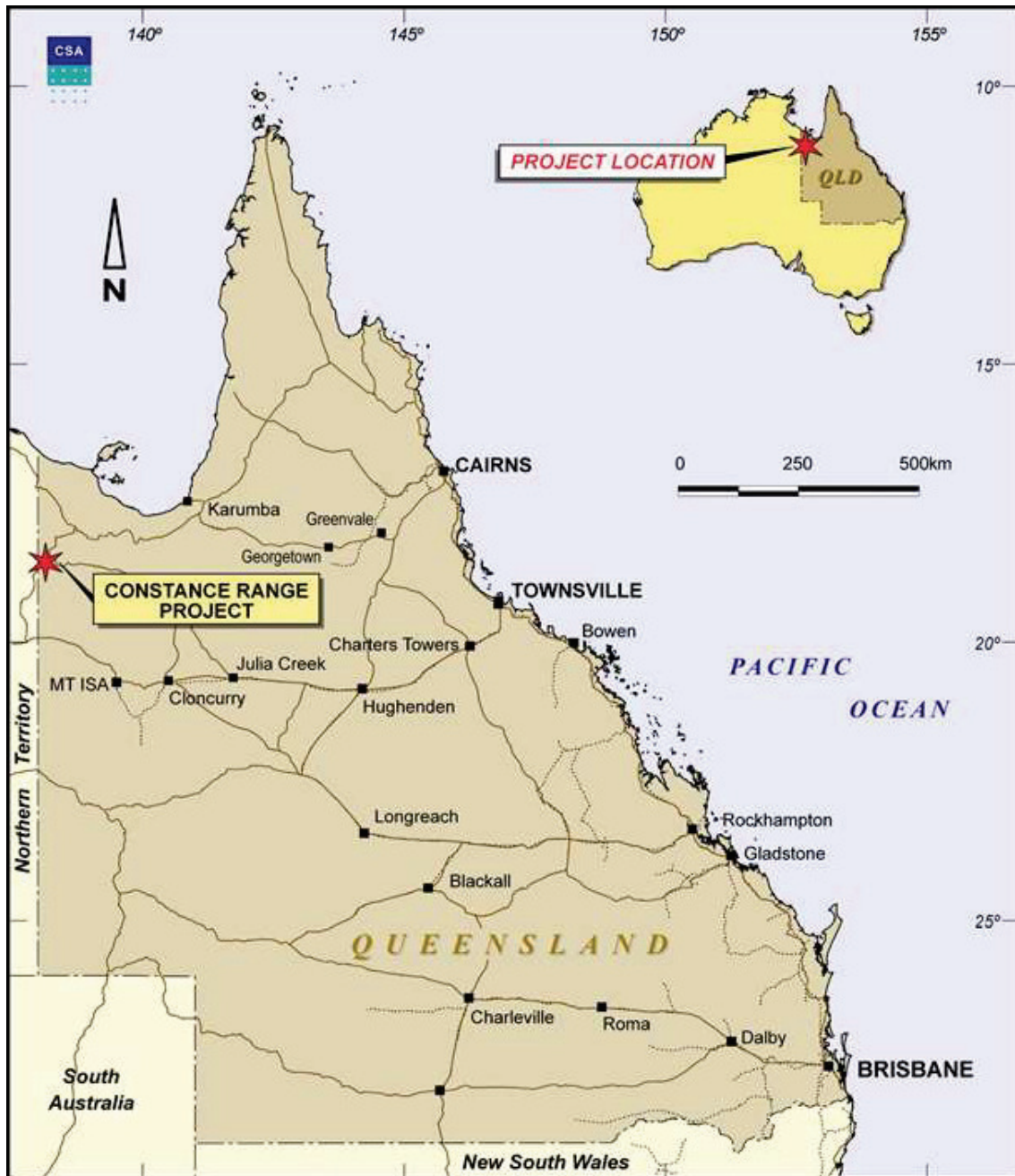


Figure 1: Regional Location Map.

CBH conducted a drilling program of 14 holes to broadly confirm and validate the BHP data and establish an Inferred Mineral Resource estimate.

Additional details are provided in Annexure 1 of this report. Note that about 44% of the total known mineralisation is outside of the buffer zone.

The total Inferred Mineral Resource estimate outside of the National Park is 236Mt at 53.2% Fe, 10.3% SiO<sub>2</sub>, 0.02% P, 0.07% S, 1.6% Al<sub>2</sub>O<sub>3</sub> and 11.2% LOI.

## *Contents*

<b>EXECUTIVE SUMMARY</b> .....	<b>1</b>
<b>PREAMBLE</b> .....	<b>1</b>
<b>1.0 BACKGROUND INFORMATION</b> .....	<b>3</b>
1.1 INTRODUCTION.....	3
1.2 LOCATION AND ACCESS .....	3
1.3 TENURE.....	3
<b>2.0 GEOLOGICAL SETTING</b> .....	<b>4</b>
2.1 REGIONAL GEOLOGY .....	5
2.2 STRUCTURE.....	5
2.3 MINERALISATION - METALLURGY .....	5
<b>3.0 EXPLORATION HISTORY</b> .....	<b>6</b>
<b>4.0 EXPLORATION POTENTIAL</b> .....	<b>7</b>
<b>5.0 CONCLUSION</b> .....	<b>9</b>
<b>6.0 REFERENCES</b> .....	<b>9</b>
<b>7.0 GLOSSARY</b> .....	<b>10</b>

### **List of Figures**

Figure 1: Regional Location Map. ....	2
Figure 2: EPM14479 over Local Geology.....	4
Figure 3: Constance Range Iron Project Exploration History Diagram. ....	7
Figure 4: Constance Range Iron Project Related to Park & Buffer Zones.....	14

### **List of Tables**

Table 1: Licence Details.....	3
Table 2: BHP – CBH estimate comparison. ....	8
Table 3: Sterilisation exclusions for Deposit A.....	8

Appendix 1: Information about the Resource Estimates (From KML Prospectus) .....	12
Appendix 2: Statements Regarding the BHP Historical Resource Estimates .....	15

The Directors  
QLD Iron Ltd,  
Level 1, 76 Hasler Road,  
Osborne Park, WA 6017

17<sup>th</sup> July, 2013

## Preamble

Al Maynard and Associates (“AM&A”) were commissioned by QIL to provide an Independent Geological Report (“IGR”) on its mineral exploration tenement EPM 14479 located in Queensland, Australia.

It is understood that this Report will be included in a Prospectus to be lodged with the Australian Securities and Investments Commission (“ASIC”) on or about 17<sup>th</sup> July, 2013, to enable the distribution in specie to shareholders of Viento Group Limited (“VGL”) on a 1:1 basis.

The IGR has been prepared in accordance with the JORC Code and the Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports (“The Valmin Code”), which is binding upon Members of the Australasian Institute of Mining and Metallurgy (“AusIMM”) and the Australian Institute of Geoscientists (“AIG”), and the rules and guidelines issued by such bodies as ASIC and Australian Securities Exchange (“ASX”), which pertain to Independent Expert’s Reports.

The mineral licences are considered to be at an advanced brown-fields stage. They are considered inherently speculative in nature, however, subject to varying degrees of development risk, they warrant further studies consistent with the proposed budget. The Company intends to undertake further work to assess the viability of the project. A detailed budget is not yet established.

QIL plans to study and review existing regional infrastructure, particularly transport options, to establish how this may be best utilised to develop the project. The minimum statutory expenditure commitment will be met. The IGR has been prepared on information available up to 30<sup>th</sup> June, 2013.

This Report has been prepared by Allen J. Maynard. Mr Maynard is the Principal Geologist of AM&A, a qualified geologist, a Member of the Australasian Institute of Mining & Metallurgy (“AusIMM”) and a Member of the Australian Institute of Geoscientists (“AIG”). He has over 35 years continuous experience in mineral exploration and evaluation and more than 25 years’ experience in mineral asset valuation.

Neither the writer nor any of his associates or employees have any material interest either direct, indirect or contingent in QIL nor in any of the mineral assets included in this Report nor in any other QIL asset nor has any such interest existed previously. Apart from the preparation of an Independent Technical Valuation by AM&A for QIL’s predecessor, VGL, on this project in July 2011, no other commercial relationship has existed between AM&A and QIL in relation to the appointment to prepare this Report.

AM&A has had no input into the formulation of any of the mineral tenements under review. This IGR has been prepared by AM&A strictly in the role of an independent consulting geologist.



The present status of the tenement listed in this Report is based on information provided by QIL and the Report has been prepared on the assumption that the tenement will prove lawfully accessible for evaluation and development. QIL has warranted to AM&A that full disclosure has been made of all material information in its possession or knowledge and that such information is complete, accurate and true. None of the information provided by QIL has been specified as being confidential and not to be disclosed in our Report.

As recommended by the Valmin Code, QIL has indemnified AM&A for any liability that may arise from AM&A's reliance on information provided by QIL or known of but not provided by QIL.

Information used in the preparation of this Report has been derived from technical information provided by QIL and other publicly available data. The writer is generally familiar with the various geological settings and styles of mineralisation and combined with the technical data available is able to make informed comments on the project areas. The writer has worked in the general area several times over the past three decades.

For the purpose of Sections 731 to 733 of the Corporations Law, AM&A were involved in the preparation of the IGR included in this Prospectus, and have authorised or caused the issue of this part of the Prospectus only. AM&A has given consent in writing to the issue of the Prospectus with this IGR included in the form and context it was provided and has not withdrawn that consent before the lodgement of the Prospectus with the ASIC.

AM&A observes Section 947B of the Corporations Act 2001 (Cwlth). In accordance with Corporations Regulation 7.6.01(1)(u) and Corporations Amendment Regulations 2003 (No. 7) 2003 No. 202, this IGR is not financial product advice but is intended to provide investors with expert opinion on matters relevant to an investment in the Company. Allen J Maynard and AM&A are not operating under an Australian financial services licence and the advice in this IGR is an opinion on matters other than financial products and does not include advice on a financial product.

Yours faithfully,



Allen J. Maynard      BAppSc(Geol), MAIG, MAusIMM.

## 1.0 Background Information

### 1.1 Introduction

EPM 14479 is located 230km NW of Mt Isa and 200km from the Gulf of Carpentaria. The main iron deposits that comprise up to six beds at Constance Range consist of dominantly hematite with siderite and silica zones. These beds are hosted in the Train Range Ironstone member of the middle Proterozoic Mullera Formation situated within the South Nicholson Basin.

### 1.2 Location and Access

The Constance Range Project is located in far NW Queensland, some 40km NW of MMG's Century zinc-lead mine. The project area is 230km NW of Mt Isa and some 200km from the Gulf of Carpentaria.

The Adelaide–Darwin railway is about 400km to the west of the project. The closest power supply is at Century; gas is piped to Mt. Isa and concentrate ship loading facilities are available at Karumba, Gulf of Carpentaria. The area is considered to be self-sufficient for water supplies.

### 1.3 Tenure

QIL now has an EPM over 59 sub-blocks covering 192km<sup>2</sup> which was granted on 27th March, 2006 for a five year term expiring on 26th March, 2011. An extension has been granted and the EPM now runs until 26 March, 2014. The annual rent payable to the DME is \$131.40 per sub-block. The cost for the 59 sub-blocks is \$7,752.60 per annum. The minimum expenditure required is \$150,000 per annum

Tenement	Status	Area (km <sup>2</sup> )	Grant Date	Expiry Date	Annual Expenditure Commitment (A\$)
EPM 14479	Granted	192	27/3/2006	26/3/2014	\$150,000

**Table 1: Licence Details.**

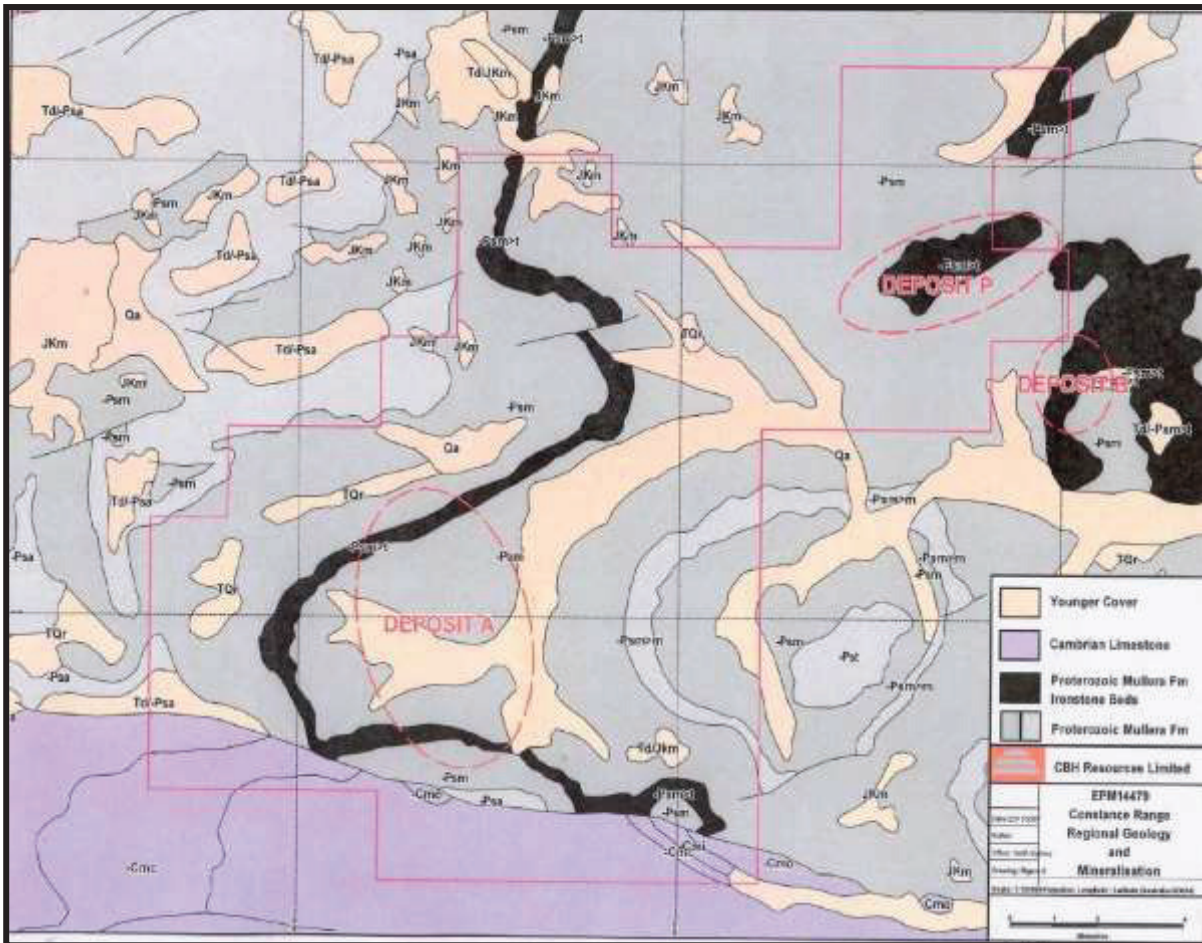


Figure 2: EPM14479 over Local Geology.

## 2.0 Geological Setting

The Constance Range Iron deposits form part of the Train Range Ironstone Member from the middle Proterozoic Mullera Formation of the South Nicholson Basin. There are up to six ironstone beds within a 100m stratigraphic thickness interbedded with dark-grey shales, siltstones and sandstones. Only the lowermost beds have sufficient grade or thickness to warrant commercial consideration. The oolitic ironstone beds are similar to those of the Wabana deposits of Newfoundland that had been exploited during the early twentieth century by underground room and pillar mining to provide 50-63% Fe direct shipping ore to European and American markets. These oolitic deposits are different to Banded Iron Formation deposits that are more typical of the Australian iron ore industry.

The hogbacks and mesa ironstone outcropping beds are composed of ochrous, red hematite and quartz grains cemented in quartz, hematite and chamosite with minor shale and clay. Fresh iron is similar but also contains siderite, minor carbon and rare small veinlets of quartz-pyrite, siderite-pyrite or calcite. The silica content is higher near surface and beds range in composition from hematite-rich to siderite-rich, with varying quantities of quartz. Higher grade beds weather to form high grade oxidised ironstone and low grade beds weather to ferruginous sandstone. Beds dip 5-30° around the rims of two major and several minor structural basins that are cross-folded and cross-faulted.

The aerial extent of the ironstones is some 650km<sup>2</sup> and represents a large target where potential tonnes are proportional to ironstone bed thickness. Unfortunately most of this potential is under thick cover and only deposits on the rims of basin are of commercial interest. Much of Deposit 'A' is in the Lawn Hill National Park and is also sterilised from mining.

## 2.1 Regional Geology

The South Nicholson Basin straddles the Northern Territory- Queensland border. It contains a Mesoproterozoic sedimentary succession that unconformably overlies Palaeoproterozoic rocks of the Murphy inlier to the north and Lawn Hill Platform to the north, south and southeast. The basin is unconformably overlain by the Palaeozoic Georgina Basin to the south and southeast and by the Mesozoic Carpentaria Basin to the east in Queensland.

The basin fill predominantly consists of sandstone, siltstone and shale of the South Nicholson Group. This is understood to correlate with the Roper Group in the McArthur Basin. The three formations that are most conspicuous in outcrop in the Northern Territory are the 1,000m thick Constance Sandstone, 2400m thick Mullera Formation and the 2,700m thick Mittiebah Sandstone. Contacts between these units are conformable, but they may originate from different depocentres.

The only recorded significant mineralisation in the South Nicholson Basin is sedimentary ironstone in the Constance Range of Queensland where oolitic Hematite, siderite and chamosite beds occur in the Train Range Ironstone Member of the Mesoproterozoic Mullera Formation.

## 2.2 Structure

The mineralised bands outcrop on surface some 85m above the valley floor and dip 5-30°, some 15° on average, to the east. Beds dip around the rims of two major and several minor structural basins that are cross-folded and cross-faulted.

## 2.3 Mineralisation - Metallurgy

The previous exploration established that the lower three beds are well developed regarding iron mineralisation.

The Upper Bed is 2.8 - 5.5m thick and was considered uneconomic since silica levels are high. The Middle Bed is 3.7 - 6.8m thick with higher grade mineralisation over the top 3.0 - 4.5m on the southern basin limb. The Lower Bed is 0.6 - 7.0m thick and has higher grades on the northern limb of the basin.

Oxidised beds are composed of ochrous, red hematite and quartz grains cemented in quartz, hematite and chamosite with minor shale and clay. Fresh iron is similar but also contains siderite, minor carbon and rare small veinlets of quartz-pyrite, siderite-pyrite or calcite. The silica content is higher near surface and beds range in composition from hematite-rich to siderite-rich, with varying quantities of quartz.

Initial metallurgical testwork conducted in 1956 used a composite sample from 11 shallow, 'Deposit A' drill cores.

These samples produced an unrepresentative head grade of 51.3%Fe and 22% SiO<sub>2</sub> since the silica is about twice elected cut-off grade. The sample was crushed, roasted, milled and subjected to wet magnetic separation followed by de-magnetisation and classification to produce a concentrate with a grade of 66.4% Fe and 6.45% SiO<sub>2</sub> for an overall recovery of 90.5%.

Other various tests were conducted, such as dry magnetic separation or sink-float testing but results yielded were lower than the conventional route.

Check testwork performed on dump samples in 1965 produced similar results with a 64% Fe product from 97% recovery but the silica grades were not reported. Recent high intensity magnetic separation, dense media separation and flotation advances have developed as the conventional process to separate silica from hematite in low grade iron ores. This may be the appropriate beneficiation process for Constance Range but needs to be tested as does 'pelletisation' of concentrates.

Please note, these historical results reported by BHP Ltd are not reported in accordance with the JORC Code. Kindly refer to Annexure 2 for clarification of the use of these results for the purposes of this Report to comply with the JORC Code.

### 3.0 Exploration History

BHP concentrated exploration in seven areas of outcropping ironstone. After outcrop mapping and sampling the company drilled 205 holes for 25,600m. Three deposits received higher attention with Deposit A receiving 110 holes for 16,500m, Deposit I with 30 holes for 3,500m and Deposit P with 13 holes for 1640m.

Two parallel shafts to 75m depth each were sunk in Deposit A, 150m apart and were connected by a cross-cut. The underground development was to study roof and floor conditions for potential underground 'room and pillar' mining and also supply a bulk sample for metallurgical testing. Expenditure in current (2013) terms is estimated at \$21.6M from the 1963 figure of £630,000. (RBA Inflation Calculator)

Please note, these historical results reported by BHP Ltd are not reported in accordance with the JORC Code. Refer to Annexure 2 for clarification of the use of these results for the purposes of this Report to comply with the JORC Code.

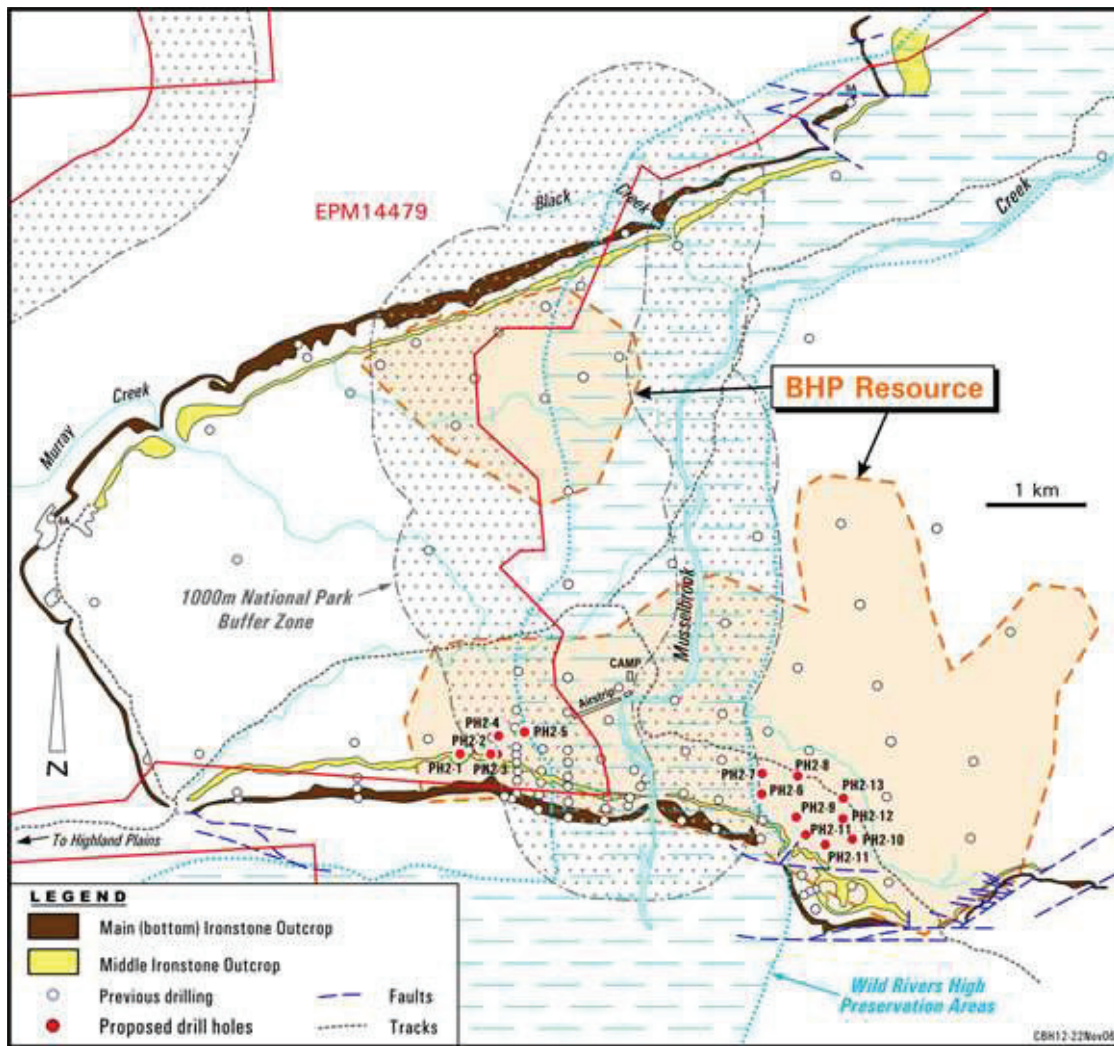


Figure 3: Constance Range Iron Project Exploration History Diagram.

## 4.0 Exploration Potential

The main focus was on the three lower, higher grade ironstone beds. A minimum width of 2m and maximum of 8m with an upper 10% SiO<sub>2</sub> cut-off was considered.

Outcropping and near surface material was discounted as being too oxidised with a much higher silica content.

Open pit opportunities may be different today due to equipment and technology advances. The BHP estimation method would not conform to current JORC standards.

A recent preliminary modelling exercise conducted by independent consultants CSA Australia Pty Ltd (“CSA”) for CBH using sectional interpretation over Deposit A was completed.

The sectional interpretation was built using Micromine software and the resultant string files were used to construct a wireframe model using Datamine software. A block model was created inside the wireframe using the inverse distance squared technique for grade interpolation.

Different cut-off grades were used to those applied by BHP viz 50% Fe and 12% SiO<sub>2</sub> verses 49.5% Fe and 15% SiO<sub>2</sub> with a minimum thickness of 2m down hole by CBH.

The change in cut-offs did not significantly alter the overall estimate, however grade increased slightly and the deleterious elements report at approximately the same levels.

The increase in grade and reduction in tonnes is due to several thin and low grade areas at the margin of the deposit being excluded.

No check assays have been undertaken and geological continuity in some areas is not certain. The two estimates are summarised below in Table 2.

<b>Co.</b>	<b>M t</b>	<b>%Fe</b>	<b>%SiO<sub>2</sub></b>	<b>% P</b>	<b>%Al<sub>2</sub>O<sub>3</sub></b>	<b>%LOI</b>
BHP	245	51.8	9 . 4	0.03	?	13 . 1
CBH	236	53.2	10.3	0.02	1 . 6	11.2

**Table 2: BHP – CBH estimate comparison.**

The presence of the national park and associated buffer zone over the mineral inventory sterilises a large part of the deposit. The national park sterilises 20% and buffer zone 43% that together sterilise approximately 63% of the inventory.

<b>The area covered</b>	<b>Category</b>	<b>Mt</b>	<b>%Fe</b>	<b>SiO<sub>2</sub></b>	<b>%P</b>	<b>%Al<sub>2</sub>O<sub>3</sub></b>	<b>%LOI</b>
Inside Buffer Zone	Inferred	132	53.1	10.5	0.02	1.6	11.2
Outside Buffer Zone	Inferred	104	53.4	10.1	0.02	1.6	10.5
<b>Total &amp; Averages</b>		<b>236</b>	<b>53.2</b>	<b>10.3</b>	<b>0.02</b>	<b>1.6</b>	<b>11.2</b>

**Table 3: Sterilisation exclusions for Deposit A.**

CBH conducted a drilling program of 14 holes to broadly confirm and validate the BHP data and establish an Inferred Mineral Resource estimate. Note that about 44% of the total known mineralisation is outside of the buffer zone.

More details about the resource estimates are contained in Appendix I. Note that there have been no material changes since the resource estimates were last reported in the KML prospectus dated 7 December 2009.

With respect to the BHP results alone, a competent person has not done sufficient work to classify the historical estimates of mineral resources or ore reserves in accordance with the JORC Code. It is uncertain that following evaluation and/or further exploration work that these BHP estimates will be able to be reported as resources or reserves in accordance with the JORC Code.

## 5.0 Conclusion

A JORC Code (2004) compliant Inferred Mineral Resource (CSA) estimate outside of the National Park is stated as 236Mt at 53.2% Fe, 10.3% SiO<sub>2</sub>, 0.02% P, 0.07% S, 1.6% Al<sub>2</sub>O<sub>3</sub> and 11.2% LOI.

AM&A understands that over the next 6-12 months, QIL intends to conduct extensive infrastructure studies on the project to determine viable transport options in the event that further exploration carried out on the project upgrades the current status of the Inferred Mineral Resource Estimate. This is intended to be funded from the joint venture with KML and from loan funds available from VGL.

Yours faithfully,



Allen J. Maynard BAppSc(Geol), MAIG, MAusIMM.

## 6.0 References

AusIMM, (2004), "Australasian Code for Reporting of Mineral Resources and Ore Reserves (JORC Code), prepared by the Joint Ore Reserves Committee (JORC) of the AusIMM, the Australian Institute of Geoscientists (AIG) and the Minerals Council of Australia (MCA), effective December 2004.

AusIMM. (2005), "Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (the VALMIN Code)" 2005 Edition.

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## 7.0 Glossary

<b>Alteration Zone</b>	A zone within which rock-forming minerals have been chemically changed.
<b>Anomaly</b>	Value higher or lower than the expected or norm.
<b>Axis</b>	Hinge-line of a fold.
<b>Country rock</b>	A general term applied to rock surrounding or penetrated by mineral veins.
<b>Dip</b>	The angle at which a rock layer, fault or any other planar structure is inclined from the horizontal.
<b>Domain</b>	The areal extent of given lithology or environment.
<b>Dyke</b>	A tabular intrusive body of igneous rock that cuts across bedding at a high angle.
<b>Fault</b>	A fracture in rocks on which there has been movement on one of the sides relative to the other, parallel to the fracture.
<b>Fold</b>	A bend in the rock strata or planar structure.
<b>Geophysics</b>	Study of the earth by quantitative physical methods.
<b>Igneous</b>	Formed by solidification from a molten or partly molten state.
<b>Inferred Resource</b>	A resource inferred from geoscientific evidence, drillholes, underground openings or other sampling procedures where lack of data is such that continuity cannot be predicted with confidence and where geoscientific data may not be known with a reasonable level of reliability.
<b>JORC Code</b>	Joint Ore Reserves Committee- Australasian Code for Reporting for Identified Mineral Resources and Ore Reserves.
<b>Metamorphism</b>	The mineralogical, structural and chemical changes induced within solid rocks through the actions of heat, pressure or the introduction of new chemicals. Rocks so altered are prefixed "meta" as in "metabasalt".
<b>Mineralisation</b>	In economic geology, the introduction of valuable elements into a rock body.
<b>Opencut</b>	Descriptive of a mine worked open from the surface.
<b>Ore</b>	A mixture of minerals, host rock and waste material which is expected to be mineable at a profit.
<b>Orebody</b>	A continuous, well-defined mass of ore.
<b>Outcrop</b>	The surface expression of a rock layer (verb: to crop out).
<b>Porphyroblastic</b>	Large mineral crystal in a metamorphic rock which has grown within the finer grained groundmass.
<b>Primary mineralisation</b>	Mineralisation which has not been affected by near-surface oxidising processes.
<b>RAB</b>	<b>Rotary Air Blast</b> (as related to drilling)—A drilling technique in which the sample is returned to the surface outside the rod string by compressed air.
<b>RC</b>	<b>Reverse Circulation</b> (as relating to drilling)—A drilling technique in which the cuttings are recovered through the internal drill rods thus minimising sample losses and contamination.
<b>Reverse Fault</b>	A fracture in rocks in which the strata above the fracture have been displaced up the fracture plane relative to the strata below the fracture.
<b>Shear (zone)</b>	A zone in which shearing has occurred on a large scale so that the rock is crushed and brecciated.
<b>Silicified</b>	Containing a high proportion of silicon dioxide.
<b>Soil sampling</b>	Systematic collection of soil samples at a series of different locations in order to study the distribution of soil geochemical values.
<b>Strike</b>	The direction or bearing of the outcrop of an inclined bed or structure on a level surface.
<b>Strike-slip fault</b>	Faults parallel to the strike of the rock strata.
<b>Stringer</b>	A narrow vein or irregular filament of mineral traversing a rock mass.
<b>Subcrop</b>	The surface expression of a mostly concealed rock layer.
<b>Syncline</b>	A fold where the rock strata dip inwards towards the axis (antonym: anticline).
<b>Unconformity</b>	Lack of parallelism between rock strata in sequential contact, caused by a time break in sedimentation.
<b>Vein</b>	A narrow intrusive mineral body.

## Abbreviations

g	gram (= 1.0 ppm).	kg	kilogram
km	kilometre	km <sup>2</sup>	square kilometre
lb	pound weight	M	million
m	metre	m <sup>2</sup>	square metre
m <sup>3</sup>	cubic metre	mm	millimetre
MMI	Mobile Metal Ions	t	tonne
ppb	parts per billion	ppm	parts per million

## Appendix 1: Information about the Resource Estimates (From KML Prospectus)

### Data Quality

Both the earlier BHP drilling and the recent CBH drilling in Deposit-A consisted of vertical diamond core holes with a variable drill spacing ranging from 200 x 220m to 1,500 x 1,500m. The drilling to date within Deposit-A used for the resource estimate is summarised below.

#### Summary of Drilling Undertaken within Deposit A

Company	Date	No of Holes	Total Metres	Drilling Method
BHP	Pre 1963	108	16,256.51	BQ Diamond Core
CBH	2007	14	1,275.50	HQ Diamond Core
Total		122	17,532.01	

Most of the data used in the resource estimate has been derived from BHP's drilling for which there is no documentation of the QA/QC procedures used. CSA has indicated that CBH adhered to a formal QA/QC regime and that the data collected was of high quality. The available CBH QA/QC details are summarised below.

#### CBH Data Acquisition, QA/QC Procedures for the Constance Range Project

Parameter	CBH Procedure
Drill Hole Surveying	<ul style="list-style-type: none"> <li>• Hole collars surveyed by GPS.</li> <li>• BHP had recorded hole locations on a local grid coordinates in chains and feet; these were converted to a metric grid.</li> <li>• About 60% of the BHP hole collars were located in the field and also surveyed by GPS. There were some discrepancies (between 2-80m) between the GPS-located holes and the grid-located holes; the GPS coordinates replaced the grid locations.</li> <li>• Drill collar coordinates were recorded as AMG coordinates; RLs were based on DTM.</li> </ul>
Logging	<ul style="list-style-type: none"> <li>• Coded and descriptive geological logs were produced.</li> <li>• Sampling intervals recorded.</li> <li>• Drill hole orientation data included dip, azimuth and depth (all CBH holes were vertical).</li> <li>• Diamond core also logged for Rock Quality Data for each metre.</li> </ul>
Core Recovery and Sampling	<ul style="list-style-type: none"> <li>• Core recovery was 100%.</li> <li>• Core was fitted together and a reference cutting line marked along the apex of bedding.</li> <li>• CBH diamond core was sampled in 1m intervals with cores sawn in half and then quartered with a diamond saw.</li> <li>• RCP pre-collars were not routinely sampled unless visibly mineralised.</li> <li>• Seven CBH holes designed to Seven validate results from old BHP holes; three holes were successfully twinned with located BHP holes and the correlation between the two sets of results was excellent. The other BHP hole collars could not be physically located.</li> </ul>
Sample Preparation	<ul style="list-style-type: none"> <li>• Sample preparation undertaken at ALS.</li> <li>• Details of crushing and pulverisation not provided.</li> </ul>
Analysis	<ul style="list-style-type: none"> <li>• Analysed by whole rock fused disc XRF with thermo-gravimetric analysis of LOI at 370oC, 650oC and 1000oC.</li> <li>• Each sample analysed for a full suite including; Fe, SiO<sub>2</sub>, Al<sub>2</sub>O<sub>3</sub>, TiO<sub>2</sub>, As, Ba, CaO, Co, Cu, K<sub>2</sub>O, MgO, Mn, Na<sub>2</sub>O, Ni, P, Pb, V, Zn and LOIs.</li> <li>• Metallurgical samples collected over the same intervals as the geochemical samples and three composite samples were prepared using the geochemical results; a low grade sample, a dilution sample and a deposit grade sample.</li> </ul>

- Certified standards were submitted as every twentieth sample. Two separate standards used; a moderate grade and a high grade standard.
- The results of all standards fell within three standard deviations of the certified mean, indicating acceptable accuracy although the results of medium grade standard suggested a weak low bias for SiO<sub>2</sub> and P and a weak high bias for Al<sub>2</sub>O<sub>3</sub> but these were not considered by CSA to be significant. The high grade standard results showed a moderate low bias for P.
- Pulp residues were collected at a rate of 1 in 20 and sent to Ultratrace Laboratories for check analysis. The results showed excellent correlation with the ALS results.

**Specific Gravity**

- An unknown number of density determinations were made using core from the 2007 programme. CSA has recommended additional determinations are made prior to further resource estimates.

**Comment**

The QA/QC regime employed for the CSA drilling, as well as the sampling and assaying procedures are considered to have been appropriate.

It is assumed, but not known, that the BHP procedures would have also been of high quality but given the era some differences with the CSA methodologies are likely. The good correlation between the twinned BHP holes provides confidence that the BHP results can be relied upon. The collar locations of the BHP holes were based on a local grid and are therefore unlikely to be as accurate as the CBH collar positions. Only a proportion of the BHP collars could be located in the field and re-surveyed by GPS. Consequently there it is likely some errors will occur and this should be reflected in the resource category.

The density database is quite limited and CSA has indicated that additional density determinations are required before any further resource estimates are undertaken. Given the style of deposit there will be a correlation between the grade and density and consequently once sufficient determinations are available it may be possible to develop an algorithm that can be used with confidence in the future.

**Resource Estimate:**

CSA used a three dimensional block model methodology in its resource estimation. North-south cross sections were used for interpretation and a wireframe of the +49% Fe boundary was constructed using Micromine software and then converted to Datamine for refinement. A minimum thickness of 2m and a maximum of 2m internal dilution were used in the model. Inverse distance squared methodology was used to interpolate grades into the resource blocks.

The model was comprised of three wireframe surfaces:

- surface DTM
- the top of the Upper Oolitic Bed
- the base of the Lower Oolitic Bed.

The wireframes were not extended to the east or west past the limit of drilling and this was considered appropriate as the grades on these sections were marginal and, in holes on adjacent sections, very low grade. In addition the potential for economic extraction on the eastern section was considered limited as the depth to mineralization was in excess of 900m. The southern limit of the deposit terminates where it outcrops at surface; to the north it was terminated where the density of drilling was low, coupled with a significant decrease in grade.

Due to the basin-shaped character of the deposit, three separate search ellipsoids were required to adequately represent the strike and dip of the local mineralized areas and these ellipses were used as 'soft boundary' estimation runs whereby blocks within one search domain could 'see' samples in the adjacent search domain. Parent blocks with cell sizes of X-200m (strike), Y-100m (across strike) and Z-2m and sub cells of X-40m, Y- 20m and Z-0.5m were used to allow for optimal filling of the wireframe. A minimum of six and a maximum of 24 samples per block were required; if a block could not be estimated due to insufficient samples the search ellipse was doubled in size (second pass) or

tripled in size (third pass). A maximum of six samples per drill hole were permitted for any one block, thereby forcing at least two holes to be sourced for each block.

Following a review of the assay data CSA applied a number of grade cuts to the data as follows;

- SiO<sub>2</sub> 25%
- Al<sub>2</sub>O<sub>3</sub> 5%
- LOI (1000°C) 25%
- P 0.1%

To prevent smearing of very low iron grades a lower cut of 35% Fe was used by CSA.

The resulting resource estimate was restricted to the Middle and Lower Oolite Beds as the grade and thickness in the Upper Oolite Bed was generally too inconsistent for meaningful modelling.

Of particular relevance with respect to any potential future development of Deposit-A is the impact of the Boodjamulla National Park boundary and associated 1km Buffer Zone on the resources (Figure 4). We have not been provided with adequate data to accurately assess the likely outcome of future negotiations with the relevant statutory authorities with respect any future development.

The CSA resource estimate has been reported in terms of the National Park boundaries. All the resources are categorized as Inferred Resources due to the wide drill spacing and lack of QA/QC information with respect to the bulk of the data used (i.e. the BHP drilling).

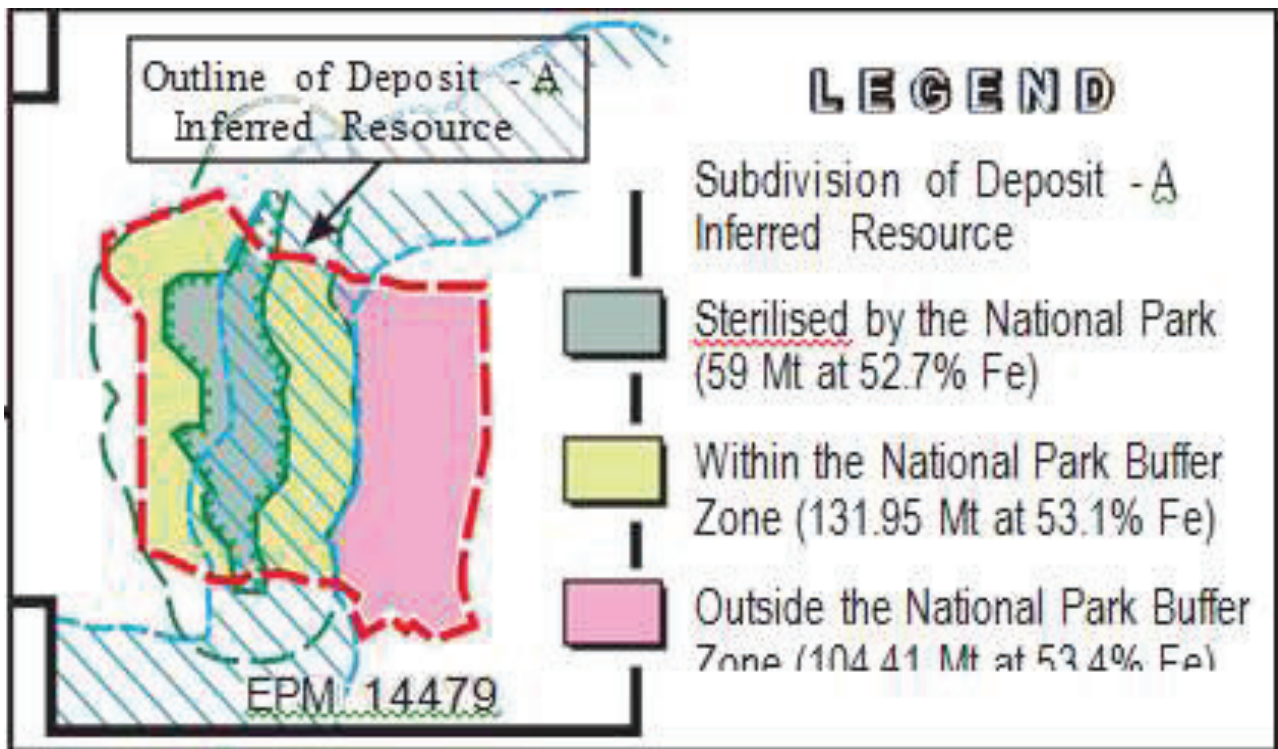


Figure 4: Constance Range Iron Project Related to Park & Buffer Zones.

## Appendix 2: Statements Regarding the BHP Historical Resource Estimates

Throughout this Report, AM&A refers to exploratory results conducted by BHP Billiton Ltd (then BHP Ltd) during the period 1956-63 which has been sourced from an independent geologist's report on EPM 14479 conducted by Behre Dolbear Australia entitled "Independent Geologist's Report – Kimberley Metals Limited – Mineral Exploration Interests" dated 3 November 2009 (as contained in the KML prospectus dated 7 December 2009).

1. BHP established a (pre-JORC Code) mineral inventory of 310Mt at 50.4% Fe and 9.03% SiO<sub>2</sub> using a 10% SiO<sub>2</sub> cut-off in seven deposits.
2. AM&A would like to highlight that these BHP resource estimates are historical estimates and are not reported in accordance with the JORC code.
3. CBH has since conducted a drilling program of 14 holes to broadly confirm and validate the BHP data and this work, including a preliminary modelling exercise conducted by independent consultants CSA, has helped establish an Inferred Mineral Resource estimate.
4. It is in the opinion of AM&A, that the initial resource estimates and details of the exploration conducted by BHP provided in this Report are strongly relevant to the value of the Constance Range Project as they provide a guide as to the significant testing undertaken at the project site and a useful estimation of the quantum of the iron ore mineralisation present.
5. The reliability of the BHP estimates was re-visited by CBH using geological consultants CSA who drilled 14 new holes to comply with current JORC Code guidelines to estimate an Inferred Mineral Resource and the relevant details are supplied above in Appendix 1. AM&A agrees with this assessment conducted by CSA.
6. It is the opinion of AM&A that the information included in this Report is an accurate representation of the available data and studies conducted on EPM 14479. AM&A confirms that there have been no material changes since the Inferred Mineral Resource estimate was last reported in the KML prospectus dated 7 December 2009.
7. The CSA-managed work included a compilation and assessment of the historical database, validation of BHP's drilling by the twinning of several BHP holes, infill drilling to establish the continuity of the mineralisation and the acquisition of samples for the validation of earlier BHP metallurgical testwork results. In total 14 holes comprising 1,010m of RC and 266m of HQ coring were completed on the southern margin of Deposit-A targeting moderate to high grade mineralisation below the oxide zone within the main ironstone horizon. This drilling confirmed the historical BHP assay results and BHP's geological interpretation of the

mineralised zones. CSA prepared a new resource estimate in accordance with the JORC code.

8. There are no new resource estimates subsequent to the CSA work.
9. The historical estimate factors, as far as known and available, are described above in Appendix 1.
10. Further density determinations are recommended in addition to more drilling to refine the Inferred Mineral Resource estimate outlined by CSA.
11. Over the next 6-12 months, QIL intends to conduct infrastructure studies on the project to determine viable transport options in the event that further exploration carried out on the project upgrades the current status of the Inferred Mineral Resource Estimate. This is intended to be funded from the joint venture with KML and from loan funds available from VGL.
12. The historical estimates are considered to now be in line with current JORC Code guidelines due to the work that CBH conducted under the auspices of CSA as described above in Appendix 1.
13. There is no guarantee that any upgrade of the current JORC Code Inferred Mineral Resource Estimate will occur despite how much further work is conducted.
14. This is the nature of mineral exploration with the possible outcomes ranging from no update at all to some form of unquantified possible update/upgrade.
15. Section 5.14 of the new JORC Code guidelines are considered to not apply in this case by virtue of the information already supplied.
16. The writer's details and qualifications are supplied above in page 1 of the body of this Report and repeated below along with his consent for publication.
17. The information in this Report which relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Allen Maynard, who is a Member of the Australian Institute of Geosciences, a Corporate Member of the Australasian Institute of Mining & Metallurgy and independent consultant to the Company. Mr Maynard is the Director and principal geologist of Al Maynard & Associates Pty Ltd and has over 35 years of exploration and mining experience in a variety of mineral deposit styles. Mr Maynard 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, Exploration Targets, Mineral Resources and Ore Reserves".(JORC Code). Mr Maynard consents to inclusion in the IGR of the matters based on this information in the form and context in which it appears.

18. With respect to the BHP results alone, a competent person has not done sufficient work to classify the historical estimates of mineral resources or ore reserves in accordance with the JORC Code. It is uncertain that following evaluation and/or further exploration work that these BHP estimates will be able to be reported as resources or reserves in accordance with the JORC Code.



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**9. INVESTIGATING ACCOUNTANT'S REPORT**



**VIENTO GROUP LIMITED**  
Investigating Accountant's Report

23 July 2013

23 July 2013

The Directors  
Viento Group Limited  
Level 1, 76 Hasler Road  
Osborne Park WA 6017

Dear Sirs

## INVESTIGATING ACCOUNTANT'S REPORT

### 1. Introduction

We have been engaged by Viento Group Limited (“**Viento**”) to prepare this Investigating Accountant’s Report (“**Report**”) on the historical financial information and pro forma historical financial information of Viento and Qld Iron Limited (“**Qld Iron**” or “**the Company**”) for inclusion in the Prospectus and relating to the proposed reduction in the Viento’s share capital by way of a distribution of 79,799,572 Qld Iron Shares held by Viento to Eligible Viento Shareholders (“**Capital Reduction**”).

The offer of Shares under this Prospectus will therefore be by way of the Capital Reduction. This will be effected and satisfied by a pro rata in specie distribution to each Eligible Shareholder of one Qld Iron Share for every one Viento Share held by that Eligible Shareholder.

Therefore, the Prospectus will offer to transfer 79,799,572 fully paid ordinary shares in the capital of Qld Iron to shareholders of Viento pursuant to the Capital Reduction by way of an in specie distribution (“**the Distribution**”). There is no minimum subscription under this Offer as there is no capital being raised.

Expressions defined in the Prospectus have the same meaning in this Report.

### 2. Scope

#### Historical financial information

You have requested BDO Corporate Finance (WA) Pty Ltd (“**BDO**”) to review the following historical financial information of Viento included in the Prospectus:

- The Statement of Financial Performance for the period ended 31 December 2012;
- The Statement of Financial Position as at 31 December 2012; and
- The Statement of Changes in Equity for the period ended 31 December 2012.

(collectively the “**historical financial information**”).

The historical financial information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and Viento's adopted accounting policies. The historical financial information has been extracted from the financial report of Viento for the half-year ended 31 December 2012, which was audited by Crowe Horwath Perth in accordance with the Australian Auditing Standards. Crowe Horwath Perth issued a modified opinion on the half-year financial report. The historical financial information is presented in the Appendices to this report in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

#### **Pro Forma historical financial information**

You have requested BDO to review the pro forma historical statement of financial position as at 31 December 2012 for both Viento and Qld Iron referred to as the 'pro forma historical financial information'

The pro forma historical financial information has been derived from the historical financial information of Viento, after adjusting for the effects of any subsequent events described in section 7 and the pro forma adjustments described in section 8. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the events or transactions to which the pro forma adjustments relate, as described in section 7 and section 8, as if those events or transactions had occurred as at the date of the historical financial information. Due to its nature, the pro forma historical financial information does not represent the company's actual or prospective financial position.

### **3. Background**

Viento is currently listed on the Australian Securities Exchange ("ASX") and specialises in mining and utility services, land subdivisions and civil contracting. Qld Iron is a 100% owned subsidiary of Viento which was incorporated on 27 June 2005 as Constance Range Pty Ltd to acquire an interest in the Constance Range iron ore project located in Northern Queensland. On 3 February 2012 the Company changed its name to Qld Iron Pty Ltd and then converted to a public unlisted company, Qld Iron Limited, on 27 April 2013.

Qld Iron holds a 70% interest in the Constance Range iron ore project ("**the Project**") which is located in the Lawn Hill district of North West Queensland. The remaining 30% is held by KBL Mining Limited.

Viento is proposing to restructure its assets through the divestment of its interest in Qld Iron to Viento shareholders. The Director's of Viento have determined that the Project is not part of Viento's core business and hence the Distribution has been considered as the most effective way to remove the project from the statement of financial position.

On completion of the Distribution, Viento will not hold any shares in Qld Iron.

## 4. Director's responsibility

The directors of Viento are responsible for the preparation of the historical financial information and pro forma historical financial information, including the selection and determination of pro forma adjustments made to the historical financial information and included in the pro forma historical financial information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of historical financial information and pro forma historical financial information that are free from material misstatement, whether due to fraud or error.

## 5. Our responsibility

Our responsibility is to express a limited assurance conclusion on the financial information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

## 6. Conclusion

### Historical financial information

During the financial year ended 30 June 2011, a qualified audit opinion was issued on the basis that Viento's valuation of the investment in the Project differs from the cost model under AASB 6. Had the requirements of AASB 127 been correctly applied as well as the cost model under AASB 6, the revenue, profit before income tax, net assets and equity of Viento at 30 June 2011 would have reduced by \$1.2 million (net of deferred tax). This has resulted in the opening balances in relation to the net assets and equity of Viento at 1 July 2012 being overstated by \$1.2 million. This position remained unchanged since 30 June 2012 and as at 31 December 2012.

Based on our review, which was not an audit, with the exception of the matter described in the preceding paragraph, nothing has come to our attention which would cause us to believe the historical financial information as set out in the Appendices to this report does not present fairly, in all material aspects, the financial performance for the period ended 31 December 2012 or the financial position as at 31 December 2012 in accordance with the stated basis of preparation as described in section 2.

### Pro forma historical financial information

As at 31 December 2012, a qualified opinion was issued on the basis that Viento's valuation of the investment in the Project differs from the cost model under AASB 6. Had the requirements of AASB 127 been correctly applied as well as the cost model under AASB 6, the revenue, profit before income tax, net assets and equity of Viento at 31 December 2012 would have reduced by \$1.2 million (net of deferred tax). Viento intends to distribute the Project to Qld Iron at the value currently carried in the books of Viento. Therefore, a qualified opinion would also be issued to Qld Iron for the pro-forma historical financial information as at 31 December 2012.

Based on our review, which is not an audit, with the exception of the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the pro forma historical financial information is not presented fairly in all material respects, in accordance with the stated basis of preparation as described in section 2.

## **7. Subsequent Events**

The pro-forma historical statement of financial position reflects the following events that have occurred subsequent to the period ended 31 December 2012:

- In March 2013, Viento completed a placement of 16 million shares at an issue price \$0.25 per share to raise \$4 million before costs (“Share Placement”). The costs of the Share Placement were \$210,000 and were offset against contributed equity; and
- In April 2013, Viento announced it was awarded a contract to supply approximately \$5 million of equipment to Ansaldo STS. The equipment has substantially been funded via debt, and is now predominantly in place.

We consider the above events to be of a material capital nature and have therefore adjusted the pro-forma historical statement of financial position as at 31 December 2012 for each of these. We have not made adjustments for any general trading transactions incurred in the ordinary course of business of Viento and Qld Iron. Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief, no other material transactions or events outside of the ordinary business of Viento and Qld Iron have come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

## **8. Assumptions Adopted in Compiling the Pro-forma Statement of Financial Position**

The pro-forma historical statement of financial position post issue is shown in Appendix 2. This has been prepared based on the reviewed financial statements as at 31 December 2012, the subsequent events set out in section 7, and the following transactions and events relating to the issue of Shares under this Prospectus:

- The repayment of an intercompany loan of \$36,607 from Viento to Qld Iron;
- The Distribution of 79,799,572 Qld Iron Shares held by Viento to Eligible Viento Shareholders; and
- Costs of the Distribution are estimated to be \$85,000, which are to be incurred by Viento.

## **9. Disclosures**

BDO Corporate Finance (WA) Pty Ltd is the corporate advisory arm of BDO in Perth. Without modifying our conclusions, we draw attention to the Prospectus, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

Neither BDO Corporate Finance (WA) Pty Ltd nor BDO, nor any director or executive or employee thereof, has any financial interest in the outcome of the proposed transaction except for the normal professional fee due for the preparation of this Report.

Consent to the inclusion of the Investigating Accountant's Report in the Prospectus in the form and context in which it appears, has been given. At the date of this Report, this consent has not been withdrawn.

Yours faithfully

**BDO Corporate Finance (WA) Pty Ltd**

BDO  


**Peter Toll**

Director

**APPENDIX 1**  
**VIENTO GROUP LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE**

<b>Viento Group Limited</b>	<b>Reviewed for</b>
<b>Consolidated Statement of Financial Performance</b>	<b>the period ended</b>
	<b>31-Dec-12</b>
	<b>\$'000</b>
Revenue	10,148
Other income	81
Employee benefits expense	(6,243)
Raw materials and consumables used	(1,860)
Professional services expense	(561)
Commission expense	(145)
Occupancy expense	(366)
Finance expense	(426)
Administration expense	(644)
Other expense	(127)
Depreciation and amortisation expense	(943)
Impairment of property, plant and equipment	(535)
<b>Loss before income tax expense</b>	<b>(1,621)</b>
Income tax benefit	362
<b>Net Loss for the period</b>	<b>(1,259)</b>
<b>Other comprehensive income</b>	
Movement in financial assets reserve	(4)
Other comprehensive income for the period, net of tax	(4)
<b>Total comprehensive income for the period</b>	<b>(1,263)</b>
<b>Profit/(loss) attributable to:</b>	
Members of the parent entity	(1,370)
Non-controlling interest	111
<b>Total comprehensive income attributable to:</b>	
Members of the parent entity	(1,374)
Non-controlling interest	111

This consolidated statement of financial performance shows the historical financial performance of Viento and is to be read in conjunction with the notes to and forming part of the historical financial information set out in Appendix 4 and the prior year financial information set out in Appendix 5. Past performance is not a guide to future performance.



**APPENDIX 2**  
**VIENTO GROUP LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

Viento Group Limited Consolidated Statement of Financial Position	Notes	Reviewed as at 31-Dec-12 \$'000	Subsequent events \$'000	Pro-forma adjustments \$'000	Viento Pro-forma \$'000	Qld Iron Pro-forma \$'000
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	2	1,577	3,790	(183)	5,184	98
Trade and other receivables	3	4,094	-	(8)	4,086	8
Financial assets		2,641	-	-	2,641	-
Other current assets	4	895	-	(4)	891	4
<b>TOTAL CURRENT ASSETS</b>		<b>9,207</b>	<b>3,790</b>	<b>(195)</b>	<b>12,802</b>	<b>110</b>
<b>NON CURRENT ASSETS</b>						
Trade and other receivables		347	-	-	347	-
Financial/exploration assets	5	1,753	-	(1,720)	33	1,720
Plant and equipment	6	10,151	5,000	-	15,151	-
Biological assets		1,194	-	-	1,194	-
Deferred tax assets		3,172	-	-	3,172	-
Intangible assets		164	-	-	164	-
<b>TOTAL NON CURRENT ASSETS</b>		<b>16,781</b>	<b>5,000</b>	<b>(1,720)</b>	<b>20,061</b>	<b>1,720</b>
<b>TOTAL ASSETS</b>		<b>25,988</b>	<b>8,790</b>	<b>(1,915)</b>	<b>32,863</b>	<b>1,830</b>
<b>CURRENT LIABILITIES</b>						
Trade and other payables	7	1,522	-	(1)	1,521	1
Loans and borrowings	8	4,969	1,600	-	6,569	-
Current tax liabilities		287	-	-	287	-
Other current liabilities		238	-	-	238	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>7,016</b>	<b>1,600</b>	<b>(1)</b>	<b>8,615</b>	<b>1</b>
<b>NON CURRENT LIABILITIES</b>						
Loans and borrowings	9	2,293	3,400	-	5,693	-
Deferred tax liabilities	10	961	-	(517)	444	-
Other non-current liabilities		65	-	-	65	-
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>3,319</b>	<b>3,400</b>	<b>(517)</b>	<b>6,202</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>10,335</b>	<b>5,000</b>	<b>(518)</b>	<b>14,817</b>	<b>1</b>
<b>NET ASSETS/(LIABILITIES)</b>		<b>15,653</b>	<b>3,790</b>	<b>(1,397)</b>	<b>18,046</b>	<b>1,829</b>
<b>EQUITY</b>						
Issued capital	11	22,516	3,790	(1,829)	24,477	-
Reserves		2,014	-	-	2,014	-
Accumulated profits/(losses)	12	(9,338)	-	432	(8,906)	1,829
<b>Parent entity interest</b>		<b>15,192</b>	<b>3,790</b>	<b>(1,397)</b>	<b>17,585</b>	<b>1,829</b>
Non-controlling interest		461	-	-	461	-
<b>TOTAL EQUITY</b>		<b>15,653</b>	<b>3,790</b>	<b>(1,397)</b>	<b>18,046</b>	<b>1,829</b>

The pro-forma consolidated statement of financial position after Issue is as per the consolidated statement of financial position before Issue adjusted for any subsequent events and the transactions relating to the issue of shares pursuant to this Prospectus. The consolidated statement of financial position is to be read in conjunction with the notes to and forming part of the historical financial information set out in Appendix 4 and the prior year financial information set out in Appendix 5.

**APPENDIX 3**  
**VIENTO GROUP LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

Viento Group Limited	Reviewed for the					
Consolidated Statement of Changes in Equity		period ended	Subsequent	Pro-forma	Viento	Qld Iron
	Notes	31-Dec-12	events	Adjustments	Pro-forma	Pro-forma
		\$'000	\$'000	\$'000	\$'000	\$'000
<i>Accumulated losses:</i>						
<b>Balance as at 1 July 2012</b>		(7,968)	-	-	(7,968)	-
<i>Comprehensive income for the period</i>						
Profit/(Loss) for the period attributable to members of the parent		(1,370)	-	432	(938)	1,829
<b>Total comprehensive income for the period</b>	12	(9,338)	-	432	(8,906)	1,829
<i>Transactions with equity holders in their capacity as equity holders:</i>						
Issued capital	11	22,516	3,790	(1,829)	24,477	-
Reserves		2,014	-	-	2,014	-
Non-controlling interest		461	-	-	461	-
<b>Total transactions with equity holders</b>		24,991	3,790	(1,829)	26,952	-
<b>Balance</b>		<b>15,653</b>	<b>3,790</b>	<b>(1,397)</b>	<b>18,046</b>	<b>1,829</b>

The above consolidated statement of changes in equity is to be read in conjunction with the notes to and forming part of the historical financial information set out in Appendix 4 and the prior year financial information set out in Appendix 5.

**APPENDIX 4**  
**VIENTO GROUP LIMITED**  
**NOTES TO AND FORMING PART OF THE HISTORICAL FINANCIAL INFORMATION**

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted in the preparation of the historical financial information included in this Report have been set out below.

**a) Basis of preparation of historical financial information**

The historical financial information has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB). Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The historical financial information has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement of fair value of selected non-current assets, financial assets and financial liabilities.

**b) Going concern**

The historical financial information has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The ability of Qld Iron to continue as a going concern is dependent on the success of the Distribution under the Prospectus. The Directors believe that Qld Iron will continue as a going concern. As a result the financial information has been prepared on a going concern basis. However should the Distribution under the Prospectus be unsuccessful, the entity may not be able to continue as a going concern. No adjustments have been made relating to the recoverability and classification of liabilities that might be necessary should Qld Iron not continue as a going concern.

**c) Principles of consolidation**

A subsidiary (controlled entity) is an entity over which Viento Group Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing whether the group controls another entity, the existence and effect of holdings of actual and potential voting rights that are currently exercisable or convertible are considered.

As at 31 December 2012, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the consolidated group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

All inter-group balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Minority interests, being that portion of the profit or loss and net assets of subsidiaries attributable to equity interests held by persons outside the group, are shown separately within the consolidated Statement of Financial Position and the consolidated Statement of Financial Performance.

#### **d) Income tax**

The income tax expense (revenue) comprises current income tax expense (income) and deferred tax expense (income). The charge for current income tax expense is based on the profit for the period adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or substantively enacted by the Statement of Financial Position date.

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects the movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of

the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

**e) Plant and equipment**

Plant and equipment are measured at historical cost less accumulated depreciation and any accumulated impairment losses. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of financial performance during the financial period in which they are incurred.

Plant and equipment is depreciated on a straight-line basis over its useful life to the group commencing from the time the asset is held ready for use. Depreciation rates used for plant and equipment generally range between 7.5% and 40%.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of financial performance. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

**f) Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

**g) Financial instruments**

*Recognition and Initial Measurement*

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either the purchase or sale of the asset.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not carried at fair value through profit or loss. Transaction costs related to instruments carried at fair value through profit or loss are expensed in the statement of financial performance. Financial instruments are classified and measured as set out below.

### *Derecognition*

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

### *Fair value*

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value of all unlisted securities, including recent arm's length transactions, reference to similar instruments, option pricing models and independent valuations as required.

### *Impairment*

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged or significant decline in the value of the instrument is considered to determine whether impairment has arisen. Such impairment losses are recognised in the statement of financial performance immediately. Also, any cumulative decline in fair value previously recognised in other financial performance is reclassified to profit or loss at this point.

#### **h) Impairment of assets**

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of financial performance. Non-financial assets, other than goodwill that suffered impairment, are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

#### **i) Intangibles**

##### *Goodwill*

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to the interest in the net fair value of identifiable assets, liabilities and contingent liabilities at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

##### *Trademarks*

Trademarks are recognised at cost of acquisition. Trademarks have an infinite life and are tested annually for impairment and carried at cost less accumulated impairment losses.

#### **j) Biological assets**

Viento Group Limited has interests in forestry plantations, through plantation areas established and maintained on its own account.

Forestry plantations owned by the Viento Group Limited are valued at fair value at each reporting date and the increment or decrement in the fair value between reporting periods is recognised in the statement of financial performance. Fair value is determined annually by independent valuation.

As there is no active and liquid market for immature forestry plantations, fair value less estimated point of sale costs is based on forecast plantation growth and yields and forecast net present values of future net cash flows from harvest and the costs of maintaining plantations to maturity.

#### **k) Employee benefits**

Provision is made for Viento's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected cash flows.

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. Viento recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting date are discounted to present value.

#### *Equity-settled Compensation*

The fair value of the options to which directors and employees become entitled is measured at grant date and recognised over the period in which the directors and employees become unconditionally entitled to the equity. The fair value of options is ascertained using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of options expected to be vested is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

#### **l) Provisions**

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured at the present value of managements best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

**m) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

**n) Revenue and other income**

Revenue is measured at fair value of the consideration received or receivable. All revenue is stated net of the amount of goods and services tax (GST).

Viento recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria for each of Viento's activities as described below.

Establishment and other management fees comprise revenue earned through the provision of products or services to syndication and fund entities.

Completion fees and Incentive fees are revenue earned through the successful completion of a syndicate as applicable and as defined under the relevant PDS. These fees are recognised on completion of a syndicate.

Revenue earned from the agribusiness project is recognised in the period in which the underlying services are provided.

Gain or loss on disposal is calculated as the difference between the net proceeds on disposal and the carrying amount of the asset at the time of disposal.

Interest revenue is recognised on an accruals basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

**o) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the statement of financial performance in the period in which they are incurred.

**p) Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST components of investing and financing activities, which are disclosed as operating cash flows.



## q) Dividends

### *Non cash dividends*

Viento, from time to time, may make distributions to owners in the form of assets other than cash. Such distributions are measured at the fair value of the assets to be distributed. The difference between the fair value of the assets and their carrying amounts is recognised in profit and loss as other income or other expenses when the distribution is made.

## r) Critical accounting estimates and judgements

The preparation of financial statements requires directors and management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Estimates and judgements are continually evaluated and are based on historical experience, current trends and economic data, obtained both externally and within the group, including expectations future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

### *Valuation of Constance Range iron ore project*

For the purpose of the Distribution the Directors received an external valuation of Viento's 70% investment in the Constance Range iron ore project. The valuation was done for the intended distribution of Qld Iron in the form of a pro rata in specie distribution to each Eligible Shareholder of one Qld Iron share for every one Viento share held by that Eligible Shareholder.

	Viento Pro-forma \$'000	Qld Iron Pro-forma \$'000
<b>NOTE 2. CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents	5,184	98
<i>Adjustments to arise at the pro-forma balance:</i>		
Reviewed balance of Viento as at 31 December 2012	1,577	-
<i>Subsequent events:</i>		
Completion of Share Placement in March 2013	4,000	-
Costs of the Share Placement	(210)	-
	3,790	-
<i>Pro-forma adjustments:</i>		
Repayment of loan between Viento and Qld Iron	(37)	37
Cash balance attributable to Qld Iron	(61)	61
Costs of the Distribution to be expensed	(85)	-
	(183)	98
Pro-forma Balance	5,184	98

	Viento Pro-forma \$'000	Qld Iron Pro-forma \$'000
<b>NOTE 3. TRADE AND OTHER RECEIVABLES</b>		
Trade and other receivables	4,086	8
<i>Adjustments to arise at the pro-forma balance:</i>		
Reviewed balance of Viento as at 31 December 2012	4,094	-
<i>Pro-forma adjustments:</i>		
Trade and other receivables balance attributable to Qld Iron	(45)	45
Repayment of loan between Viento and Qld Iron	37	(37)
	(8)	8
Pro-forma Balance	4,086	8

	Viento Pro-forma \$'000	Qld Iron Pro-forma \$'000
<b>NOTE 4. OTHER CURRENT ASSETS</b>		
Other current assets	891	4
<i>Adjustments to arise at the pro-forma balance:</i>		
Reviewed balance of Viento as at 31 December 2012	895	-
<i>Pro-forma adjustments:</i>		
Other current assets balance attributable to Qld Iron	(4)	4
	(4)	4
Pro-forma Balance	891	4

	Viento Pro-forma \$'000	Qld Iron Pro-forma \$'000
<b>NOTE 5. FINANCIAL/EXPLORATION ASSETS</b>		
Financial/exploration assets	33	1,720
<i>Adjustments to arise at the pro-forma balance:</i>		
Reviewed balance of Viento as at 31 December 2012	1,753	-
<i>Pro-forma adjustments:</i>		
Financial/exploration assets attributable to Qld Iron	(1,720)	1,720
	(1,720)	1,720
Pro-forma Balance	33	1,720

	Viento Pro-forma \$'000	Qld Iron Pro-forma \$'000
<b>NOTE 6. PLANT AND EQUIPMENT</b>		
Plant and equipment	15,151	-
<i>Adjustments to arise at the pro-forma balance:</i>		
Reviewed balance of Viento as at 31 December 2012	10,151	-
<i>Subsequent events:</i>		
Purchase of equipment in relation to Ansaldo STS contract	5,000	-
	5,000	-
Pro-forma Balance	15,151	-

	Viento Pro-forma \$'000	Qld Iron Pro-forma \$'000
<b>NOTE 7. TRADE AND OTHER PAYABLES</b>		
Trade and other payables	1,521	1
<i>Adjustments to arise at the pro-forma balance:</i>		
Reviewed balance of Viento as at 31 December 2012	1,522	-
<i>Pro-forma adjustments:</i>		
Trade and other payables balance attributable to Qld Iron	(1)	1
	(1)	1
Pro-forma Balance	1,521	1

	Viento Pro-forma \$'000	Qld Iron Pro-forma \$'000
<b>NOTE 8. LOANS AND BORROWINGS - CURRENT</b>		
Loans and borrowings - current	6,569	-
<i>Adjustments to arise at the pro-forma balance:</i>		
Reviewed balance of Viento as at 31 December 2012	4,969	-
<i>Subsequent events:</i>		
Purchase of equipment in relation to Ansaldo STS contract	1,600	-
	1,600	-
Pro-forma Balance	6,569	-

	Viento Pro-forma \$'000	Qld Iron Pro-forma \$'000
<b>NOTE 9. LOANS AND BORROWINGS - NON CURRENT</b>		
Loans and borrowings - non current	5,693	-
<i>Adjustments to arise at the pro-forma balance:</i>		
Reviewed balance of Viento as at 31 December 2012	2,293	-
<i>Subsequent events:</i>		
Purchase of equipment in relation to Ansaldo STS contract	3,400	-
	3,400	-
Pro-forma Balance	5,693	-

	Pro-forma \$'000	Pro-forma \$'000
<b>NOTE 10. DEFERRED TAX LIABILITIES</b>		
Deferred tax liabilities	444	-
<i>Adjustments to arise at the pro-forma balance:</i>		
Reviewed balance of Viento as at 31 December 2012	961	-
<i>Pro-forma adjustments:</i>		
Elimination of deferred tax asset upon distribution of Qld Iron	(517)	-
	(517)	-
Pro-forma Balance	444	-

	Viento Pro-forma No. of shares	Viento Pro-forma \$'000	Qld Iron Pro-forma No. of shares	Qld Iron Pro-forma \$'000
<b>NOTE 11. ISSUED CAPITAL</b>				
Issued capital	79,799,572	24,477	79,799,572	-
<i>Adjustments to arise at the pro-forma balance:</i>				
Fully paid ordinary share capital as at 31 December 2012	63,799,572	22,516	1	-
<i>Subsequent events:</i>				
Completion of Share Placement in March 2013	16,000,000	4,000	-	-
Costs of the Share Placement	-	(210)	-	-
	16,000,000	3,790	-	-
<i>Pro-forma adjustments:</i>				
Distribution of Qld Iron shares to Eligible Shareholders (see Note 13)	-	(1,829)	79,799,571	-
	-	(1,829)	79,799,571	-
Pro-forma Balance	79,799,572	24,477	79,799,572	-

	Viento Pro-forma	Qld Iron Pro-forma
<b>NOTE 12. ACCUMULATED PROFITS/(LOSSES)</b>	<b>\$</b>	<b>\$</b>
Accumulated profits/(losses)	(8,906)	1,829
<i>Adjustments to arise at the pro-forma balance:</i>		
Reviewed balance at 31 December 2012	(9,338)	-
<i>Pro-forma adjustments:</i>		
Elimination of deferred tax asset upon distribution of Qld Iron	517	-
Distribution of Qld Iron shares to Eligible Shareholders (see Note 13)	-	1,829
Gain/(loss) on Distribution (see Note 13)	-	-
Costs of the Distribution to be expensed	(85)	-
	432	1,829
Pro-forma Balance	(8,906)	1,829

**NOTE 13: FAIR VALUE OF DISTRIBUTION**

Qld Iron Ltd	Book value	Fair value
Fair Value of Distribution	\$'000	\$'000
Cash and cash equivalents	98	98
Trade and other receivables	8	8
Other current assets	4	4
Financial/exploration assets*	1,720	1,720
Trade and other payables	(1)	(1)
	1,829	1,829
Book value of Qld Iron Ltd		1,829
Fair value of Qld Iron Ltd		1,829
Difference recorded as a gain/(loss) on Distribution in books of Viento		-

\*The fair value of the a 70% interest in the Constance Range iron ore project has been determined by an independent geologist, Al Maynard & Associates Pty Ltd. Therefore, we have deemed that the fair value of the Project is \$1,720,000.

**NOTE 14: RELATED PARTY DISCLOSURES**

Transactions with Related Parties and Directors Interests are disclosed in the Prospectus.

**NOTE 15: COMMITMENTS AND CONTINGENCIES**

At the date of the report no material commitments or contingent liabilities exist that we are aware of, other than those disclosed in the Prospectus.

APPENDIX 5

VIENTO GROUP LIMITED

CONSOLIDATED HISTORICAL FINANCIAL INFORMATION OF VIENTO GROUP LIMITED

Viento Group Limited Consolidated Statement of Financial Performance	Audited for the year ended 30-Jun-12 \$'000	Audited for the year ended 30-Jun-11 \$'000
Revenue	2,583	2,204
Profit from discontinued operations after tax	4,112	599
Loss on disposal of controlled entity	(2,150)	-
Employee benefits expense	(1,024)	(538)
Professional services expense	(713)	(728)
Commission expense	(363)	-
Occupancy expense	(225)	(60)
Finance expense	(12)	(6)
Administration expense	(226)	(166)
Depreciation and amortisation expense	(11)	(17)
Change in fair value of biological assets	(884)	(204)
Bad & doubtful debts expense	(78)	(22)
<b>Profit before income tax expense</b>	<b>1,009</b>	<b>1,062</b>
Income tax expense	(309)	(96)
<b>Net Profit for the period</b>	<b>700</b>	<b>966</b>
<b>Other comprehensive income</b>		
Net revaluation of listed investments	27	(9)
Deferred tax movement	-	16
Other comprehensive income for the period, net of tax	27	7
<b>Total comprehensive income for the period</b>	<b>727</b>	<b>973</b>

<b>Viento Group Limited</b>	<b>Audited as at</b>	<b>Audited as at</b>
<b>Consolidated Statement of Financial Position</b>	<b>30-Jun-12</b>	<b>30-Jun-11</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	4,558	2,731
Trade and other receivables	2,461	3,120
Financial assets	1,732	1,865
Other current assets	517	221
<b>TOTAL CURRENT ASSETS</b>	<b>9,268</b>	<b>7,937</b>
<b>NON CURRENT ASSETS</b>		
Trade and other receivables	340	1,370
Financial assets	3,204	569
Plant and equipment	5,995	122
Biological assets	1,180	1,952
Deferred tax assets	2,454	3,056
Intangible assets	14	14
<b>TOTAL NON CURRENT ASSETS</b>	<b>13,187</b>	<b>7,083</b>
<b>TOTAL ASSETS</b>	<b>22,455</b>	<b>15,020</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	3,242	696
Short term provisions	45	58
Other current liabilities	64	25
Loans and borrowings	1,035	-
<b>TOTAL CURRENT LIABILITES</b>	<b>4,386</b>	<b>779</b>
<b>NON CURRENT LIABILITIES</b>		
Loans and borrowings	1,284	-
Deferred tax liabilities	913	1,190
Long term provisions	19	6
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>2,216</b>	<b>1,196</b>
<b>TOTAL LIABILITIES</b>	<b>6,602</b>	<b>1,975</b>
<b>NET ASSETS</b>	<b>15,853</b>	<b>13,045</b>
<b>EQUITY</b>		
Issued capital	22,256	20,236
Reserves	1,565	1,477
Accumulated losses	(7,968)	(8,668)
<b>TOTAL EQUITY</b>	<b>15,853</b>	<b>13,045</b>

**Note:** Refer conclusion on Historical Financial Information included in section 6 of this Report regarding the qualified audit opinions for the years ended 30 June 2012 and 30 June 2011.

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**10. SOLICITOR'S REPORT ON TENEMENTS**



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30 July 2013

The Board of Directors  
Qld Iron Limited  
Level 1  
76 Hasler Road  
OSBORNE PARK WA 6017

Dear Sirs

**SOLICITOR'S REPORT ON TENEMENT EPM 14479**

This Report is prepared for inclusion in a prospectus for an offer to transfer 79,799,572 fully paid ordinary shares in the capital of Qld Iron Limited (formerly Constance Range Pty Ltd) (**Company**) to shareholders of Viento Group Limited (**Viento**) pursuant to a reduction of capital by way of an in specie distribution (**Prospectus**).

**1. SCOPE**

We have been requested to report on Queensland Exploration Permit for Minerals Number EPM 14479 in which the Company has an interest (**Tenement**). The Company holds a 70% interest in the Tenement pursuant to the Farmin and Joint Venture Agreement between Viento, CBH Resources Ltd and CBH Constance Range Pty Ltd (**JV Agreement**).

Details of the Tenement are set out in Part I of the attached Schedule, which forms part of this Report.

**2. SEARCHES**

For the purposes of this Report, we have conducted searches and made enquiries in respect of the Tenement as follows (**Searches**):

- (a) we have reviewed a search of the Exploration Permit public enquiry report of the Tenement in the registers maintained by the Queensland Department of Natural Resources and Mines (**DNRM**). The search was conducted on 11 July 2013. Key details on the status of the Tenement is set out in Part I of the Schedule;
- (b) we have reviewed an Aboriginal cultural heritage search affecting the Tenement maintained by the Department of Aboriginal and Torres Strait Islander and Multicultural Affairs. A response to our search inquiry was provided on 4 July 2013. Key details on the status of the Tenement is set out in Part III of the Schedule;

- (c) we have reviewed Local Area Mining Permit Reports provided by DNRM for land which overlaps the Tenement. These reports provide general information on other types of permits granted within the land area; and
- (d) we have obtained results of searches of the schedule of native title applications, register of native title claims, national native title register, register of indigenous land use agreements and national land use agreements as maintained by the National Native Title Tribunal (**NNTT**) for any native title claims (registered or unregistered), native title determinations and indigenous land use agreements (**ILUAs**) that overlap or apply to the Tenement. This material was obtained on 12 July 2013. Details of native title determinations and ILUAs are set out in Section 6 and Part II of the Schedule to this Report.

### 3. OPINION

As a result of our searches and enquiries, but subject to the assumptions and qualifications set out in this Report, we are of the view that, as at the date of the relevant searches:

- (a) this Report provides an accurate statement as to the Company's interests in the Tenement; and
- (b) this Report provides an accurate statement as to third party interests, including encumbrances, in relation to the Tenement.

### 4. DESCRIPTION OF THE TENEMENT

The Tenement is a granted exploration permit for all minerals other than coal.

#### 4.1 Exploration permits

- (a) **Right to grant:** Section 133 of the *Mineral Resources Act 1989* (**Resources Act**) provides that a person may apply to the Minister for an EPM. The Minister may grant the EPM in accordance with Section 137. The Minister will only grant an EPM where he is satisfied that the applicant is an eligible person, the requirements of the Resources Act have been complied with, prescribed rent has been paid, the programme of work for the EPM has been approved and the Minister is satisfied that the applicant is not disqualified from being granted a permit. An EPM allows the holder to carry on any activity authorised by the EPM with or by such vehicles, vessels, machinery and equipment as may be necessary or expedient for the purpose of exploring for minerals other than coal and enables the EPM holder to enter any part of the land that is not the surface of a restricted area for the purposes of facilitating the exploration for minerals other than coal. However, written notice must be given to the owner of the land prior to the initial entry under the EPM in accordance with Section 163 of the Resources Act.

The *Geothermal Energy Act 2010* (Qld) (**Geothermal Act**) introduced in 2010 a single Land Access Code of Conduct (**Code**) applying to all resources and tenure legislation in Queensland. The provisions in the Geothermal Act as they relate to the Resources Act apply to all EPMs granted under the Resources Act and all granted EPMs must comply with the mandatory provisions of the Code to the extent that they apply to the holder and the holder must ensure that any other person carrying

out an authorised activity for the EPM complies with the mandatory provisions of the Code.

The mandatory provisions of the Code provide:

- (i) that notice must be given to the landholder orally in person, or if oral notice is impractical, by written notice;
  - (ii) that a holder must ensure that each person acting for the holder, under the holder's authority, receives information and training specific to the obligations of the holder under each of the following for activities the holder is authorised to carry out under the EPM:
    - (A) the Resources Act;
    - (B) the Land Access Code; and
    - (C) an agreement between the holder and the landholder,
  - (iii) the holder, or a person acting for the holder under the EPM, must if practicable, use an existing access point, road or track to enter the landholder's land; and
  - (iv) the holder, or a person acting for the holder under the EPM, must use a landholder's land in a way that minimises disturbance to people, livestock and property.
- (b) **Conditions:** The Minister, on granting an EPM, will determine the area to be held and the terms, rent, security and the conditions, provisions and stipulations on which the EPM is granted. Failure to pay rental or other monies, or to submit progress, relinquishment and final reports, including details of expenditure, may render the EPM liable to be cancelled by the Minister or may limit the holder's ability to successfully seek renewal or assignment of the EPM.
- (c) **Reduction of Area:** Section 139 of the Resources Act states that unless the Minister otherwise decides, the area of an EPM must be reduced in the way and to the extent decided by the Minister when the permit is granted or renewed.
- (d) **Term and renewal:** Section 146 of the Resources Act states that, unless the Minister otherwise determines, the initial term of an EPM shall be for a period not exceeding 5 years from the commencement date. The EPM holder is able to make an application for renewal of the EPM during the period that is not more than 6 months and not less than 3 months prior to the expiration of the current term of the EPM in accordance with Section 147 of the Resources Act. Any non-compliance with the conditions of the EPM may limit the ability of the holder to successfully seek renewal for a further term.
- (e) **Security:** Before an EPM is granted or renewed, the Minister, taking into consideration the programme of work or activities to be carried out on the EPM, must determine the amount of security to be deposited by the holder as reasonable security for compliance with the terms of the EPM and the Resources Act and rectification of any damage caused by any

person acting under the authority of the EPM. An EPM must not be granted or renewed until such security is deposited with the Minister.

- (f) **Compensation arrangements with landowner:** Changes brought about by the Geothermal Act, referred to at 4.1(a) above have affected the requirement to compensate landowners for certain activities conducted on private land. A person must not enter private land to carry out an advanced activity for the tenement unless each eligible claimant for the land is a party to an appropriate conduct and compensation agreement (**CCA**). The CCA must address the holder's compensation liability to the eligible claimant of at least to the extent the liability relates to the relevant activity and its effects. The requirement for a CCA does not apply if the EPM holder owns the land, the holder has the right other than under the Resources Act to enter the land to carry out the activity, each eligible party to an agreement that a CCA can be entered into after the entry (**Deferral Agreement**) or the entry is to preserve life or property or because of an emergency. An EPM holder may give an eligible claimant, to whom the holder has a compensation liability, a notice (**Negotiation Notice**) that the holder wishes to negotiate a CCA. On the giving of the Negotiation Notice the EPM holder and the eligible claimant must use all reasonable endeavours to negotiate a CCA or a Deferral Agreement. The minimum negotiation period is 20 business days from the giving of the Negotiation Notice.

The Land Court of Queensland may, among other things, assess all or part of the EPM holder's compensation liability to another party, decide if a negotiation process is unsuccessful, review the original compensation agreed to under a CCA if there is a material change in circumstances since the CCA and can order non-monetary compensation as well as monetary compensation in its review of compensation.

- (g) **Reporting:** Under Section 141(1)(f) of the Resources Act, the holder of an EPM must provide to the Minister progress, relinquishment and final reports which are accompanied by maps, diagrams, charts and other data giving full particulars and results of the exploration programme and investigations carried out on the area as required by the Minister, including details of costs incurred for the relevant reporting period in relation to the exploration permit and details of all other materials obtained because of the holder's activities under the exploration permit.

## 4.2 Encumbrances and Third Party Interests

DNRM maintains registers of encumbrances and third party interests on mining tenements in Queensland, however there is no guarantee that all third party interests or encumbrances have been registered against the Tenement. We have not undertaken any searches to determine whether there are any unregistered third party interests or encumbrances over the Tenement.

## 4.3 Overlapping Tenures

Section 132 of the Resources Act excludes any land the subject of an application for, or a granted, Mining Claim (**MC**), Mineral Development Licences (**MDL**) or Mining Licences (**ML**) from the area granted under an EPM. Further, upon termination of the MC, MDL or ML, or abandonment or rejection of the

application for the MC, MDL or ML, the land that falls within the EPM's external boundary shall become part of the EPM unless either Section 132(2)(c), (d) or (e) of the Resources Act applies. However, this land will not automatically revert to the EPM if the land is non-exclusive and the EPM was granted after 23 December 1996. A separate EPM application must be made in order to obtain exploration rights over land that was included in another mining tenure that has since expired.

DNRM have confirmed that there are no MC, ML or MDL's which overlap the Tenement. In addition, and according to our searches, the Tenement is not overlapped by any petroleum tenements (e.g. by an Authority to Prospect (Petroleum) (**ATP**) or Petroleum Lease (**PL**)). Where an ATP or a PL has been granted in respect of an area overlapping an EPM, this may affect the ability of the EPM holder to have an ML granted in respect of the overlapping area.

#### 4.4 Environment

The *Environmental Protection Act 1994 (EP Act)* and the *Environmental Protection Regulation 2008 (Qld) (EP Regulations)* made under the EP Act regulates activities that are likely to have environmental impacts. Such activities are referred to in the EP Act and the EP Regulations as "environmentally relevant activities".

In respect of mining activities, an environmental authority (**EA**) is required to be obtained for the mining activities. The authority is referred to as an "Environmental Authority (Mining Activities)" and once obtained is deemed to be a licence for all of the environmentally relevant activities set out in the EP Act and the EP Regulations which are carried out under the relevant mining tenement, provided those activities were described in the application for the authority.

For exploration activities, in most instances, the environmental authority will require compliance with the Standard Environmental Conditions outlined in the Code of Environmental Compliance for Exploration and Mineral Development Projects (**Code**). These conditions/codes may restrict or prohibit activities in environmentally sensitive areas which may interfere with, disturb, destroy or otherwise adversely affect the integrity of the environmental values in these areas.

#### 4.5 National Parks and Excluded Land

Our searches have indicated that the granted Tenement overlaps portions of sterile land known as the Boodjamulla (Lawnhill) National Park (97 National Park).

The Nature Conservation Act 1992 (Qld) (**NCA**) governs the effect that "sterile land" has on mining tenements in Queensland.

National parks are mapped as "sterile land" under the Department of Employment, Economic Development and Innovation's Interactive Resource and Tenure Maps in accordance with the NCA, national parks are to be managed to provide, to the greatest possible extent, for the permanent preservation of the area's natural condition and the protection of the area's cultural resources and values.

Section 27 of the NCA prohibits, subject to Sections 34 and 35, the granting of a mining interest, over national park land. Section 34 of the NCA provides that an

EPM, MDL or ML, may be granted over a protected area (defined to include national parks and resources reserves), but only where the grant is consistent with the management principles and any management plan approved for the area.

The Code provides guidelines in respect of areas falling under the NCA. Amongst other things, the Code provides that the holder of an environmental authority must not carry out activities in a "category A" environmentally sensitive area. Further, under the Standard Environmental Conditions outlined in the Code activities involving machinery must not be carried out within 1km of a "category A" environmentally sensitive area. There are also "category B", "category C" and "other" environmentally sensitive areas which also require significant buffers.

The three categories as defined in the Code are summarised below:

- (a) **Category A** – mining has been excluded from these areas. An environmental impact statement (**EIS**) could be triggered for a mining project that may have a significant impact on one of these areas. Category A includes national parks and conservation parks.
- (b) **Category B** – standard mining and exploration activities are excluded from within 1 km of these areas, but non-standard mining activities may occur within these areas after an appropriate level of assessment. An EIS could be triggered for a mining project that may have significant impact on one of these areas. Category B includes endangered regional ecosystems.
- (c) **Category C** – the holder of an EA must consult with the environmental regulator prior to conducting activities within the area. Access for mining activities may require the issuing of a permit, the imposition of additional conditions, the assessment of an EIS or environmental management plan in some cases. Category C includes nature refuges and river improvement areas.
- (d) **Other Constrained Land** – includes Wild Rivers High Preservation Areas which includes areas within and up to 1 km each side of the wild river, its major tributaries and special off-stream features, such as floodplain wetlands. These areas are constrained under the *Wild Rivers Act 2005*.

Our searches indicate that the Tenement contains environmentally sensitive areas. In particular, and in addition to the Boodjamulla (Lawnhill) National Park noted above, the Tenement also overlaps the High Preservation Area – Gregory, both of these areas are noted as exclusions on the search of the Tenement. Refer to Part I of the Schedule for further details.

It is unlikely that any exploration activities will be permitted within the national park area. However, the DNRM may approve, at its discretion, exploration activities to occur within the buffer area if an application is made to change the conditions of the environmental authority and it can be shown that there will be minimal environmental harm.

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## 5. ABORIGINAL HERITAGE

### 5.1 General

Our searches indicate that there is Artefact Scatter and Shell Midden recorded against the Tenement area and parts of the area contain non recorded sites. However, it is not possible to conclusively guarantee the accuracy of these recordings and extra diligence is required when operating in these locations.

Aboriginal cultural heritage, which may occur on the subject property, is protected under the terms of the *Aboriginal Cultural Heritage Act 2003* (Qld) (**ACH Act**) even if the Department of Aboriginal and Torres Strait Islander and Multicultural Affairs has no records relating to it.

The Company must ensure that it is in compliance with the Commonwealth and Queensland legislation relating to Aboriginal heritage as set out below. To ensure that it does not contravene such legislation, it would be prudent for the Company (and it would accord with industry practice and Aboriginal expectations) to conduct heritage surveys within the area of the Tenements. Any interference with these sites or objects must be in strict conformity with the provisions of the relevant legislation. It may also be necessary for the Company to enter into separate arrangements with the traditional owners of the sites.

### 5.2 Commonwealth Legislation

The *Aboriginal and Torres Strait Islander Heritage Protection Act 1984* (Cth) (**Commonwealth Heritage Act**) is aimed at the preservation and protection of any Aboriginal areas and objects that may be located on the Tenements.

Under the Commonwealth Heritage Act, the Minister for Aboriginal Affairs may make interim or permanent declarations of preservation in relation to significant Aboriginal areas or objects, which have the potential to halt exploration activities. Compensation is payable by the Minister for Aboriginal Affairs to a person who is, or is likely to be, affected by a permanent declaration of preservation.

It is an offence to contravene a declaration made under the Commonwealth Heritage Act.

### 5.3 Queensland Legislation

The ACH Act provides for the recognition, protection and conservation of Aboriginal cultural heritage. The Tenement holder has a duty of care to protect Aboriginal cultural heritage when carrying out their activities. The ACH Act requires the Tenement holder to liaise with the Aboriginal party for the area. The Aboriginal party is determined in accordance with the criteria set out under Sections 34 and 35 of the ACH Act.

The Tenement holder's duty of care may be complied with in a number of ways including either:

- (a) entering into a voluntary cultural heritage management agreement pursuant to Section 23(3)(a)(iii) of the ACH Act with the Aboriginal party;

- (b) developing and registering an approved Cultural Heritage Management Plan pursuant to Section Part 7 of the ACH Act with the Aboriginal party for the particular area;
- (c) entering into an ILUA or another type of native title agreement that addresses the issues of cultural heritage;
- (d) where applicable, complying with the Native Title Protection Conditions (**NTPCs**); or
- (e) at minimum, adhering to the Duty of Care Guidelines (which form part of the ACH Act).

The Tenement holder is required to comply with this legislation irrespective of whether native title exists on the land.

## 6. NATIVE TITLE

### 6.1 Introduction

This section of the Report examines the effect of native title on the Tenement.

Native Title rights exist over areas that overlap the Tenement and an ILUA was registered subsequent to that determination.

The existence of native title rights held by indigenous Australians was first recognised in Australia in 1992 by the High Court in the case *Mabo v. Queensland (no.2) (1992) 175 CLR 1 (Mabo no.2)*.

The High Court in *Mabo no. 2* held that certain land tenure existing as at the date of that case, including mining Tenement, where granted or renewed without due regard to native title rights, were invalid. The High Court concluded that:

- (a) native title has been wholly extinguished in respect of land the subject of freehold, public works or other previous "exclusive possession" acts; and
- (b) native title has been partially extinguished as a result of the grant of "non-exclusive possession" pastoral leases and mining leases, and also as a result of the creation of certain reserves.

As a result of *Mabo no. 2*, the *Native Title Act 1993* (Cth) (**NTA**) was passed to:

- (a) provide a process for indigenous people to lodge claims for native title rights over land, for those claims to be registered by the NNTT and for the Courts to assess native title claims and determine if native title rights exist. Where a Court completes the assessment of a native title claim, it will issue a native title determination that specifies whether or not native title rights exist;
- (b) provide (together with associated State legislation) that any land tenures granted or renewed before 1 January 1994 were valid despite *Mabo no. 2* (**Past Acts**). This retrospective validation of land tenure was subsequently extended by the NTA to include freehold and certain leasehold (including pastoral leases) granted or renewed before



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23 December 1996 (**Intermediate Period Acts**). Broadly speaking, this means that native title is not extinguished, merely suspended, for the duration of the mining tenement; and

- (c) provide that an act that may affect native title rights (such as the grant or renewal of a mining tenement) carried out after 23 December 1996 (a **Future Act**) must comply with certain requirements for the Future Act to be valid under the NTA. These requirements are called the **Future Act Provisions**.

## 6.2 Future Act Provisions

The Future Act Provisions vary depending on the Future Act to be carried out. In the case of the grant of a mining tenement, typically there are four alternatives: the Right to Negotiate, an ILUA, the Infrastructure Process (defined below) and the Expedited Procedure. These are summarised below.

### Right to Negotiate

The Right to Negotiate involves a formal negotiation between the State, the applicant for the tenement and any registered native title claimants and holders of native title rights. The first step in the Right to Negotiate process is for the tenement(s) to be notified in accordance with section 29 NTA for four (4) months. During this time, the applicant must negotiate in good faith and attempt to reach an agreement with any registered native title claimants (who have a native title claim that overlaps the tenement application) (**native title party**).

During the four month notification period, if a party lodges a native title determination application within three (3) months of the notification date and the application is registered by the NNTT within four (4) months of the notification date, the newly registered native title claimant will be eligible to participate in the Right to Negotiate process and the applicant must include them in their negotiations.

The aim is for the parties to agree to terms on which the tenement can be granted. If an agreement is reached between the parties, the terms will be documented into a section 31 deed (which the State, applicant and native title party are parties to) and an ancillary agreement (a commercial agreement between the applicant and native title party only). The ancillary agreement will detail any financial and/or non-financial benefits that the applicant has agreed to pay to the native title party in return for the native title party's consent to the grant of the tenement. The ancillary agreement may also include conditions that will apply to activities carried out on the tenement (eg in relation to heritage surveys, access to land, environmental management etc).

If agreement is not reached to enable the tenement to be granted, the matter may be referred to arbitration before the NNTT, which has six (6) months to decide whether the tenement can be granted and if so, on what conditions. The NNTT requires the parties to have had at least 6 months of negotiations before it will accept a referral for arbitration.

### ILUA

An ILUA is a contractual arrangement governed by the NTA. Under the NTA, an ILUA must be negotiated with all registered native title claimants for a relevant

area. The State and the applicant for the tenement are usually the other parties to the ILUA.

An ILUA must set out the terms on which a tenement can be granted. An ILUA will also specify conditions on which activities may be carried out within the tenement. The applicant for a tenement is usually liable for any compensation that the parties agree to pay to the registered native title claimants and holders of native title in return for the grant of the tenement being approved. These obligations pass to a transferee of the tenement.

Once an ILUA is agreed and registered, it binds the whole native title claimant group and all holders of native title in the area (including future claimants), even though they may not be parties to it.

### **Expedited Procedure**

The NTA establishes a simplified process for the carrying out of a Future Act that is unlikely to adversely affect native title rights (**Expedited Procedure**). The grant of a tenement can occur under the Expedited Procedure if:

- (a) the grant will not interfere directly with the carrying on of the community or social activities of the persons who are the holders of native title in relation to the land;
- (b) the grant is not likely to interfere with areas or sites of particular significance, in accordance with their traditions, to the persons who are holders of native title in relation to the land; and
- (c) the grant is not likely to involve major disturbance to any land or waters concerned or create rights whose exercise is likely to involve major disturbance to any land.

If the State considers the above criteria are satisfied, it commences the Expedited Procedure by giving notice of the proposed grant of the tenement in accordance with the NTA. Notification will last for a period of four (4) months. During the four (4) month notification period, if a party lodges a native title determination application within three (3) months of the notification date and the application is registered by the NNTT within four (4) months of the notification date, the newly registered native title claimant will be eligible to participate in the Expedited Procedure and the applicant must attempt to reach an agreement in good faith.

If an existing registered native title claim overlaps a tenement application (or is registered within the four (4) month notification period), there are a number of outcomes under the Expedited Procedure:

- (a) a section 31 deed and ancillary agreement may be reached between the parties and the tenement application can proceed to grant subject to compliance with the relevant legislation;
- (b) the parties may not be able to reach agreement and an objection is lodged by the native title party within four (4) months of the notification period; or
- (c) the parties may not reach agreement and the native title party does not lodge an objection within four (4) months of the notification period.

If there is no objection lodged by a registered native title claimant or a native title holder within four (4) months of the notification date, the State may grant the Tenement subject to the NTPCs.

If one or more registered native title claimants or native title holders object within that four (4) month notice period, the NNTT must determine whether the grant is an act attracting the Expedited Procedure. If the NNTT determines that the Expedited Procedure applies, the State may grant the Tenement. Otherwise, the Future Act Provisions (eg Right to Negotiate or ILUA) must be followed before the Tenement can be granted.

### **Application to the Tenement**

The following sections of the Report identify native title determinations and ILUAs in relation to the Tenement (see Section 6.3 and Part II of the Schedule).

The Tenement was granted after 23 December 1996 and as such will need to comply with the Future Act Provisions to be valid under the NTA. This Report assumes that the Future Act Provisions have been complied with in relation to the Tenement (see Section 6.5).

### **6.3 Native title determination and ILUA**

On 9 December 2010, among other things, the Federal Court made orders that the determination of native title would become effective on the registration of the Waanyi People Boodjamulla National Park ILUA on the Register of Indigenous Land Use Agreements. The ILUA was registered on 14 July 2011.

<b>Tenement</b>	<b>Native Title Claim</b>	<b>Native Title Determination</b>	<b>ILUA</b>
EPM 14479	None	QCD2010/007 Waanyi Peoples	QI2010/041 Waanyi People Boodjamulla National Park ILUA

The status of the native title determinations and ILUA is summarised in Part II of this Report.

Native title claimants, holders of native title under the determinations and native title parties under ILUAs are entitled to certain rights under the Future Act Provisions.

### **6.4 Native Title and Heritage Protection Agreement**

Annexed to the JV Agreement are the Native Title and Heritage Protection Agreement. This agreement contemplates that if native title rights and interests are determined to exist then the Waanyi People Native Title Claim Group will assign their rights and obligations under the Native Title and Heritage Protection Agreement to the native title holder (being the Waanyi People). At the date of this report, the Native Title and Heritage Protection Agreement has not been assigned to the native title holders.

## 6.5 Validity of Tenement under the NTA

### Tenement granted after 23 December 1996

Our Searches indicate that the Tenement was granted after 23 December 1996.

We have assumed that this Tenement was granted in accordance with the Future Act Provisions and as such is valid under the NTA.

### Tenement renewed after 23 December 1996

Renewals of mining Tenement made after 23 December 1996 must comply with the Future Act Provisions in order to be valid under the NTA.

Our Searches indicate that the Tenement was renewed after 23 December 1996.

Tenement	Date of Grant	Date of Renewal
EPM 14479	27 March 2006	12 September 2012

Any further renewals of the Tenement will need to comply with the Future Act Provisions in order to be valid under the NTA. The registered native title claimants and holders of native title identified in Section 6.3 of this Report will need to be involved as appropriate under the Future Act Provisions.

## 7. QUALIFICATIONS AND ASSUMPTIONS

This Report is subject to the following qualifications and assumptions:

- (a) we have assumed the accuracy and completeness of all Searches, register extracts and other information or responses which were obtained from the relevant department or authority including the NNNTT;
- (b) we assume that the registered holder of a Tenement has valid legal title to the Tenement;
- (c) this Report does not cover any third party interests, including encumbrances, in relation to the Tenement that are not apparent from our Searches and the information provided to us;
- (d) we have not undertaken any discussions with any governmental department regarding the standing of the Tenement. Unless apparent from our report, we express no opinion in terms of the current standing of the Tenement;
- (e) we have assumed that any agreements provided to us in relation to the Tenement are authentic, were within the powers and capacity of those who executed them, were duly authorised, executed and delivered and are binding on the parties to them;
- (f) with respect to the granting of the Tenement, we have assumed that the State and the applicant for the Tenement have complied with, or will comply with, the applicable Future Act Provisions;

- (g) we have assumed the accuracy and completeness of any instructions or information which we have received from the Company or any of its officers, agents and representatives;
- (h) references in Parts I, II and III of this Report to any area of land are taken from details shown on searches obtained from the relevant department. It is not possible to verify the accuracy of those areas without conducting a survey;
- (i) the information in Parts I, II and III of this Report is accurate as at the date the relevant Searches were obtained. We cannot comment on whether any changes have occurred in respect of the Tenement between the date of the Searches and the date of this Report;
- (j) Native Title exists in certain areas that overlap the Tenement. Whilst we have conducted Searches to ascertain what native title claims or determinations exist, we have not conducted any research on the likely existence or non-existence of native title rights and interests in respect of other areas. Further, the NTA contains no sunset provisions and it is possible that native title claims could be made in the future; and
- (k) Aboriginal heritage sites or objects (as defined in the Aboriginal Cultural Heritage Act 2003 (Qld) or under the Commonwealth Heritage Act) may exist in the areas covered by the Tenement regardless of whether or not that site has been entered on the Register of Aboriginal Sites established by the ACH Act or is the subject of a declaration under the Commonwealth Heritage Act. We have not conducted any legal, historical, anthropological or ethnographic research regarding the existence or likely existence of any such Aboriginal heritage sites or objects within the area of the Tenement.

## 8. CONSENT

This report is given solely for the benefit of the Company and the directors of the Company in connection with the issue of the Prospectus and is not to be relied on or disclosed to any other person or used for any other purpose or quoted or referred to in any public document or filed with any government body or other person without our prior consent.

Yours faithfully



**STEINEPREIS PAGANIN**

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**PART I – TENEMENT SCHEDULE**


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TENEMENT	REGISTERED HOLDER / APPLICANT	SHARES HELD	GRANT DATE (APPLICATION DATE)	EXPIRY DATE	AREA SIZE (Blocks)	ANNUAL RENT	MINIMUM ANNUAL EXPENDITURE	REGISTERED DEALINGS/ ENCUMBRANCES	NOTES	NATIVE TITLE AND ABORIGINAL HERITAGE
EPM 14479	Constance Range Pty Ltd Kimberley Metals Limited	70% 30%	27/03/2006	26/03/2014	59	\$7,752.60 (paid)	\$150,000	None noted on public enquiry report	See below: Conditions 1 to 3 and Exclusions 4 to 7	Refer to Part II and III of this Report for further details.

**Key to Tenement Schedule**

EPM – Exploration Permit for All Minerals Other than Coal

**Conditions**

1. Native Title Protection Conditions Version 1.1(a)
2. General Conditions Version 1
3. Watercourses and lakes within the high preservation and preservation areas may only be explored using limited hand sampling techniques.

**Exclusions**

4. Any current Mining Claims, Mineral Development Licences or Mining Leases at the time of lodgement of this permit pursuant to section 132 of the *Mineral Resources Act 1989*.
5. Sterile Land – 97 National Park – current
6. Draft High Preservation Area – Gregory
7. Exclusive of Wild River high preservation area other than watercourses and lakes. (Condition 1 – Watercourses and lakes within the high preservation areas may only be explored using limited hand sampling techniques).

All of the native title claims listed in the Schedule have been accepted and entered on the Register of Native Title Claims. Please refer to Part II of this Report for the status of the native title claims.

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**PART II – NATIVE TITLE DETERMINATIONS, ILUAS AND FUTURE ACT NOTICES**


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**DETERMINATIONS**

TRIBUNAL NUMBER	FEDERAL COURT NUMBER	APPLICATION NAME	REGISTERED	IN MEDIATION	STATUS
QCD2010/007	QUD6022/1999	Waanyi Peoples	Yes	N/A	Finalised

**ILUAs**

TRIBUNAL NUMBER	NAME	STATUS	CALCUALTED AREA SQ KM	CALCULATED OVERLAP AREA SQ KM
QI2010/041	Waanyi People Boodjamulla National Park ILUA	Registered	3786.2552	133.1948

**FUTURE ACT NOTICES**

TRIBUNAL NUMBER	NOTICE TYPE	NOTIFICATION DATE	CALCUALTED AREA SQ KM	CALCULATED OVERLAP AREA SQ KM
QS2005/0050	S29 Tenement	02/03/2005	191.4973	191.4357

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**PART III - ABORIGINAL CULTURAL HERITAGE**


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Below is a list which identifies Aboriginal cultural heritage sites recorded against the Tenement:

<b>SITE ID</b>	<b>RECORD DATE</b>	<b>ATTRIBUTE</b>	<b>ABORIGINAL PARTY</b>
AL:C02	10/10/1994	Artefact Scatter, Shell Midden	Waanyi Native Title Aboriginal Corporation RNTBC
Part of area without recorded sites	-	-	Waanyi Peoples
Part of area without recorded sites	-	-	Waanyi Peoples
Part of area without recorded sites	-	-	Waanyi Native Title Aboriginal Corporation RNTBC



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## 11. MATERIAL AGREEMENTS

### 11.1 Constance Range Farmin and Joint Venture Agreement

Qld Iron is a party to a Farmin and Joint Venture Agreement (**JV Agreement**) with KBL Mining (formally Kimberley Metals Limited). The agreement was originally executed on 30 June 2006 between WRF Securities Limited (now Viento), Constance Range Pty Ltd (now Qld Iron), CBH and CBH Constance Range Pty Ltd (**CBH Constance Range**).

CBH Constance Range sold the rights and interest under the JV Agreement to KBL Mining including the 30% Joint Venture interest in EPM 14479. A deed of variation and assignment (**Assignment**) was executed on 1 April 2008 to reflect the Assignment of the JV Agreement.

Under the original JV Agreement and the Assignment, KBL Mining acquired a 30% right, title and interest in the Tenement by undertaking and completing a pre feasibility study at their sole cost, as well as the payment of \$200,000 on 30 June 2006 and the issue of shares in CBH to the value of \$1,000,000.

Additionally, KBL Mining had the opportunity to earn an additional 20% Joint Venture interest by undertaking and completing a bankable feasibility study however this opportunity has now lapsed.

Based on KBL Mining's election not to earn a further interest under the JV Agreement, the respective Joint Venture interests of Qld Iron and KBL Mining are:

- (a) Qld Iron – 70% interest; and
- (b) KBL Mining – 30% interest.

Based on the above structure and status of the JV Agreement, the key terms are as follows;

- (a) Qld Iron is the Manager of the Joint Venture;
- (b) the JV Agreement is governed by the laws of Queensland and covers the tenement EPM 14479 only;
- (c) A management committee has been formed comprising two representatives each from Qld Iron and KBL Mining with the Chairman, appointed by the Manager, holding the casting vote in the event of a deadlock.
- (d) The parties must contribute to all future expenditure in proportion to their respective 70/30 joint venture interests;
- (e) The JV Agreement continues until 1 January 2086 unless terminated by unanimous written agreement between the parties or, for any reason, one party holds 100% of the Joint Venture interest;
- (f) Either party can withdraw from the Joint Venture by providing 90 days written notice and will then cease to have any interest in the Joint Venture;
- (g) Either Qld Iron or KBL Mining may assign all or any of their Joint Venture interest to a third party without the consent of the other but the assignor

must enter into a deed with the assignee on similar terms to the JV Agreement;

- (h) Qld Iron or KBL Mining retain the right of first refusal under the JV Agreement whereby if either Qld Iron or KBL Mining wish to assign all or any of its joint venture interest to a third party, the assigning participant must first offer to assign such interest to the non-assigning participant; and
- (i) Qld Iron or KBL Mining have each agreed to provide warranties to the other party under the JV Agreement which are considered standard in agreements of this nature.

## 11.2 Loan Agreement

The Company has entered into a loan agreement with Viento to facilitate the immediate funding requirements of the Joint Venture (**Loan Agreement**).

The key terms of the Loan Agreement are:

- (a) Viento has agreed to lend up to \$200,000 under the Loan Agreement;
- (b) Interest will accrue daily and is payable quarterly in arrears;
- (c) the Loan is repayable on the earlier of:
  - (i) 30 June 2014 (unless agreed by both parties);
  - (ii) on 60 days' written notice being provided to Qld Iron by Viento; or
  - (iii) any event of default; and
- (d) Viento has agreed to provide the loan at the RBA cash rate plus a margin of 3% per annum.

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## **12. ADDITIONAL INFORMATION**

### **12.1 Litigation**

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

### **12.2 Rights attaching to Shares**

The following is a summary of the more significant rights attaching to Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

#### **(a) General meetings**

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution.

#### **(b) Voting rights**

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:

- each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each Share held, or in respect of which he/she is appointed a proxy, attorney or representative, have one vote for the Share, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

#### **(c) Dividend rights**

Subject to the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares according to the

proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares.

The Directors may from time to time pay to the Shareholders any interim dividends as they may determine. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the Corporations Act, the Company may, by resolution of the Directors, implement a dividend reinvestment plan on such terms and conditions as the Directors think fit and which provides for any dividend which the Directors may declare from time to time payable on Shares which are participating Shares in the dividend reinvestment plan, less any amount which the Company shall either pursuant to the Constitution or any law be entitled or obliged to retain, be applied by the Company to the payment of the subscription price of Shares.

At this stage no dividends are proposed by the Company and the Company does not expect to declare any dividends during the foreseeable future.

(d) Winding-up

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability.

(e) Shareholder liability

As the Shares under the Prospectus are fully paid Shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(f) Transfer of Shares

Generally, Shares are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act.

(g) Variation of rights

Pursuant to section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

(h) Alteration of Constitution

The Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution, must be given.

### 12.3 Interests of Directors

Other than as set out in this Prospectus, no Director or proposed Director holds, or has held within the two years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
  - (i) its formation; or
  - (ii) promotion of the Company; or
- (c) the Offer

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:

- (d) as an inducement to become, or to qualify as, a Director; or
- (e) for services provided in connection with:
  - (i) the formation or promotion of the Company; or
  - (ii) the Offer.

### 12.4 Interests of experts and advisors

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or Distribution of this Prospectus; or
- (b) promoter of the Company;

holds, or has held within the two years preceding lodgement of this Prospectus with ASIC, any interest in:

- (a) the formation or promotion of the Company;

- (b) any property acquired or proposed to be acquired by the Company in connection with:
  - (i) the formation; or
  - (ii) promotion of the Company;

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (c) the formation; or
- (d) promotion of the Company.

Al Maynard & Associates Pty Ltd has acted as Independent Geologist and has prepared the Independent Geologist's Report which is included in Section 8 of this Prospectus. The Company estimates it will pay Al Maynard & Associates Pty Ltd a total of \$11,500 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus, Al Maynard & Associates Pty Ltd has received a total of \$4,500 (excluding GST) paid by Viento for a valuation of the Project in July 2011.

BDO Corporate Finance (WA) Pty Ltd (**BDO**) has acted as Investigating Accountant and Auditor and has prepared the Investigating Accountant's Report which is included in Section 9 of this Prospectus. The Company estimates it will pay BDO a total of \$5,500 (excluding GST) for these services. Prior to this engagement, BDO has not received any fees from the Company.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer and has prepared the Solicitor's Report on Tenements which is included in Section 10 of this Prospectus. The Company estimates it will pay Steinepreis Paganin \$25,000 (excluding GST) for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has not received fees from the Company for any other services.

Pendulum Capital Pty Limited (**Pendulum Capital**) has acted as Corporate Advisor to the Distribution. The Company estimates it will pay Pendulum Capital a total of \$30,000 (excluding GST) for these services. Prior to this engagement, Pendulum Capital has not received any fees from the Company.

## 12.5 Consents

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this section; and
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section.

Al Maynard & Associates Pty Ltd has given its written consent to being named as Independent Geologist in this Prospectus, the inclusion of the Independent Geologist's Report in Section 8 in the form and context in which the report is included and the inclusion of statements contained in the Investment Overview

at Section 3, Chairman’s Letter in Section 4 and Company Overview in Section 6 in the form and context in which those statements are included. Al Maynard & Associates Pty Ltd has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

BDO has given its written consent to being named as Investigating Accountant in this Prospectus and to the inclusion of the Investigating Accountant’s Report in Section 9 of this Prospectus in the form and context in which the information and report is included. BDO has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

Steinepreis Paganin has given its written consent to being named as the solicitors to the Company in this Prospectus and to the inclusion of the Solicitor’s Report on Tenements in Section 10 of this Prospectus in the form and context in which the report is included. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Pendulum Capital Pty Limited has given its written consent to being named as the Corporate Advisor to the Company in this Prospectus. Pendulum Capital Pty Limited has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

## 12.6 Expenses of the Distribution

The total expenses of the Distribution (excluding GST) are estimated to be approximately \$85,000 and are expected to be applied towards the items set out in the table below:

Item of Expenditure	(\$)
ASIC fees	2,225
Legal Fees	25,000
Independent Geologist’s Fees	11,500
Investigating Accountant’s Fees	5,500
Corporate Advisor’s Fees	30,000
Tax Consultant	3,000
Printing and Distribution	5,500
Miscellaneous	2,275
<b>TOTAL</b>	<b>85,000</b>

## 12.7 Electronic Prospectus

Pursuant to Class Order 00/44, the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus. If you have not, please contact the Company and the Company will send you, for free, either a hard copy or a further electronic copy of this Prospectus or both. Alternatively, you may obtain

a copy of this Prospectus from the website of Viento at [www.vientogroup.com/qld-iron/](http://www.vientogroup.com/qld-iron/).

## **12.8 Financial forecasts**

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain.

Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

## **12.9 Privacy statement**

The Company and Viento collects, holds and will use information to assess your eligibility under this Offer, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the register, including bidders for your securities in the context of takeovers, regulatory bodies including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the share registry.

You can access, correct and update the personal information that we hold about you. If you wish to do so, please contact the Qld Iron at the relevant contact number set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules.



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**13. DIRECTORS' AUTHORISATION**

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.

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Mr Robert Nichevich

**Executive Chairman**  
**For and on behalf of Qld Iron Limited**

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## 14. GLOSSARY

Where the following terms are used in this Prospectus they have the following meanings:

**\$** means an Australian dollar.

**ASIC** means Australian Securities & Investments Commission.

**ASX** means ASX Limited (ACN 008 624 691) or the financial market operated by it as the context requires.

**ASX Listing Rules** means the official listing rules of ASX.

**BHP** means BHP Billiton Ltd (ACN 004 028 077)

**Board** means the board of Directors of the Qld Iron as constituted from time to time.

**Capital Reduction** means the equal reduction of capital of the Company proposed to be satisfied by the distribution and transfer to Eligible Shareholders (in proportion to their holdings of shares in Viento) of Qld Iron Shares held by Viento.

**CBH** means CBH Resources Limited (ACN 009 423 858).

**Company** means Qld Iron Limited (ACN 114 966 184).

**Constitution** means the constitution of the Company.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Directors** means the directors of the Company at the date of this Prospectus.

**Distribution** means the in specie distribution of Qld Iron Shares to be made to Eligible Shareholders.

**Eligible Shareholders** means a holder of Viento Shares as at the Record Date, being entitled to receive the Qld Iron Shares.

**EPM** means Exploration Permit for Minerals 14479.

**Exposure Period** means the period of 7 days after the date of lodgement of this Prospectus, which period may be extended by the ASIC by not more than 7 days pursuant to Section 727(3) of the Corporations Act.

**Joint Venture** means the joint venture between Qld Iron and KBL Mining in relation to the Project.

**JORC Code** means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

**KBL Mining** means KBL Mining Limited (ACN 129 954 365) (ASX: KBL)

**Loan Agreement** means the loan agreement entered into between Viento and Qld Iron on 2 July 2013.

**Meeting** means the meeting of Viento Shareholders to be held as set out in the Notice.

**Notice** or **Notice of Meeting** means the Viento notice of meeting including the Explanatory Statement and the Proxy Form accompanying this Prospectus.

**Offer** means the offer to transfer the Qld Iron Shares to Eligible Shareholders by way of in specie distribution as set out in this Prospectus.

**Option** means an option to acquire a Share.

**Optionholder** means a holder of an Option.

**Prospectus** means this prospectus.

**Qld Iron** means Qld Iron Limited (ACN 114 966 184).

**Qld Iron Share** means the shares in Qld Iron to be issued to Eligible Shareholders.

**Record Date** means the record date of the Capital Reduction as set out in the timetable in Section 3.7 of this Prospectus.

**Resolution 1** means the proposed Capital Reduction resolution requiring Viento Shareholder approval as outlined in the Notice of Meeting.

**Section** means a section of this Prospectus.

**Share** means a fully paid ordinary share in the capital of Qld Iron.

**Shareholder** means a holder of Qld Iron Shares.

**Tenements** means the mining tenements in which the Company has an interest as further described in the Solicitor's Report on Tenements set out in Section 10 or any one of them as the context requires.

**Viento** means Viento Group Limited (ACN 000 714 054).

**Viento Directors** or **Viento Board** means the board of directors of Viento at the date of this Prospectus.

**Viento Share** means a fully paid ordinary share in the capital of the Viento.

**Viento Shareholder** means a holder of Viento Shares.

**WST** means Western Standard Time as observed in Perth, Western Australia.