

Quarterly Report

For the three months ending 30 June 2012

Key Achievements

- **As at 30 June 2012, Energio had completed 555 reverse circulation (“RC”) holes (80% of proposed program) and 11 diamond drill holes of the Agbaja Project exploration program.**
- **Over half of the 102 RC holes released to the ASX during the June Quarter returned shallow, high grade iron mineralisation (46-53% iron) with widths of 6 to 14 metres. Results in excess of 54% iron were also recorded. All holes intersected significant iron mineralisation.**
- **The Company remains on track to report a maiden JORC resource in September 2012.**
- **Early metallurgical results have proven encouraging from sighter tests carried out on samples to investigate options for increasing iron grade and deleterious material removal / reduction.**

Overview

Energio Limited (“Energio” or the “Company”) is an ASX listed company (ASX: EIO) focused on the exploration and development of the Agbaja Plateau iron ore project (the “Project”) in Nigeria.

On 29 February 2012, Energio completed the purchase of 100% of the fully paid ordinary shares in Australian company, KCM Mining Holdings Pty Ltd and Nigerian company, KCM Mining Limited, thereby providing Energio 100% ownership and control of the Project.

The granted license areas for exploration are situated in Kogi State located in central Nigeria.



RC Drilling on the Agbaja Plateau

Close proximity of the Project to existing infrastructure provides potential advantages in reduced capital expenditure and project development schedule.

In October 2011, the Company commenced an RC drill program at the Project with the objective of defining a maiden JORC resource by late Q3 2012.

Exploration

Exploration during the June Quarter continued to focus on the Agbaja area. As at 30 June, the Company had completed 555 RC and 11 diamond drill holes. The core from the diamond drill hole program will be tested during the September Quarter to determine a specific gravity value for estimating the Company's maiden JORC resource.

Activities during the June Quarter also centred on the processing of the large backlog of samples held between the laboratories in Ghana and Perth. Consequently, results from 102 RC drill holes were released to the ASX and, as at the end of June 2012, results from a total of 153 RC holes had been issued to the market. Results from all RC drill holes completed to date are anticipated to be released to the ASX by late August 2012.



Sample Storage at the Project

Results received during the June Quarter continued to demonstrate the uniformity of the mineralisation. This represents a significant benefit to the Project for the development of a suitable flow sheet and ultimately to the marketing of the product. The results reported also highlight the width of the ironstone; over half of the RC holes returned shallow, high grade widths of 6 to 14 metres with results of 46-53% iron. Results in excess of 54% iron were also recorded.

In its ASX announcement on 10 July 2012 (Drilling Update #14), as a result of continued heavy wet season rain throughout June, the Company has brought forward the drilling contractor's rostered break. The RC drilling program is planned to resume in late July / early August 2012.

The Company plans to issue a maiden JORC resource in September 2012.

Development

As outlined in the Investor Update Presentation (20 June 2012), Energio has:

- **Commenced or will commence** in Q3 2012, a number of **key infrastructure reviews** relating to port / marine and rail. The results of these studies will provide the Company with a high level understanding of capacity, capital and operating costs, as well as provide options for future expansions;
- **Commenced** a detailed **metallurgical program** which is likely to continue through to Q4 2012. The object of this work will be to determine a preliminary flow sheet and product specifications to be used in discussions with potential off-take partners. Sighter tests have been carried out on some samples to investigate options for silica, alumina and phosphorus removal / reduction. Although not representative, the samples were of dissimilar ironstone minerals taken from different locations within the Project area. Early results have been encouraging. Preliminary Bond Work Index test work has returned results of 13kWh per tonne reinforcing the Company's view that the material is unlikely to consume significant energy within the crushing and grinding process;
- **Requested proposals** from a number of consultants to carry out a **preliminary mining study**. Expected deliverables include a high level mine design, basic mining method(s) and equipment requirements. The study is expected to commence late Q3 2012;
- **Received proposals** for a **preliminary environmental review** within and adjacent to the potential Project areas. Although much of the work will be based on various databases and publicly available information, the high level study will be undertaken to standards that conform with potential equity and debt financiers' requirements;



Regional Stream Testing at Agbaja

- **Requested proposals** from a number of consultants regarding undertaking a **social assessment study**. The report will contain a high level review of the socio-economic impacts of the Project via consultation with the Government and local communities, and review of available data; and
- **Undertaken a preliminary review of global iron ore markets** to gain a clearer understanding of market product specifications. On completion of the current metallurgical program, Energio will engage marketing specialists to provide a more detailed understanding of potential off-take partners. This should be completed during Q1 2013.

Corporate

During the June Quarter, Directors of Energio announced the following changes to Office Holders:

- Athan Lekkas resigned as a Non-Executive Director; and
- Joe Ariti appointed as a Non-Executive Director.

Subsequent to the end of the June Quarter, the following changes were made:

- Peter Hunt and George Yatzis resigned as joint Company Secretaries; and
- Shane Volk appointed as Company Secretary and Chief Financial Officer of Energio.

As of 30 June 2012, Energio had cash and investments of \$4.1 million.

Energio has on issue 239,726,983 fully-paid ordinary shares.

Shareholders are encouraged to visit the Company website (www.energio.net.au) and sign up to email alerts to receive the latest information released to the ASX.

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View from the Agbaja Plateau

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8 Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

ENERGIO LIMITED

ABN

28 001 894 033

Quarter ended ("current quarter")

30 June, 2012

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(1,606)	(2,019)
(b) development	-	-
(c) production	-	-
(d) administration	(370)	(1,252)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	61	71
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	-	-
1.7 Other	-	-
Net Operating Cash Flows	(1,914)	(3,199)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(59)	(59)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	(2,000)
1.12 - Cash on hand of KCM Mining Holdings Pty Ltd upon acquisition by Energio Limited	-	1,422
- Evaluation of proposed projects		(279)
Net investing cash flows	(59)	(916)
1.13 Total operating and investing cash flows (carried forward)	(1,974)	(4,116)

1.13	Total operating and investing cash flows (brought forward)	(1,974)	(4,116)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	3,512
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other - payment of finance lease	-	-
1.19	Other - share issue costs	-	-
	Net financing cash flows	-	3,512
1.20	Net increase (decrease) in cash held	(1,974)	(604)
1.21			
1.22	Cash at beginning of quarter/year to date	6,098	4,728
	Exchange rate adjustments to item 1.20	-	-
	Cash at end of quarter	4,124	4,124

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	112
1.24	Aggregate amount of payments to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Directors remuneration

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount Available \$A'000	Amount Used \$A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and Evaluation	2,000
4.2	Development	0
4.3	Production	0
4.4	Administration	400
Total		2,400

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts as follows.

		Current quarter \$A'000	Previous quarter \$A'000
5.1	Cash on hand and at bank	4,074	6,098
5.2	Deposits at call	50	
5.3	Bank overdraft		
5.4	Other (provide details)		
Total: cash at end of quarter (item 1.22)		4,124	6,098

Changes in interest in mining tenements

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed				
6.2	Interests in mining tenements acquired or increased				

Issues and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security	Amount paid up per security
7.1 Partly paid +securities				
7.2 Changes during quarter				
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	239,726,983	136,377,249		Fully paid
7.4 Changes during quarter				
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities (description)				
7.6 Changes during quarter				
(a) Increases through issues				
(b) Decreases through securities matured, converted				
7.7 Options				
	1,497,327	1,497,327	<i>Exercise Price \$10.00</i>	Expiring 31 March 2013
	1,500	Nil	<i>Exercise Price \$10.00</i>	Expiring 14 Sept. 2012
	20,000	Nil	<i>Exercise Price \$12.50</i>	Expiring 31 Dec. 2012
	15,120,002	Nil	<i>Exercise Price \$0.20</i>	Expiring 30 Nov. 2013
7.8 Issued during quarter				

7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

Compliance Statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to the ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



Dated: 26 July, 2012

Print Name: Shane Volk
Company Secretary

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, AASB 1022: *Accounting for Extractive Industries* and AASB 1026: *Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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