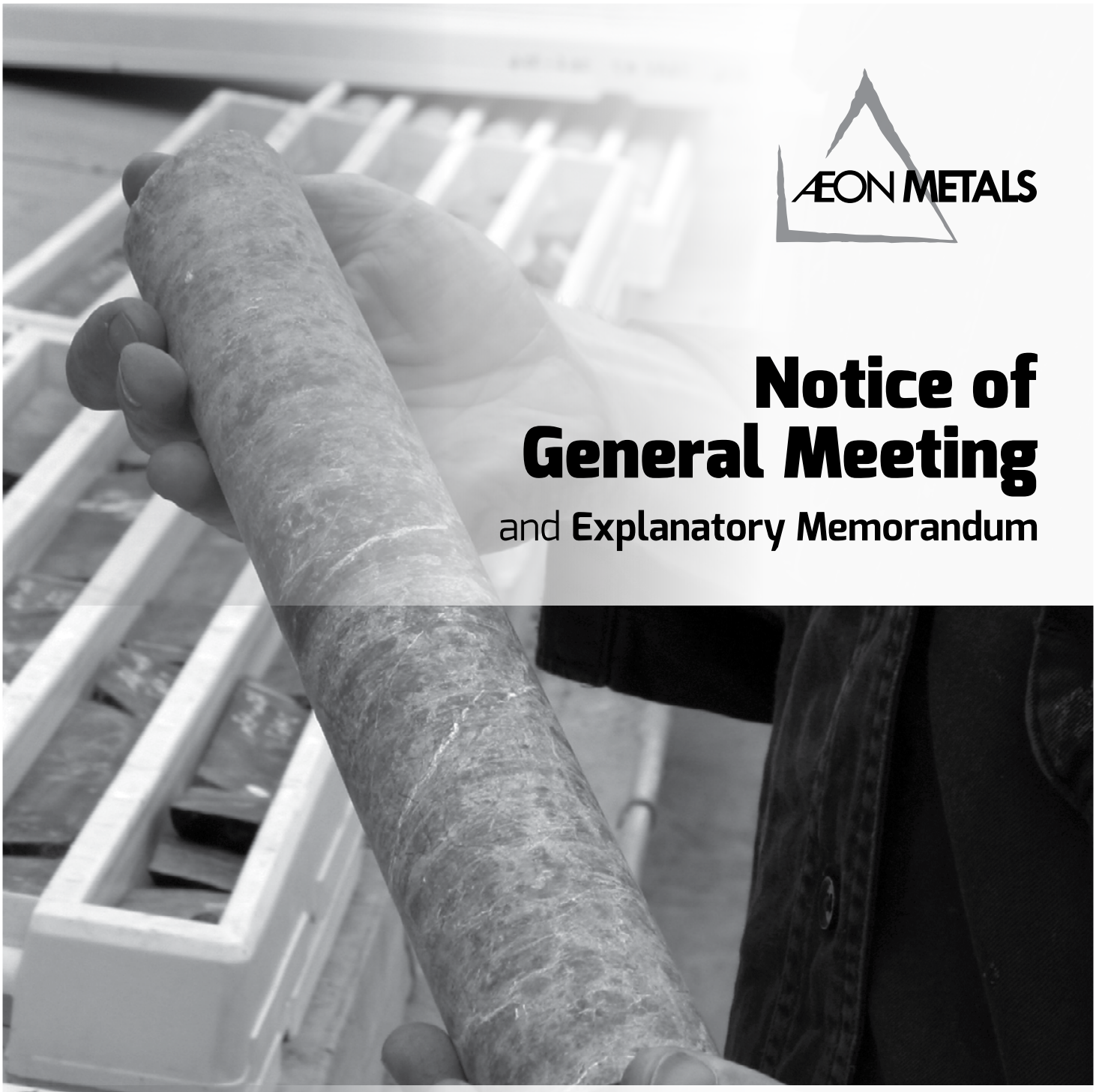

# Notice of General Meeting

and **Explanatory Memorandum**

General Meeting of **Aeon Metals Limited** ACN 121 964 725 to be held at **The Grace Hotel, Corner of York & King Streets, 77 York Street, Sydney NSW 2000** on **Friday, 11 August 2017** at **10.00am** Sydney time.

**This Notice of Meeting and Explanatory Memorandum should be read in their entirety.** If you do not understand these documents or are in any doubt as to how to deal with them, you should consult your stockbroker, solicitor, accountant or other professional adviser immediately.

# Notice of General Meeting

**NOTICE IS HEREBY GIVEN** that a General Meeting ("Meeting" or "EGM") of the members of Aeon Metals Limited ACN 121 964 725 (the "Company" or "Aeon") will be held at **The Grace Hotel, Corner of York & King Streets, 77 York Street, Sydney NSW 2000 on 11 August 2017 commencing at 10.00 am.**

The business to be considered at the Meeting is set out below. This Notice of Meeting should be read in conjunction with the accompanying Explanatory Memorandum, which contains information in relation to each of the Resolutions. A Proxy Form also accompanies this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered shareholders of the Company at 7.00 pm (Sydney time) on 8 August 2017.

# Ordinary Business

## Resolution 1:
## Approval of the issue to OL Master Limited and/or OL Master (Singapore) Pte Limited of 85,000,000 warrants each expiring on 17 December 2019 and exercisable at 16 cents.

To consider and if thought fit to pass the following resolution as an **ordinary resolution**:

***"For the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is hereby given to the issue to OL Master Limited an aggregate of 85,000,000 warrants each expiring on 17 December 2019 on the terms and conditions as materially set out in the Explanatory Statement in the Notice for this Meeting.***

***This Resolution is conditional on the passing of Resolution 2 on the Notice for this Meeting."***

**Voting exclusion:** The Company will disregard any votes cast on this resolution by OL Master Limited and any of its related bodies corporate and any associate of those persons. However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

## Resolution 2:
## Approval to permit OCP Asia (Hong Kong) Limited and others to increase their voting power in the Company's shares to more than 20% through the exercise of 2017 Warrants.

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

***"That for the purposes of Section 611, Item 7 of the Corporations Act 2001 and for all other purposes, approval is hereby given to each of:***

***(a) OCP Asia (Hong Kong) Limited;***

***(b) OL Master Limited; and***

***each of their respective related bodies corporate (as that term is given its meaning in the Corporations Act) each increasing their relevant interest and voting power in the Company's shares through the exercise of any of the warrants to be issued by the Company in consequence of approval of Resolution 1 on the Notice for this Meeting.***

***This Resolution is conditional on the passing of Resolution 1 on the Notice for this Meeting"***

**Voting exclusion:** The Company will disregard any votes cast on this resolution by OCP Asia (Hong Kong ) Limited and OL Master Limited and any of their related bodies corporate and any associate of those persons. However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

## Resolution 3:
## Approval of Employee Share Incentive Plan

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

***"That for the purposes of ASX Listing Rules 7.1 and 7.2, exception 9(b) and for all other purposes, approval is given for the adoption by the Company of the Employee Share Incentive Plan as described in the Explanatory Memorandum."***

**Voting exclusion:** The Company will disregard any votes cast on this Resolution by any employee (except one who is ineligible to participate in any employee incentive scheme) of the Company or its subsidiaries and any associate of any employee (except one who is ineligible to participate in any employee incentive scheme) of the Company or its subsidiaries.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

## Resolution 4:
## Approval of Incentive Share Loan Extension to Managing Director, Hamish Collins

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

***"That for the purposes of ASX Listing rule 10.11 and for all other purposes, approval is given to the extension for a period of three years of a limited recourse loan pursuant to which Mr Collins has been issued shares in the Company as detailed in the Explanatory Memorandum which is attached to and forms part of the Notice for this Meeting."***

**Voting exclusion:** The Company will disregard any votes cast on this Resolution by Hamish Collins and any of associate of Hamish Collins. However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- it is cast by a person chairing the meeting as proxy for a person who is entitled to vote in accordance with a direction on a proxy form to vote as the proxy decides.

## Resolution 5:
## Approval of Incentive Share Loan Extension to Director, Stephen Lonergan

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

***"That for the purposes of ASX Listing rule 10.11 and for all other purposes, approval is given to the extension for a period of three years of a limited recourse loan pursuant to which Mr Lonergan has been issued shares in the Company as detailed in the Explanatory Memorandum which is attached to and forms part of the Notice for this Meeting."***

**Voting exclusion:** The Company will disregard any votes cast on this Resolution by Stephen Lonergan and any associate of Stephen Lonergan. However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- it is cast by a person chairing the meeting as proxy for a person who is entitled to vote in accordance with a direction on a proxy form to vote as the proxy decides.

## Resolution 6:
## Issue of Shares to Chairman, Paul Harris

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

***"That for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the issue of 2,500,000 shares to Paul Harris (or his nominee) to be funded by a limited recourse loan by the Company to Paul Harris (or his nominee) in accordance with the Explanatory Memorandum which is attached to and forms part of the Notice for this Meeting."***

**Voting exclusion:** The Company will disregard any votes cast on this resolution by Paul Harris or any associate of Paul Harris. However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

## Resolution 7:
## Issue of Shares to Managing Director, Hamish Collins

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

***"That for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the issue of 2,500,000 shares to Hamish Collins (or his nominee) to be funded by a limited recourse loan by the Company to Hamish Collins (or his nominee) in accordance with the Explanatory Memorandum which is attached to and forms part of the Notice for this Meeting."***

**Voting exclusion:** The Company will disregard any votes cast on this resolution by Hamish Collins or any associate of Hamish Collins. However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

## Resolution 8:
## Issue of Shares to Director, Ivan Wong

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

***"That for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the issue of 2,500,000 shares to Ivan Wong (or his nominee) to be funded by a limited recourse loan by the Company to Ivan Wong (or his nominee) in accordance with the Explanatory Memorandum which is attached to and forms part of the Notice for this Meeting."***

**Voting exclusion:** The Company will disregard any votes cast on this resolution by Ivan Wong or any associate of Ivan Wong. However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

## Resolution 9:
## Issue of Shares to Director, Stephen Lonergan

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

***"That for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the issue of 2,500,000 shares to Stephen Lonergan (or his nominee) to be funded by a limited recourse loan by the Company to Stephen Lonergan (or his nominee) in accordance with the Explanatory Memorandum which is attached to and forms part of the Notice for this Meeting."***

**Voting exclusion:** The Company will disregard any votes cast on this resolution by Stephen Lonergan or any associate of Stephen Lonergan. However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

By Order of the Board

**Stephen J Lonergan**
*Company Secretary*
Date: 12 July 2017

# Important Information

## Explanatory Memorandum

The Explanatory Memorandum accompanying this Notice of General Meeting is incorporated in and comprises part of this Notice and should be read in conjunction with this Notice.

Shareholders are specifically referred to the Glossary in the Explanatory Memorandum which contains definitions of capitalised terms used both in this Notice of General Meeting and the Explanatory Memorandum.

## Proxies

(a) Votes at the General Meeting may be given personally or by proxy, attorney or representative;

(b) Each shareholder has a right to appoint one or two proxies;

(c) A proxy need not be a shareholder of the Company;

(d) If a shareholder is a company it must execute under its common seal or otherwise in accordance with its constitution;

(e) Where a shareholder is entitled to cast two or more votes, the Shareholder may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise;

(f) If a shareholder appoints two proxies, and the appointment does not specify the proportion or number of the Shareholder's votes, each proxy may exercise half of the votes. If a shareholder appoints two proxies, neither proxy may vote on a show of hands;

(g) A proxy must be signed by the shareholder or his or her power of attorney who has not received any notice of revocation of the authority. Proxies given by corporations must be signed in accordance with the Company's Constitution and the Corporations Act.

(h) To be effective, proxy forms must be received by the Company's share registry (Boardroom Pty Limited) no later than 48 hours before the commencement of the General Meeting, that is no later than 10.00 am Sydney time on 9 August 2017. Any proxy form received after that time will not be valid for the scheduled meeting.

**By Hand Delivery**
Boardroom Pty Limited
Level 12, Grosvenor Place
225 George Street
SYDNEY NSW 2000

**By Mail**
Boardroom Pty Limited
GPO Box 3993
SYDNEY NSW 2001

**By Facsimile**
(02) 9290 9655

## Corporate Representative

Any corporate Shareholder who has appointed a person to act as its corporate representative at the Meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company and/or registry in advance of the Meeting or handed in at the Meeting when registering as a corporate representative.

# Explanatory Memorandum

This Explanatory Memorandum sets out information in connection with the business to be considered at the General Meeting of Aeon Metals Limited to be held on 11 August 2017.

## Resolution 1: Approval of the issue to OL Master Limited of 85,000,000 warrants each expiring on 17 December 2019 and exercisable at 16 cents.

### Background

1 On 8 May 2017 the Company announced that it had reached agreement to extend the repayment date of its debt to the OCP Asia Group ("OCP") by a further 2 years out until 17 December 2019 ("Repayment Extension"). The debt of $27.68 million (plus capitalised interest) was due for repayment on 17 December 2017. The debt was incurred in 2014 as part consideration for the acquisition of Aston Metals Limited now called Aeon Walford Creek Limited ("AWCL) (which held the Walford Creek Project) and in 2015 when the initial debt was refinanced and increased by an additional advance of $4.85 million.

2 In consideration of the Repayment Extension, the Company agreed, subject to shareholder approval, to issue to OCP 85 million warrants each expiring on 17 December 2019 ("2017 Warrants") and exercisable at 16 cents. As with warrants issued to OCP in 2014 and 2015, the Company also agreed to seek shareholder approval under Section 611(7) of the Corporations Act so that any or all of the 2017 Warrants can be exercised at any time notwithstanding the OCP's holding of more than 20% of the Company's issued shares ("Section 611 Approval"). Additionally, Aeon agreed that the existing debt arrangements would be amended so that upon any repayment of the debt before the first anniversary of the amendments to give effect to the Repayment Extension, the Company will pay interest up to that first anniversary.

3 Resolution 1 seeks shareholder approval to the issue of the 2017 Warrants to OL Master Limited which is a company controlled by OCP. The 2017 Warrants will only be issued if shareholders approve Resolution 1 and give the Section 611(7) Approval pursuant to Resolution 2 at this Meeting. If the 2017 Warrants are exercised, exercise moneys may not necessarily be received as cash. The Company has issued a total of $27,680,000 of Notes to OL Master Limited and the conditions of the Notes and the 2017 Warrants permit the holder to elect to pay the exercise price of any warrants by surrender of Notes to the value of the warrant exercise price. In these circumstances, the Company will receive the benefit of a reduction in the amount owing by it on the Notes instead of cash.

4 In accordance with ASX Listing Rule 7.3 the following information is provided:

(a) The number of securities to be issued is 85,000,000 2017 Warrants.

(b) The 2017 Warrants will be issued within 3 months after the date of this Meeting.

(c) There is no issue price for these securities as they are being issued in part consideration for the Repayment Extension.

(d) The 2017 Warrants will be issued to OL Master Limited.

(e) The terms of the 2017 Warrants are set out in Schedule 1 to this Explanatory Memorandum.

(f) Cash funds provided by exercise of the 2017 Warrants will be used for the Company's working capital.

(g) The 2017 Warrants will all be issued on the same date and not progressively.

5 The Directors unanimously recommend that shareholders not associated with OCP should vote in favour of approval of Resolution 1 because such approval, together with approval by shareholders of Resolution 2 before this Meeting, will secure the Repayment Extension. In the absence of the Repayment Extension, it is unlikely that sufficient funding can be secured to repay OCP by the current repayment date of 17 December 2017 and, in those circumstances, the effect of the limited recourse loan arrangement with OCP is that OCP would be entitled to enforce its security over the shares in AWCL held by Aeon with the consequence that Aeon would cease to own the Walford Creek Project.

## Resolution 2: Approval to permit OCP Asia (Hong Kong) Limited and others to increase their voting power in the Company's shares to more than 20% through the exercise of 2017 Warrants.

6 As at 30 June 2017, OCP had a relevant interest in 80,866,645 Aeon shares (23.24% of Aeon's issued shares).

7 OCP's related body corporate also holds 73,000,000 warrants each entitling the holder to be issued 1 share upon payment of 9.35 cents expiring on 17 December 2017 ("2015 Warrants"). Warrants issued to OCP in 2014 were not exercised and expired on 17 June 2017.

8 At a General Meeting on 29 October 2015, Aeon shareholders gave approval for the purposes of Section 611(7) of the Corporations Act to each of OCP Asia (Hong Kong) Limited, OL Master Limited and Centar SP3 Limited and each of their related bodies corporate increasing their relevant interest and voting power in the Company through exercise of the 2015 Warrants. If all the 2015 Warrants were now exercised, then OCP would have a relevant interest in 36.56% of Aeon's issued shares.

9 Resolution 2, if approved, will enable each of OCP Asia (Hong Kong) Limited and OL Master Limited and each of their respective related bodies corporate to exercise the 2017 Warrants and thereby increase their voting power in the Company to more than 20%.

10 Although under the terms of Resolution 1 the 2017 Warrants will be issued to OL Master Limited, the proposed Section 611 Approval will extend to their related bodies corporate (as that term is defined in the Corporations Act) and to OCP Asia (Hong Kong) Limited so that if the warrants are transferred to any of these entities in the OCP Group, the transferee will be entitled to exercise the warrants and acquire Aeon shares with the benefit of the Section 611 Approval. It should also be noted that, to the extent the 2017 Warrants may be held in future by other than the aforementioned entities, the holder will not have the benefit of the Section 611 Approval in respect of shares acquired on exercise of those warrants.

11 Assuming that OCP maintains its current relevant interest in 80,866,645 Aeon shares (as at 30 June 2015, 23.24% of Aeon's issued shares) and the 2015 Warrants and 2017 Warrants are exercised with the benefit of the Section 611 Approval then the voting power of OCP in Aeon will be as follows;

- on exercise of the 2015 Warrants 36.56%
- on exercise of the 2017 Warrants 38.32%
- on exercise of both the 2015 and 2017 Warrants 47.22%

12 The exercise of the warrants will benefit the Company by receipt of exercise moneys. If all the 2015 Warrants are exercised at 9.35 cents per warrant approximately $6.825 million will be received by Aeon. If all the 2017 Warrants are exercised, some $13.6 million will be received. However, exercise moneys may not necessarily be received as cash. The Company

has issued a total of $27,680,000 of Notes to OL Master Limited and the conditions of the Notes permit the holder to elect to pay the exercise price of any warrants by surrender of Notes to the value of the warrant exercise price. In these circumstances the Company will receive the benefit of a reduction in the amount owing by it on the Notes instead of cash.

13 If all the 2015 Warrants and all the 2017 Warrants are exercised entirely by cash payment then $20.825 million will be received by Aeon. If the exercise is by reduction of the amount outstanding under the Notes, then the outstanding balance under the Notes will reduce by the payment amount. While any Warrants remain unexercised

(a) if the Company wants to issue shares at more than a 15% discount to the weighted average market price of the Companys shares over the month before the new shares are issured then it must obtain the prior consent of the warrant holders; and

(b) any issue of convertible securities by the Company is capped at 10% (by number and value) of Aeon's fully diluted capital; and

(c) if the Company proposes to pay a dividend, then the record date must be such as to give the warrant holders sufficient time to exercise their warrants and participate in the dividend.

The Directors consider that, in the circumstances of the Company, these are not material restrictions.

14 Although the 2017 Warrants are transferable, the proposed Resolution will only permit entities in the OCP Asia Group to exercise the warrants with the benefit of the Section 611 Approval. Nevertheless, approval of the proposed Resolution will create uncertainty as to the potential relevant interest of the OCP Parties in the Company and for that reason may deter takeover bids or other change of control arrangements beneficial to shareholders.

15 The Company has requested the OCP Parties to advise their intentions with respect to exercise of the 2015 Warrants and the 2017 Warrants and the questions put to the OCP Parties and the relevant responses in italics (as of 13 June 2017) are as follows:

(a) any material information known to the OCP Parties in relation to exercise of 2015 Warrants and 2017 Warrants following the Section 611 Approval.

***Response*** *Nothing further in addition to the information set out in our answers below*

(b) the intentions of the OCP Parties with respect to exercise of the 2015 Warrants and 2017 Warrants both if the Section 611 Approval is given and, in relation to the 2015 Warrants only if the Section 611 Approval is not given.

***Response*** *If the approval is given, based on current information known to us, it is not our current intention to exercise any of the warrants immediately. If approval is not given, we will consider and determine our intentions at that time.*

(c) a statement of the OCP Parties' intentions regarding the future of Aeon if shareholders give the Section 611 Approval and the 2015 Warrants and the 2017 Warrants are exercised and, in particular

(i) any intention to change the business of Aeon: ***Response*** *We do not currently intend to change the business of Aeon*

(ii) any intention to inject further capital into Aeon: ***Response*** *We do not currently intend to inject further capital into Aeon*

(iii) the future employment of present employees of Aeon: ***Response*** *We do not currently intend to seek to change the future employment of Aeon's present employees*

(iv) any proposal where assets will be transferred between Aeon and OCP Parties or their associates: ***Response*** *We do not currently propose to transfer assets between Aeon and any OCP Parties or their associates*

(v) any intention to otherwise redeploy the fixed assets of Aeon: ***Response*** *We do not currently intend to otherwise redeploy the fixed assets of Aeon*

(vi) any intention of the OCP Parties to significantly change the financial or dividend distribution policies of Aeon: ***Response*** *We do not currently intend to significantly change the financial or dividend distribution policies of Aeon*

(d) any intentions of the OCP Parties to nominate any persons as directors of Aeon and, if so, the names and relevant professional or commercial experience of such persons and details of their association with the OCP Parties: ***Response*** *We have previously nominated Paul Harris as a director. We do not currently intend to nominate any additional persons as director*

(e) if and to what extent OCP Parties propose to exercise warrants by cash subscription or by the Note redemption offset mechanism set out in Clause 6.10 of the Note Conditions contained in the Note and Security Trust Deed: ***Response*** *We will determine the manner in which the warrants are exercised at the time of the exercise*

(f) information regarding the OCP Parties and their associates which may acquire Aeon shares pursuant to the Section 611 Approval. Currently the only information we are able to provide to shareholders is the OCP Asia website www.ocpasia.com: ***Response*** *The shares may be acquired by OL Master Limited and/or its wholly owned subsidiaries. OL Master Limited is a private investment fund incorporated as an exempted limited company in the Cayman Islands and is managed by OCP Asia (Singapore)Pte. Limited*

(g) any analyst reports in relation to the performance of OCP Funds and any information in relation to the financial position of the OCP Parties: ***Response*** *Information on the financial position of the OCP Parties is generally not made publically available*

16 The Directors have commissioned an Independent Expert's Report ("IER") for the purpose of assessing the fairness and reasonableness of the Section 611 Approval to shareholders who are not associated with the OCP Parties. The IER contains a detailed assessment of the effect of the proposed Resolution and Shareholders are urged to read the IER in full. The IER accompanies and forms part of this Notice. The IER concludes that **the proposed Section 611 Approval is not fair but reasonable to shareholders not associated with the OCP Parties.**

17 None of the Directors is associated with the OCP Parties except that Paul Harris was nominated as a Director by the OCP Parties and, as disclosed in the Company's ASX announcement dated 28 December 2016, Mr Harris has a consultancy arrangement with OCP which the other Directors believe makes him a non independent Director but not an associate of OCP.

18 The Directors will not receive any benefit, other than as shareholders, if the Section 611 Approval is granted and there are no material agreements involving any Director in relation to the Section 611 Approval. The Directors will not derive any additional fees if the Section 611 Approval is granted.

19 The Directors unanimously recommend that shareholders not associated with the OCP should vote in favour of approval of Resolution 2 because such approval, together with approval by shareholders of Resolution 1 before this Meeting, will secure the Repayment Extension. In the absence of the Repayment Extension, it is unlikely that sufficient funding can be secured to repay OCP by the current repayment date of 17 December 2017 and, in those circumstances, the effect of the limited recourse loan arrangement with OCP is that OCP would be entitled to enforce its security over the shares in AWCL held by Aeon with the consequence that Aeon would cease to own the Walford Creek Project.

## Resolution 3: Approval of Employee Share Incentive Plan

20 The Directors consider that it is desirable to establish a plan under which employees and contractors (but not Directors) of the Company and its controlled subsidiaries may be offered the opportunity to subscribe for shares, in order to increase the range of potential incentives available to them and to strengthen links between the Company, its employees and contractors.

21 Accordingly, the Directors have adopted the Aeon Employee Share Incentive Plan ("the Incentive Plan"). The Incentive Plan is designed to provide incentives to employees and contractors and to recognise their contribution to the Company's success. Under the Company's current circumstances, the Directors consider that the issue of shares and associated funding are a cost-effective and efficient incentive for the Company as opposed to alternative forms of incentives such as cash bonuses or increased remuneration. To enable the

Company to secure and retain people who can assist the Company in achieving its objectives, particularly as the Walford Creek Project moves into pre development phase, it is necessary to provide remuneration and incentives to such personnel commensurate with market rates and practices. The Incentive Plan is designed to achieve this objective, by encouraging continued improvement in performance over time and by encouraging personnel to acquire and retain significant shareholdings in the Company.

22 Shareholders approval of the Incentive Plan is required so that for the 3 years after the approval the issue of shares under the Incentive Plan will fall within Exception 9(b) of ASX Listing Rule 7.2 and, in consequence, any shares issued will not count against the 15% limit imposed by ASX Listing Rule 7.1 or the 10% limit imposed by Listing Rule 7.1A.

23 Under the Incentive Plan, the Board may offer to eligible persons the opportunity to subscribe for such number of shares in the Company as the Board may decide and on the terms set out in the rules of the Incentive Plan. Shares allotted and issued under the Incentive Plan will be offered to participants on the basis of the Board's view of the contribution of a particular participant to the Company. Shares will only become available to participants on achievement of Company performance hurdles as predetermined by the Board. All shares issued will be quoted on the ASX and will rank pari passu with the issued shares of the Company.

24 In accordance with the requirements of ASX Listing Rule 7.2 Exception 9(b), the following information is provided:

(a) A summary of the terms of the Incentive Plan is attached as Schedule 2 to this Notice of Meeting;

(b) The Company has had no prior Incentive Plan approved for the purposes of Listing Rule 7.2 Exception 9(b);

(c) A voting exclusion statement is included on page 4 of this Notice.

25 The total number of shares to be issued under the Incentive Plan (excluding shares previously issued as incentive to Directors and employees) is not to exceed 5% of the Company's issued shares from time to time.

## Resolution 4: Approval of Incentive Share Loan Extension to Managing Director, Hamish Collins

26 On 8 May 2014 shareholders approved the issue to Hamish Collins or his nominee of 4,000,000 Aeon shares at 12 cents per share to be funded by a 3 year, interest free, limited recourse loan of $480,000. The shares were issued on 3 July 2014 subject to a loan agreement which specifies that the 3 year loan term is to expire on 3 July 2017. Rather than force the sale of these shares at the end of the 3 year term, the Directors (other than Mr Collins) believe that it is in the interests of the Company to extend the current loan for another 3 years.

27 ASX Listing Rule 10.11 restricts the Company from issuing shares to Directors unless approval is obtained from shareholders. While in this case the relevant shares are already issued, the commercial effect of the proposed extension is to confer on Mr Collins the benefit of this parcel of shares for the 3 year extension period and therefore the Directors are seeking shareholder approval under ASX Listing Rule 10.11 as if 4,000,000 shares were now being issued. On this basis, the following additional information is provided in accordance with ASX Listing Rule 10.13:

- the 4,000,000 shares will remain registered in the name of his nominee, Louise Collins.
- the number of shares is 4,000,000.
- the shares are already issued.
- the issue price of the shares was 12 cents per share.
- the shares rank pari passu with the issued shares of the Company.
- no funds have been raised in respect of these shares.
- a voting exclusion statement in relation to Resolution 4 is provided on page 4 of this Notice.

28 Section 208 of the Corporations Act provides that for a public company to give a financial benefit to a related party of the public company, the public company must:

(a) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and

(b) give the benefit within fifteen (15) months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

29 The Board (excluding Mr Collins) has formed the view that shareholder approval under section 208 of the Corporations Act is not required for the loan extension as the exception in section 211 of the Corporations Act applies, namely the financial benefit is reasonable remuneration to Mr Collins as an officer of the Company.

30 The proposed 3 year loan extension may constitute financial assistance for the purchase of shares in the Company and this is permitted by Section 260B of the Corporations Act if the giving of the assistance does not materially prejudice the interest of the Company or its shareholders or the Company's ability to pay its creditors. The Directors (excluding Mr Collins) believe, in the circumstances, that the proposed financial assistance satisfies these tests.

31 The Directors (excluding Mr Collins) unanimously recommend that shareholders vote in favour of Resolution 4.

## Resolution 5: Approval of Incentive Share Loan Extension to Director, Stephen Lonergan

32 On 4 August 2014 Mr Lonergan, who was at that time Company Secretary and not a Director, was allotted 1,000,000 Aeon shares at 19.5 cents per share funded by a 3 year, interest free, limited recourse loan from Aeon of $195,000. Mr Lonergan subsequently became a Director on 7 September 2016. The 3 year loan term is to expire on 4 August 2017. Rather than force the sale of these shares at the end of the 3 year term, the Directors (excluding Mr Lonergan) believe that it is in the interests of the Company to extend the current loan for another 3 years.

33 ASX Listing Rule 10.11 restricts the Company from issuing shares to Directors unless approval is obtained from shareholders. While in this case the relevant shares are already issued, the commercial effect of the proposed extension is to confer on Mr Lonergan the benefit of this parcel of shares for the 3 year extension period and therefore the Directors are seeking shareholder approval under ASX Listing Rule 10.11 as if 1,000,000 shares were now being issued. On this basis, the following additional information is provided in accordance with ASX Listing Rule 10.13:

- the 1,000,000 shares will remain registered in the name of Mr Lonergan.
- the number of shares is 1,000,000.
- the shares are already issued.
- the issue price of the shares was 19.5 cents per share.
- the shares rank pari passu with the issued shares of the Company.
- no funds have been raised in respect of these shares.
- a voting exclusion statement in relation to Resolution 5 is provided on page 5 of this Notice.

34 Section 208 of the Corporations Act provides that for a public company to give a financial benefit to a related party of the public company, the public company must:

(a) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and

(b) give the benefit within fifteen (15) months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

35 The Board (excluding Mr Lonergan) has formed the view that shareholder approval under section 208 of the Corporations Act is not required for the loan extension as the exception in section 211 of the Corporations Act applies, namely the financial benefit is reasonable remuneration to Mr Lonergan as an officer of the Company.

36 The proposed 3 year loan extension may constitute financial assistance for the purchase of shares in the Company and this is permitted by Section 260B of the Corporations Act if the giving of the assistance does not materially prejudice the interest of the Company or its shareholders or the Company's ability to pay its creditors. The Directors (excluding Mr Lonergan) believe, in the circumstances, that the proposed financial assistance satisfies these tests.

37 The Directors (excluding Mr Lonergan) unanimously recommend that shareholders vote in favour of Resolution 5.

## RESOLUTIONS 6 to 9: Issue of Shares to Directors

38 In accordance with Resolutions 6 to 9 the Company proposes to grant each of 4 Directors 2,500,000 shares in the Company to be funded by limited recourse, interest free 3 year loans by the Company.

39 The grant of the shares is designed to incentivise the Directors by participating in the future growth and prosperity of the Company through share ownership and in recognition of the contribution made to the Company by the Directors and their ongoing responsibility. The Directors will only benefit from these shares and the asscociated loans if the Company's share price increases beyond a 25% premium above the share issue price.

40 The relevant shares would be placed with each Director (or his nominee) at a subscription price equal to the ASX closing price for Aeon shares on the date of allotment of the shares. However, if in the 2 months prior to the proposed date of issue of the shares the Company has raised equity at a price higher than the relevant ASX closing price, then the issue price will be that higher equity raise price.

41 Directors will not be permitted to sell these shares at a price less than the issue price plus 25%. When shares are sold, the loan amount per share would be repaid to the Company.

42 Upon a default by the Director, the sole recourse of the Company will be the relevant shares. If a Director ceases to be a Director during the term of the loan, that will not affect his rights to continue to hold the shares and enjoy the loan for the remainder of the 3 year term. Appropriate loan agreements will be entered into between the Company and each Director if this Resolution is approved providing for:

(a) the loan to be interest free and for a 3 year term;

(b) the Company to maintain a holding lock or equivalaent on the shares pending repayment of the loan;

(c) if any share is sold during the term, it must be sold at at a price no less than the issue price plus 25% and the loan amount in respect of that share must be repaid.

(d) if the shares are not all sold before the end of the term, the Director's repayment obligation will be discharged by providing a signed transfer in respect of the shares and there will be no other recourse to the Director;

(e) in the event of a merger or takeover offer, if the cash offer price per share is more than the loan amount per share, the Director will be free to accept the offer provided the loan amount is repaid. In the event of a script offer, the loan shares may be replaced by the offer script on the basis of new documentation to be proposed by the Company;

(f) the Director will be entitled to all rights arising in respect of the shares while there is any loan amount outstanding, except that cash distributions must be paid to the Company to reduce the loan amount outstanding.

43 The Company will incur an accounting cost in relation to the loans provided to Directors and the shares issued. In accordance with AASB2, the loans provided to Directors and the shares issued are required to be valued as options. The Company is required to expense the value of these options granted to Directors with the loan effectively being recorded in the Company's Share Based Payments Reserve account. The exact amount to be expensed and transferred to the Reserve in relation to Resolutions 6 to 9 cannot be estimated at this time as the relevant share price is not yet known. However, if the subscription price (and therefore the loan amount) was 15 cents per share, the fair value of the shares issued and therefore the loan amount for accounting purposes would be $275,000. If the subscription price was 12 cents per share the fair value for accounting purposes would be $200,000.

44 In calculating the above option valuation examples, the following inputs were used in the Binomial valuation methodology:

| | | |
|---|---|---|
| Exercise Price | $0.12 | $0.15 |
| Expected Life | 3 years | 3 years |
| Volatility | 100% | 100% |
| Risk free rate (3 year Government Bond Rate) | 1.74% | 1.74% |
| Base share price | $0.12 | $0.15 |

45 It is noted that the proposed placements and loans will not involve any reduction in the Company's cash position.

46 Any issue of shares to a Director will be conditional on the Board determining immediately prior to any issue of shares, having regard to the circumstances of the Company at the time, that

(a) the financial benefit constituted by the loan and issue of the shares constitutes reasonable remuneration for that Director for the purposes of Section 211 of the Corporations Act; and

(b) the giving of the assistance by the loan does not materially prejudice the interest of the Company or its shareholders or the Company's ability to pay its creditors for the purposes of Section 260B of the Corporations Act.

47 If shareholder approval is given under ASX Listing Rule 10.11, shareholder approval is not required under ASX Listing Rule 7.1.48.ASX Listing Rule 10.11 requires shareholder approval for an issue of equity securities to a related party. Approval is therefore being sought for the proposed grant of shares to Directors. ASX Listing Rule 10.13 requires this Notice of Meeting to include the following specified information in relation to the shares to be granted to Directors:

a) The maximum number of securities to be issued to the Directors is 10,000,000 shares. The allocation of the shares is 2,500,000 shares for each of Paul Harris, Hamish Collins, Ivan Wong and Stephen Lonergan.

b) No funds will be raised by the grant of the shares as they are being funded by interest free, limited recourse loans to be provided by the Company.

c) The issue price of the shares will be the ASX closing price for the Company's shares on the date the shares are issued. However, if in the 2 months prior to the proposed date of issue of the shares the Company has raised equity at a price higher than the relevant ASX closing price, then the issue price will be that higher equity raise price.

d) The Company intends to grant the shares to Directors as soon as practicable after the date of the EGM but in any event, no later than one month after the date of the Meeting.

# Glossary

In this Explanatory Memorandum and Notice of General Meeting the following expressions have the following meanings unless stated otherwise or unless the context otherwise requires:

**ASX** means ASX Limited ACN 008 624 691

**Board** means the board of Directors

**Company** or **Aeon** means Aeon Metals Limited ACN 121 964 725

**Constitution** means the constitution of the Company

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

**Directors** means the directors of the Company

**Explanatory Memorandum** means the explanatory memorandum attached to and forming part of the Notice

**Listing Rules** means the ASX Listing Rules as published by the ASX from time to time

**Meeting** means the meeting of Shareholders convened by the Notice of General Meeting;

**Notice** or **Notice of General Meeting** means the notice of general meeting to which this Explanatory Memorandum is attached;

**OCP Asia Group** means the group of companies controlled by OCP Asia (Hong Kong ) Limited and/or OCP Asia (Singapore) Pte. Limited

**OCP Parties** means, as the context requires, OCP Asia (Hong Kong) Limited, OL Master Limited and their Related Bodies Corporate

**Repayment Extension** bears in meaning in paragraph 1

**Resolution** means each resolution to be considered at the Meeting as set out in this Notice;

**Related Body Corporate** has the meaning set out in Section 50 of the Corporations Act

**Section 611 Approval** bears the meaning in paragraph 2

**Share** means a fully paid share in the issued share capital of the Company

**Shareholder** means a holder of shares in the Company who is eligible to attend the Meeting

**Voting Power** has the meaning set out in Section 610 of the Corporations Act

**2017 Warrants** bears the meaning in paragraph 2

**2015 Warrants** bears the meaning in paragraph 7

# Schedule 1

## TERMS AND CONDITIONS OF 2017 WARRANTS

A summary of the terms and conditions of the 2017 Warrants (which operate in the same manner as options) is as follows.

| | |
|---|---|
| **Status:** | Unlisted and exercisable into Shares upon payment of the Exercise Price. ASX quotation to be sought for Shares issued on exercise. |
| **Transfer:** | The 2017 Warrants are fully transferable. |
| **Expiry Date:** | 17 December 2019. |
| **Exercise:** | Exercisable at any time from 10 days after the Issue Date until the Expiry Date at holder's option in exchange for Shares in the Company. |
| **New Warrant Exercise Price:** | The initial Exercise Price in respect of each 2017 Warrant is 16 cents.<br>The initial Exercise Price will be adjusted in the manner prescribed in the Listing Rules to take into account the following:<br>• any re-organisation (including reconstruction, consolidation, subdivision, reduction or return of capital) of the issued capital of the Company for the period from the Issue Date of the New Options until the Expiry Date (**Exercise Period**);<br>• bonus issue or pro-rata issue to Shareholders during the Exercise Period;<br>• if applicable, certain Adjustment Events (detailed in the relevant Deed Poll). |
| **ASX Waiver:** | The Company may, at its election at any time, seek a waiver from the ASX which would allow the Adjustment Events to be taken into consideration when adjusting the initial Warrant Exercise Price (**ASX Waiver**).<br>If the ASX grants the ASX Waiver:<br>• the Adjustment Events will be taken into consideration when adjusting the Initial New Warrant Exercise Price from the date on which the ASX grants the ASX Waiver (**ASX Waiver Date**) until the Expiry Date; and<br>• the Restrictions (detailed below) will cease to apply to the Company with effect from the ASX Waiver Date.<br>If the ASX **does not** grant the ASX Waiver the Restrictions will continue. For the avoidance of doubt, if the ASX does not grant the ASX Waiver, the Adjustment Events will not be taken into consideration when adjusting the initial 2017 Warrant Exercise Price. |

| | |
|---|---|
| **Restrictions:** | The Company will be subject to the restrictions detailed below:<br>• if the Company wants to issue new Shares at a price which is discounted by more than 15% of the volume weighted average price for Shares for the one month immediately preceding the proposed date of issuance, then the Company must obtain prior consent from the holders of the 2017 Warrants<br>• the Company is only permitted to grant convertible securities (including options) in an aggregate amount up to 10% of the fully diluted capital of the Company which is on issue immediately following the Issue Date for the 2017 Warrants; and<br>• if the Company wants to pay dividends or make distributions, the Company must give the holders of the 2017 Warrants reasonable sufficient prior notice, being not less than 14 business days after the announcement of the Company of such dividend, so that the holder of the 2017 Warrants can exercise the 2017 Warrants and participate in any such dividend or distribution should they wish to do so, (together, **the Restrictions**). |
| **Restrictions Commencement Date:** | The Restrictions will apply from the Effective Date of the relevant Deed Poll. |
| **Restrictions Termination Date:** | The Restrictions will cease to apply on the earlier of the date:<br>• that the Issuer obtains the ASX Waiver;<br>• that is the Expiry Date;<br>• on which all the 2017 Warrants are exercised by the warrantholders; or<br>• all 2017 Warrants are transferred by the initial warrantholder. |

# Schedule 2

## SUMMARY OF THE TERMS OF THE EMPLOYEE SHARE INCENTIVE PLAN

Under the Aeon Employee Share Incentive Plan (**Plan**), selected employees and contractors of Aeon Metals Limited (**Company**) or its controlled subsidiaries (**Participants**) are offered the opportunity to acquire ordinary shares of the Company (**Shares**) at a placement price funded by a limited recourse loan from the Company.

The Shares offered to a Participant are subject to sale restrictions (i.e. performance hurdles which will normally be expressed as the Company share price attaining a specified price) to be determined by the Board of the Company and the Shares cannot be sold by the Participant unless the performance hurdles have been met and arrangements have been made to the satisfaction of the Company that on sale the relevant loan amount per share will be repaid to the Company. Participation in the Plan is at the discretion of the Board.

Shares will not be issued to Directors of the Company under the Plan.

Unless otherwise determined by the Board, the placement or issue price of the Shares is to be not less than the volume weighted average sale price per Share on the ASX over the 5 ASX trading days immediately preceding the date of issue to the Participant. The aggregate cost of the issue to the Participant (number of Shares multiplied by the issue price) is to be funded by a loan to the Participant. The term of this loan is to be normally three to five years and interest free however the Board has the discretion to offer alternative arrangements to Participants in relation to the loan. The terms of the loan facility are set out immediately following this Summary.

The Board may, at its discretion, waive the repayment of any loan in relation to Participants. Any such waiver will be subject to the Participant remaining in the employment or service (as applicable) of the Company or its subsidiaries for a specified amount of time determined by the Board.

### Invitations to Participate

The Board may from time to time invite an employee or contractor to participate in the Plan. The invitation will specify the number of shares for which the Participant may subscribe, the price for the Shares or the method for calculating the price, the relevant vesting conditions, the time within which the offer may be accepted and the manner of acceptance, the interest rate applicable to the loan facility (if any), the repayment date for the loan and any other terms the Board considers relevant. By accepting an invitation, a Participant agrees to be bound by the terms and conditions of the Plan and the Constitution of the Company.

### Vesting Conditions

All Shares are issued subject to specified sale conditions which are specific to each Participant and only once these conditions are satisfied (and arrangements satisfactory to the Board have been made so that on sale the Company loan will be repaid) is the Participant able to sell or deal with the Shares. The Board acting reasonably has absolute discretion in determining whether the particular conditions have been satisfied.

### Vesting Conditions Satisfied and Prepayment

If on or before the repayment date, the sale conditions are satisfied and the then market value of the Shares exceeds the issue price, the Participant can prepay some or all of the loan attributable to a number of Shares specified by the Participant and the Participant may then at the discretion of the Company be entitled to sell or dispose of that specified number of Shares.

### Vesting Conditions Not Satisfied

If, on the repayment date, the conditions are not satisfied then the loan is due and repayable and the Company is entitled to cancel the Shares or sell the Participant's Shares to recover the loan. If the proceeds of sale are less than the loan amount in respect of those Shares then the Participant is not liable for the shortfall. If the proceeds of sale are more than the loan amount in respect of those Shares, then the Company is entitled to recover its loan and retain the surplus. Alternatively the Company may transfer the Shares to another Participant.

### Cessation of Employment

If a Participant ceases employment, or for a contractor who is not an employee, service as a contractor with the Company ceases for any reason then, whether or not the applicable conditions have been satisfied, the Company can cancel the Shares or sell the Shares and apply the proceeds to recover the loan. If the proceeds of sale are less than the loan amount in respect of those Shares then the Participant is not liable for the shortfall. If the proceeds of sale are more than the loan amount in respect of those Shares, then the Company is entitled to recover the loan and retain the surplus. Alternatively the Company may transfer the Shares to another Participant.

On cessation of employment or service (as applicable) the Board has discretion to waive the conditions or allow the loan to remain outstanding consistent with its existing terms and conditions.

### Dividends and other Distributions

Cash distributions on Shares in respect of which a loan is outstanding are required to be paid to the Company in reduction of the loan. Once the loan has been repaid distributions are to be retained by the Participant.

### Dealings

A Participant who holds Shares subject to a loan is not permitted to deal with such Shares and the Company is entitled to place a holding lock on the Shares.

### Mergers and Takeovers

If a takeover offer is made or a scheme of arrangement occurs in relation to the Company, and such takeover offer becomes unconditional or scheme of arrangement is approved by the Board, then the conditions under which Shares have been issued to a Participant are deemed to have been met and the loan in respect of that Participant's Shares becomes immediately due and payable and the Participant or the Company may sell the Shares. The Participant has no liability for any shortfall on sale of the Shares by the Company. If on a takeover the consideration is scrip in another company then that scrip will be substituted for the Shares as security for the loan to the Participant.

## Loan Facility Terms

The terms and conditions of the Facility are as follows:

1. Subject to the terms of the Facility, the Company agrees to provide the Facility to the Participant up to the Placement Amount for the Approved Purpose.
2. The Participant acknowledges that:
   (i) the Company will have provided an Advance of the Placement Amount to the Participant; and
   (ii) the Participant will have received from the Company the Placement Amount,

   upon the date of the Company having notified to the ASX by an Appendix 3B the allotment of the Present Interest to the Participant at the Placement Price.
3. The Company acknowledges that:
   (i) the value of the Present Interest will fluctuate and may at any time be below the Placement Amount and any Amount Outstanding; and
   (ii) the Present Interest constitutes the sole means of repaying the Placement Amount and any Amount Outstanding, and the Company shall have no other claim against the Participant for any Amount Outstanding under the Facility.

4. The Facility bears interest or no interest as specified.
5. The Sale Condition will be satisfied or failed, as the case may be, by the Company providing written notice to that effect to the Participant. The Company, whilst acting reasonably and in the absence of manifest error, has absolute discretion in determining whether and when the Sale Condition will have been satisfied or failed. The Company may in its absolute discretion waive any or all of the Sale Conditions.
6. Subject to any waiver by the Company, the Participant must on the Repayment Date repay to the Company the Amount Outstanding in full, subject to the following terms and conditions:
   (i) The Amount Outstanding is due and payable on the Repayment Date without the necessity for presentment, demand, protest or further notice of any kind, all of which the Participant unconditionally waives.
   (ii) Notwithstanding any other provision of these terms and conditions, the Participant's obligation to repay the Amount Outstanding on the Repayment Date is limited to payment of an amount equal to the lesser of:
      (a) the Placement Amount; and
      (b) in the event that the Market Value per Share on the Repayment Date is less than the Placement Price, the Present Interest multiplied by the Market Value,

      in each case calculated after reducing the Present Interest by the number of Shares included in any voluntary prepayment already made.
   (iii) Notwithstanding any other provision of these terms and conditions, the Participant's obligation to repay the Amount Outstanding will be considered to be discharged in full if the Participant signs and delivers to the Company (or the Company may do so on the Participant's behalf at the discretion of the Company in accordance with clause 16) a transfer in blank in respect of the Present Interest (excluding any part of the Present Interest included in any voluntary prepayment already made and any New Interests), and the Company may then either:
      (a) subject to any requirements of the Corporations Act, cancel those Shares;
      (b) sell those Shares; or
      (c) transfer those Shares to another Participant;

      and apply the proceeds (if any) to repay the Amount Outstanding.
7. In the event that the Sale Condition has not been satisfied on or before the Repayment Date, the Company will sell or procure the sale of the Present Interest, or transfer the Present Interest to another Participant, and will apply the proceeds of sale or transfer (if any) in reduction of the Advance. In the event that the proceeds of sale or transfer exceed the Advance, then after repayment of the Advance in full, the excess is to the account of the Company.
8. The Participant may at any time after the satisfaction of the Sale Condition, prepay all or any part of the Advance. The Company may, at its discretion, then remove the Holding Lock with respect to the number of Shares represented by that prepayment.
9. The Participant shall not sell any of the Present Interest prior to the satisfaction of the Sale Condition. In the event that the Participant otherwise purports to sell any of the Present Interest prior to the Repayment Date, the Participant must return all of the proceeds of such sale to the Company, and for the purposes of this clause the Participant agrees that the Company is entitled to all such proceeds of sale.
10. At all times prior to the Repayment Date, the Participant must not without the prior written consent of the Company:
    (i) sell any of the Present Interest for consideration of less than the Placement Price; or
    (ii) assign, pledge or otherwise encumber any of the Present Interest.
11. For the purposes of ensuring compliance with the Facility, the Company may apply a Holding Lock to the Present Interest until repayment/prepayment. Unless otherwise contemplated by the Facility, this Holding Lock may only be wholly or partially removed with the prior written consent of the Company.

12. In the event of a Merger Event prior to the Repayment Date and whether or not the Merger Event occurs prior to the satisfaction of the Sale Condition the following provisions apply:
    (i) the Sale Conditions will be deemed to have been satisfied immediately upon occurrence of the Merger Event;
    (ii) the Amount Outstanding will become due and payable, following which the Participant must repay to the Company the Amount Outstanding within the date for the deadline of the transaction determined by the Board (subject to the limitation set out in clauses 6(ii) and 6(iii)) without the necessity for any further presentment, demand, protest or notice of any kind, all of which the Participant unconditionally waives;
    (iii) the Participant may then take action under clause 8 if the Participant wishes to do so;
    (iv) if the offer made in respect of the Merger Event is comprised of scrip in another entity, the Participant may accept the offer provided that the Participant enters into any documentation required by the Company to reflect that such scrip, from the time of acceptance, constitutes the Present Interest in respect of which the Company has made an Advance under the Facility; and
    (v) if the Participant has not taken the necessary action to repay the Amount Outstanding within the transaction deadline determined by the Board, then the Company will sell or procure the sale of, or transfer to another Participant, any of the Present Interest and apply the proceeds of sale or transfer (if any) in reduction of the Amount Outstanding. In the event that the proceeds of sale or transfer are insufficient to discharge the Amount Outstanding, the limitation set out in clauses 6(ii) and 6(iii) apply. In the event there is an excess from the proceeds of sale or transfer after discharge in full of the Amount Outstanding, the excess is to the account of the Company.
13. Any New Interests represented by a cash payment (net of applicable tax) must be used by the Participant to prepay the Advance. The Participant hereby authorises the Company to apply any such cash payment (net of applicable tax) to repay the Advance. Any tax withheld shall be remitted to the Australian Taxation Office or to the Participant, whichever is appropriate, to cover any tax payable on the New Interests. Any other New Interests may be retained by the Participant and will not be subject to the provisions of this Facility.
14. If any consolidation or division occurs in respect of any Shares prior to the Repayment Date, the amount on a per Share basis required to be repaid by the Participant under this Facility will be adjusted by the Company such that neither the Company nor the Participant is materially advantaged or disadvantaged by the adjustment. The Participant agrees to enter into any documentation required by the Company to reflect the terms of any such adjustment.
15. If an Event of Default occurs, then the Company may undertake any one or more of the following:
    (i) cancel the Facility;
    (ii) declare the Amount Outstanding to be immediately due and payable, following which the Participant must immediately repay to the Company the Amount Outstanding (subject to the limitation set out in clause 6 (ii) and (iii)) without the necessity for any further presentment, demand, protest or notice of any kind, all of which the Participant unconditionally waives; and
    (iii) sell or procure the sale of, or transfer to another Participant, any of the Present Interest, apply the proceeds of sale or transfer (if any) in reduction of the Amount Outstanding, and retain any excess for its own account. In the event that the proceeds of sale or transfer are insufficient to discharge the Amount Outstanding, the limitations set out in clauses 6 (ii) and (iii) apply.
16. The Participant irrevocably and unconditionally appoints the Company as its agent and attorney to do everything which in its reasonable opinion is necessary or expedient, including executing any transfers or other documents on behalf of the Participant (whether or not the exercise of such power constitutes a conflict of duty or interest)
    (i) to sell or transfer any Shares in accordance with clause 15 following an Event of Default;

(ii) to sell, transfer or cancel any Shares pursuant to any transfer delivered to the Company or deemed to have been delivered to the Company pursuant to clause 6(iii);

(iii) to sell or transfer any Shares in accordance with clause 7;

(iv) to undertake any action in accordance with clause 12 if necessary in relation to a Merger Event; and

(v) for any other purpose the Company deems necessary that is consistent with these terms and conditions,

and hereby declares that all acts, matters and things done by the Company in exercising such powers will be as good and valid as if they had been done by the Participant who undertakes to confirm and ratify any steps taken by the Company and indemnifies the Company against all liability, loss, cost, charges or expenses arising from the exercise of such powers.

17. For the purposes of the Facility the following definitions apply:

**Advance** means any principal amount of money provided or to be provided by the Company to the Participant under the Facility for the sole purpose of the Approved Purpose.

**Amount Outstanding** means all moneys which the Participant is liable to pay to the Company on any account whatever under or in relation to the Facility.

**Approved Purpose** means to assist the Participant to subscribe for the Present Interest at the Placement Price, and in accordance with the Company's employee share scheme.

**ASTC Settlement Rules** means the settlement rules of the ASX Settlement and Transfer Corporation Pty Ltd ABN 49 008 504 532.

**ASX** means ASX Limited ABN 98 008 624 691.

**Board** or **Board of Directors** means the board of Directors of the Company.

**Business Day** means any business day in Perth, WA, excluding Saturdays, Sundays and public holidays.

**Company** means Aeon Metals Limited (ABN 91121 964 725).

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

**Directors** mean the directors of the Company from time to time.

**Event of Default** means the occurrence of any one or more of the following unless and to the extent that any may be waived in writing by the Company:

(i) the Participant breaches any of these terms and conditions;

(ii) the Participant's employment or service (as applicable) with the Company or one of its subsidiaries ceases; or

(iii) an Insolvency Event in respect of the Participant.

**Facility** means a limited recourse facility for the Approved Purpose provided by the Company to the Participant.

**Holding Lock** has the meaning given in Section 2 of the ASTC Settlement Rules.

**Insolvency Event** means the occurrence of any one or more of the following events in relation to a person:

(i) the person commits an act of bankruptcy or assigns his or her estate for the benefit of creditors;

(ii) a petition is presented for an order of bankruptcy or sequestration of the person's estate;

(iii) a trustee in bankruptcy is appointed to the person's assets or estate or an agent (called by whatever name) is appointed in respect of that person or any of his or her assets, or any action is taken for the appointment of any trustee in bankruptcy;

(iv) the person becomes an insolvent under administration as defined in the Corporations Act or action is taken which could result in that occurring;

(v) a moratorium of any debts of the person or an official assignment or a composition or an arrangement, formal or informal, with the person's creditors or any similar

proceedings or arrangement by which the assets of the person are submitted to the control of its creditors is applied for, ordered or declared; or

(vi) anything analogous or having a substantially similar effect to any of the events specified in this definition happens under the law of any applicable jurisdiction.

**Market Value** means the volume weighted average sale price per Share on the ASX over the 5 ASX trading days immediately preceding the applicable date.

**Merger Event** means the occurrence of any of the following in respect of the Company:

(i) a takeover bid (as defined in section 9 of the Corporations Act) to acquire Shares having the following characteristics:

a) the bid is for all of the Shares and is not a proportional takeover bid (as defined in section 9 of the Corporations Act); and

b) the bid has become unconditional; or

(ii) a scheme of arrangement pursuant to section 411 of the Corporations Act having the following characteristics:

a) the scheme includes the acquisition of all Shares in the Company; and

b) the scheme has been approved by the Board for implementation.

**New Interest** means any of the following in respect of the Participant in connection with the Present Interest:

(i) right, title and interest in all money, interest, allotments, offers, benefits, privileges, rights, bonuses, Shares (or other marketable securities issued by the Company), dividends, distributions or rights to take up further Shares (or other marketable securities issued by the Company);

(ii) rights consequent on a conversion, redemption, cancellation, reclassification, forfeiture, consolidation or subdivision; or

(iii) rights consequent on a reduction of capital, liquidation, scheme of arrangement.

**Participant** means the employee, contractor or director to whom the Board has determined a Present Interest will be issued.

**Placement Amount** means the Present Interest multiplied by Placement Price.

**Placement Price** means the price per share set out in the Participant's invitation to Participate.

**Present Interest** means the numbers, as applicable, of Shares issued and allotted to the Participant.

**Repayment Date** means the earlier of:

(i) the repayment date specified at the time of establishment of the Facility; and

(ii) the date on which the Facility is terminated or cancelled by the Company.

**Share** means a fully paid ordinary share in the issued capital of the Company and Shares has a corresponding meaning.

**Sale Conditions** means the conditions determined by the Board at the time of issue of the Present Interest.

# Aeon Metals Ltd

**ABN** 91 121 964 725


**ALL CORRESPONDENCE TO:**

**By Mail:**
Boardroom Pty Limited
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Sydney NSW 2001 Australia

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# YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 10.00am (Sydney time) on Wednesday 9 August 2017.**

## TO VOTE BY COMPLETING THE PROXY FORM

### STEP 1: APPOINTMENT OF PROXY

**Indicate who you want to appoint as your Proxy.**

If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. A proxy need not be a security holder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

**Appointment of a Second Proxy**

You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's securities registry or you may copy this form.

**To appoint a second proxy you must:**

(a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.

(b) return both forms together in the same envelope.

### STEP 2: VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

**Proxy which is a Body Corporate**

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

### STEP 3: SIGN THE FORM

**The form must be signed as follows:**

**Individual:** This form is to be signed by the securityholder.

**Joint Holding:** Where the holding is in more than one name, all the securityholders should sign.

**Power of Attorney:** To sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** This form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

### STEP 4: LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **10.00am (Sydney time) on Wednesday 9 August 2017.** Any Proxy Form received after that time will not be valid for the scheduled meeting.

**Proxy forms may be lodged using the enclosed Reply Paid Envelope or:**

| | |
|---|---|
| **BY FAX** | + 61 2 9290 9655 |
| **BY MAIL** | Boardroom Pty Limited<br>GPO Box 3993,<br>Sydney NSW 2001 Australia |
| **IN PERSON** | Boardroom Pty Limited<br>Level 12, 225 George Street,<br>Sydney NSW 2000 Australia |
| **ONLINE** | info@aeonmetals.com.au |

### Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

# Aeon Metals Ltd

**ABN** 91 121 964 725

**YOUR ADDRESS**

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Security-holders sponsored by a broker should advise their broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

## STEP 1: APPOINT A PROXY

I/We being a member/s of **Aeon Metals Limited** (Company) and entitled to attend and vote hereby appoint:

☐ the **Chair of the Meeting** (mark box)

**OR** if you are NOT appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy below.

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the Extraordinary General Meeting of the Company to be held at **The Grace Hotel, Corner of York & King Streets, 77 York Street, Sydney NSW 2000 on Friday 11 August, 2017 at 10:00am (Sydney time)** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

**Chair of the Meeting authorised to exercise undirected proxies on remuneration related matters:** If I/we have appointed the Chair of the Meeting as my/our proxy or the Chair of the Meeting becomes my/our proxy by default and I/we have not directed my/our proxy how to vote in respect of Resolutions 4,5,6,7,8 and 9. I/we expressly authorise the Chair of the Meeting to exercise my/our proxy in respect of these Resolutions even though Resolutions 4,5,6,7,8 and 9 are connected with the remuneration of a member of the key management personnel for the Company.

**The Chair of the Meeting will vote all undirected proxies in favour of all Items of business (including Resolutions 4,5,6,7,8 and 9).** If you wish to appoint the Chair of the Meeting as your proxy with a direction to vote against, or to abstain from voting on an item, you must provide a direction by marking the 'Against' or 'Abstain' box opposite that resolution.

## STEP 2: VOTING DIRECTIONS

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

| | | For | Against | Abstain* |
|---|---|---|---|---|
| **Resolution 1** | Approval of the issue to OL Master Limited and/or OL Master (Singapore) Pte Limited of 85,000,000 Warrants each expiring on 17 December 2019 and exercisable at 16 cents. | ☐ | ☐ | ☐ |
| **Resolution 2** | Approval to permit OCP Asia (Hong Kong) Limited and others to increase their voting power in the Company's shares to more than 20% through the exercise of 2017 Warrants. | ☐ | ☐ | ☐ |
| **Resolution 3** | Approval of Employee Share Incentive Plan. | ☐ | ☐ | ☐ |
| **Resolution 4** | Approval of Incentive Share Loan Extension to Managing Director, Hamish Collins. | ☐ | ☐ | ☐ |
| **Resolution 5** | Approval of Incentive Share Loan Extension to Director, Stephen Lonergan. | ☐ | ☐ | ☐ |
| **Resolution 6** | Issue of Shares to Chairman, Paul Harris. | ☐ | ☐ | ☐ |
| **Resolution 7** | Issue of Shares to Managing Director, Hamish Collins. | ☐ | ☐ | ☐ |
| **Resolution 8** | Issue of Shares to Director, Ivan Wong. | ☐ | ☐ | ☐ |
| **Resolution 9** | Issue of Shares to Director, Stephen Lonergan. | ☐ | ☐ | ☐ |

## STEP 3: SIGNATURE OF SECURITYHOLDERS

This form must be signed to enable your directions to be implemented.

| **Individual or Securityholder 1** | **Securityholder 2** | **Securityholder 3** |
|---|---|---|
| **Sole Director and Sole Company Secretary** | **Director** | **Director/Company Secretary** |

**Contact Name:** ..... **Contact Daytime Telephone:** ..... **Date:** ..... / ..... / **2017**

AEON METALS

# Independent Expert's Report

June 2017

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srk consulting

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# Aeon Metals Limited

Independent Expert's Report and Financial Services Guide

30 June 2017

Grant Thornton
An instinct for growth™

The Directors
Aeon Metals Limited
Level 1, 27-29 Crombie Avenue
BUNDALL QLD 4217

30 June 2017

**Grant Thornton Corporate Finance Pty Ltd**
ABN 59 003 265 987
AFSL 247140

Level 19
2 Market Street
Sydney NSW 2000
PO Locked Bag Q800
QVB Post Office
Sydney NSW 1230
**T** + 61 2 8297 2400
**F** + 61 2 9299 4445
**E** info@gtnsw.com.au
**W** www.grantthornton.com.au

Dear Directors

## Introduction

Aeon Metals Limited ("AML" or the "Company") is an Australian public company listed on the Australian Securities Exchange ("ASX"). The Company is currently focused on developing its 100% owned flagship Walford Creek copper-zinc-lead-cobalt project located in northwest Queensland ("the Walford Creek Project"). As at 21st June 2017, AML had a market capitalisation of approximately A$52.2 million.

OCP Asia (Hong Kong) Limited ("OCP Asia") was established in September 2009 and is an alternative investment fund manager focused on Asia. Centar SP3 Limited and OL Master Limited are wholly owned subsidiaries of OCP Asia (collectively referred to as "OCP Funds", hereafter). As at the date of this report, OCP Funds[1] holds the following securities in AML:

- 80,866,645 ordinary shares in AML ("AML Shares") which represents approximately 23.24% of the issued capital in AML on an undiluted basis.

- 73,000,000 warrants with an exercise price of A$0.0935 per warrant and expiring on 17 December 2017 ("2015 Warrants").

OCP Funds also held 63,251,107 warrants with an exercise price of A$0.1579 per warrant ("2014 Warrants"), which expired on 17 June 2017 without being exercised.

OCP is also owed $27.68 million (plus capitalised interest) of debt from the Company ("OCP Debt"). The OCP Debt is due for repayment on 17 December 2017.

On 8th May 2017, AML announced reaching an agreement with OCP Funds to extend the repayment due date of the OCP Debt by a further 2 years to 17 December 2019. In consideration of the extension of the debt repayment due date, AML will issue subject to shareholders' approval ("Proposed Issue") 85,000,000 warrants ("2017 Warrants") to OCP Funds with an exercise price at

[1] OCP Funds includes OCP Asia (Hong Kong) Limited, Centar SP3 Limited and OL Master Limited.

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$0.16 per warrant. The 2017 Warrants are exercisable until 17th December 2019, after which they will expire.

Additionally, AML and OCP Funds have agreed that following the Proposed Issue, AML will retain the right to divest its relevant interest in Walford Creek Project[2] up to a maximum of 49% interest to third parties, at a minimum of $1 million per percentage point provided that the proceeds of such sale are used to repay the OCP Debt.

In the Notice of Meeting, the issue of the 2017 Warrants is regulated in Resolution 1 whereas Resolution 2 is in relation to the exercise of the 2017 Warrants upon which the OCP Funds will increase their shareholdings in the Company from 23.24% to 38.32% (assuming the 2015 Warrants are not exercised). If the 2015 and the 2017 Warrants are both exercised, the OCP Funds will increase their shareholdings from 23.24% to 47.22%. Resolutions 1 and 2 are interdependent between each other.

The directors of AML ("the Directors") unanimously recommend that the shareholders of AML not associated with OCP Funds ("Non-Associated Shareholders") vote in favour of the Proposed Issue. Each Director intends to vote in favour of the Proposed Issue.

## Purpose of the report

The Directors have engaged Grant Thornton Corporate Finance Pty Ltd ("Grant Thornton Corporate Finance") to prepare an independent expert's report stating whether, in its opinion, the Proposed Issue is fair and reasonable to the Non-Associated Shareholders for the purposes of Item 7 of Section 611 of the Corporations Act.

For the purpose of this report, an independent technical specialist, SRK Consulting (Australasia) Pty Ltd ("SRK Consulting"), was engaged to conduct an independent geological and technical assessment and value the mineral assets held by AML ("the SRK Consulting Report"). The SRK Consulting Report is attached as Appendix C of this report.

## Summary of opinion

**Grant Thornton Corporate Finance has concluded that the Proposed Issue is NOT FAIR BUT REASONABLE to the Non-Associated Shareholders.**

In forming our opinion, Grant Thornton Corporate Finance has considered whether the Proposed Issue is fair and reasonable to the Non-Associated Shareholders and other quantitative and qualitative considerations.

*Fairness Assessment*

In forming our opinion in relation to the fairness of the Proposed Issue to the Non-Associated Shareholders, Grant Thornton Corporate Finance has compared the value per AML Share before

[2] Walford Creek Project was acquired by AML in 2014 through the acquisition of a private company called Aston Metals, now called as Aeon Walford Creek Limited ("AWCL") for a mixed consideration consisting of a A$20 million non-recourse loan ("Aston Loan"), 48.275 million AML Shares and unlisted options with a face value of A$10 million.

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the Proposed Issue (on a control basis) to the assessed value per AML Share after approval of the Proposed Issue (on a minority basis).

The following table summarises our valuation assessment:

| Fairness assessment<br>A$ per share | *Section Reference* | Low | High |
|---|---|---|---|
| Fair market value per AML share before the Proposed Issue (control basis) | *6.1* | 0.177 | 0.263 |
| Fair market value per AML share after the Proposed Issue (minority basis) | *7* | 0.118 | 0.180 |
| ***Increase/ (decrease) in value of AML Share*** | | ***(0.058)*** | ***(0.083)*** |
| ***Increase/ (decrease) in value of AML Share (%)*** | | ***(33.0)%*** | ***(31.5)%*** |

*Source: Grant Thornton Corporate Finance Calculations*

The fair market value per AML Share on a minority basis after approval of the Proposed Issue is lower than the fair market value per AML Share before the Proposed Issue on a control basis. Accordingly, we have concluded that the Proposed Issue is **NOT FAIR** to the Non-Associated Shareholders.

We note that in our valuation assessment above, we have assumed that the 2015 and 2017 Warrants will be held until maturity as the return for the holders will be maximised. However, in the table below, we have also outlined the fairness assessment assuming immediate conversion of the 2015 and 2017 Warrants.

| Fairness assessment (fully diluted basis)<br>A$ per share | *Section Reference* | Low | High |
|---|---|---|---|
| Fair market value per AML share before the Proposed Issue (control basis) | *6.1* | 0.177 | 0.263 |
| Fair market value per AML share after the Proposed Issue (minority basis) | *7* | 0.137 | 0.185 |
| ***Increase/ (decrease) in value of AML Share*** | | ***(0.040)*** | ***(0.078)*** |
| ***Increase/ (decrease) in value of AML Share (%)*** | | ***(22.7)%*** | ***(29.5)%*** |

*Source: Grant Thornton Corporate Finance Calculations*

As outlined in the table above, the Proposed Issue is still considered **NOT FAIR** to the Non-Associated Shareholders even if immediate exercise of the 2015 and 2017 Warrants is assumed.

We note that Grant Thornton Corporate Finance has previously prepared Independent Expert's Reports for AML in April 2015 and September 2015 as set out below:

- April 2015 IER – It was prepared in relation to the proposed issue of the 2014 Warrants to OCP Funds. Grant Thornton Corporate Finance assessed the value of AML in the range of A$0.077 and A$0.122 after the Proposed Issue of the 2014 Warrants.

- September 2015 IER – It was prepared in relation to the proposed issue of 20,825,106 New Warrants ("New Warrants") to OCP in conjunction with OCP providing A$22.8 million loan note facility ("Tranche 1 Notes") and A$4.85 million loan note facility ("Tranche 2 Notes"). Grant Thornton Corporate Finance assessed the value of AML in the range of A$0.059 and A$0.087 after the proposed issue of the New Warrants.

Since preparing the Independent Expert's Report in September 2015, AML has progressed the development of its flagship asset, Walford Creek Project. Through the 2016 drilling program, a high

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grade resource at the Walford Creek Project area was identified called the 'Vardy Zone', which is believed to contain significant amounts of high grade copper and cobalt resources. Also in February 2017, a Preliminary Economic Assessment was conducted for the Walford Creek Project area to exploit the Walford Creek Resource for cobalt roasting which includes a project to set up a large scale, 2.5 Mtpa open pit mine and onsite processing concentrator, roaster and acid plant to produce copper, zinc, lead and pyrite concentrates. In our opinion, the development progress displayed by AML since our previous independent expert's report supports the increase in fair market value of AML Shares. We also note that since September 2015, the trading price of AML has increased from $0.05 on 21 September 2015 to $0.17 on 04 June 2017.

AML Shareholders should be aware that our assessment of the value per AML Share does not reflect the price at which AML Shares will trade if the Proposed Issue is approved. The price at which AML Shares will ultimately trade depends on a range of factors including the liquidity of AML Shares, AML's cash position, macro-economic conditions, metal prices, project development progress, exchange rate and the underlying performance of AML's business.

*Reasonableness Assessment*

RG111 establishes that an offer is reasonable if it is fair. It might also be reasonable if, despite being not fair, there are sufficient reasons for the security holders to accept the offer in the absence of any superior proposal. In assessing the reasonableness of approving the Proposed Issue, we have considered the following advantages, disadvantages and other factors.

## Advantages

*Extension of repayment due date on current liability of $27.68 million*

As noted earlier, debt of $27.68 million (plus capitalised interests) owed to OCP Funds is due for repayment on 17 December 2017. If AML is unable to secure an extension to the repayment due date, the Company will be required to seek alternative sources of funding, which may be challenging for AML (given the substantial interest that OCP has in AML) or may be available at terms that are materially dilutive to Non-Associated Shareholders. In the event that AML is not able to secure sufficient funding by the due date to repay the debt, as per the terms of the loan arrangement with OCP Funds, OCP Funds will be entitled to enforce its security over the shares in AWCL which owns the Walford Creek Project.

*Removal of various fund raising restrictions*

If the Proposed Issue is approved and OCP Funds fully exercises the 2015 Warrants and 2017 Warrants, AML will be released from various fund raising restrictions such as the following (for further details refer to Section 1.2):

- AML must obtain consent from OCP Funds prior to the issue of any new AML Shares at a price which is discounted by more than 15% of the daily volume weighted average price ("VWAP") for the month preceding the issue of the new shares.

- AML is only permitted to grant/issue convertible securities exercisable into up to 10% of the number and value of the enlarged, fully diluted share capital of AML.

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*Valuation assessment of AML on a full control basis*

Our valuation assessment of AML before the Proposed Issue is on a 100% basis and incorporates the application of a full premium for control in accordance with the requirements of RG111.

However, we note that if following the approval of the Proposed Issue, if OCP Funds exercises the 2015 Warrants and 2017 Warrants, OCP Funds' interest in the Company will increase to approximately 47.22%[3] of the enlarged share capital. This represents a significant interest, although OCP Funds will not have full control of the Company. In addition, OCP Funds indicated that it has no current intention to appoint additional nominees on the Board of AML or change the strategic direction of the Company, employment level or management team.

*Funding requirements*

If OCP Funds elects to exercise the 2015 Warrants and 2017 Warrants, the Company will receive approximately A$20.43 million ($6.83 million[4] upon exercise of 2015 Warrants and $13.6 million[7] upon exercise of 2017 Warrants) in cash or may reduce the amount of the outstanding OCP Debt (at the election of OCP Funds).

*Strategic alliance with OCP Funds*

If the Proposed Issue is approved, AML will be able to maintain its alliance with OCP Funds and OCP Funds may continue to assist with future capital raisings or provide AML with access to channels for sourcing of capital that may otherwise not be available to the Company. As a result of additional investment in the Company, OCP Funds also will be further incentivised to work towards the future success of AML.

## Disadvantages

*The Proposed Issue is not fair*

The Proposed Issue is not fair as set out above.

*Dilution from the shares issued to OCP Funds upon conversion of the 2015 Warrants and 2017 Warrants*

OCP Funds' shareholding in AML has the potential to increase from 23.24% up to 47.22%[5] if it decides to fully exercise the 2015 Warrants and 2017 Warrants. As a result, the shareholding of the Non-Associated Shareholders will be diluted from 76.76% to circa 52.78%.

[3] Assuming OCP Funds does not acquire any further additional shares in AML prior to the Proposed Issue.
[4] $6.83 million = 73,000,000X$0.0935; $13.6 million = 85,000,000X$0.16.
[5] Assuming OCP Funds does not acquire any further additional interest in AML prior to the Proposed Issue or any other new AML Shares are issued.

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*The exercise price of 2017 Warrants*

The exercise price of A$0.16 per 2017 Warrant is at a premium of only 6.7% to the AML share price of $0.15 on 21st June 2017 and at a discount to our valuation assessment of AML on a control basis before the Proposed Issue.

*Increased significant influence over the Company*

Whilst OCP Funds will not acquire a full controlling interest in AML as a result of the Proposed Issue, OCP Funds will have the ability to significantly increase its influence over the affairs of the Company as the single largest shareholder of AML after the implementation of the Proposed Issue. OCP Funds will also have the capacity to block any potential takeover bid of AML. Further, OCP Funds is the largest creditor of AML having agreed to provide the extension for repayment of OCP Debt to 17 December 2019.

*Likelihood of receiving a takeover offer in the future*

In our opinion, if the Proposed Issue is approved the likelihood of the Company receiving a takeover offer without the agreement of OCF Funds will diminish as OCP Funds will hold a relevant interest in 47.22%[5] of the enlarged issued capital of the Company, upon exercise of the 2015 Warrants and 2017 Warrants. We note however, that OCP Funds is a financial investor and will seek to exit its investment in AML at some point in the future as part of its investment objectives.

Other factors

*Shareholder approval already obtained for exercise of 2015 Warrants*

We note that the Non-Associated Shareholders granted shareholder approval in October 2015 pursuant to Listing Rule 7.1 and section 611 (7) of the Corporations Act, in relation to the issue and potential exercise of the 2015 Warrants along with the AML Shares to OCP Funds with circa 98.7% of votes being in favour of the issue of 2015 Warrants[6].

*The Non-Associated Shareholders' position if the Proposed Issue is not approved*

If the Proposed Issue is not approved, it would be the current Directors' intention to continue operating the Company in line with its objectives. The Non-Associated Shareholders who retain their shares will continue to share in any benefits and risks in relation to AML's ongoing business.

Intentions of OCP in relation to the 2015 and 2017 Warrants

We note that in response to AML's inquiry on OCP's intentions with respect to 2015 Warrants and 2017 Warrants, OCP Funds have noted that if the Proposed Issue is approved, OCP Funds does not intend to exercise either of the warrants immediately, although if the Proposed Issue is not approved, OCP Funds will reconsider their intentions and determine most appropriate action at the time.

[6] AML announcement on ASX on 29 October 2015

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## Reasonableness conclusion

In our opinion the advantages outweigh the disadvantages as set out above and on this basis, it is our opinion that the Proposed Issue is **REASONABLE** to the Non-Associated Shareholders.

## Overall conclusion

After considering the abovementioned quantitative and qualitative factors, Grant Thornton Corporate Finance has concluded that the Proposed Issue is **NOT FAIR BUT REASONABLE** to the Non-Associated Shareholders.

## Other matters

Grant Thornton Corporate Finance has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is set out in the following section.

The decision of whether or not to accept the Proposed Issue is a matter for each AML Shareholder to decide based on their own views of value of AML and expectations about future market conditions, AML's performance, risk profile and investment strategy. If AML Shareholders are in doubt about the action they should take in relation to the Proposed Issue, they should seek their own professional advice.

Yours faithfully
GRANT THORNTON CORPORATE FINANCE PTY LTD

ANDREA DE CIAN
Director

Harley Mitchell
Director

3 July 2017

# Financial Services Guide

## 1 Grant Thornton Corporate Finance Pty Ltd

Grant Thornton Corporate Finance carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by AML to provide general financial product advice in the form of an independent expert's report in relation to the Proposed Issue. This report is included in AML's Notice of Meeting and Explanatory Memorandum.

## 2 Financial Services Guide

This Financial Services Guide ("FSG") has been prepared in accordance with the Corporations Act, 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

## 3 General financial product advice

In our report we provide general financial product advice. The advice in a report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

## 4 Remuneration

When providing the Report, Grant Thornton Corporate Finance's client is the Company. Grant Thornton Corporate Finance receives its remuneration from the Company. In respect of the Report, Grant Thornton Corporate Finance will receive from AML a fixed fee, which is based on commercial rate plus reimbursement of out-of-pocket expenses for the preparation of the report. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this report.

## 5 Independence

Grant Thornton Corporate Finance is required to be independent of AML in order to provide this report. The guidelines for independence in the preparation of independent expert's reports are set out in Regulatory Guide 112 *Independence of expert* issued by the Australian Securities and Investments Commission ("ASIC"). The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

*"Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with* AML *(and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation the Proposed Exercise.*

*Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the transaction, other than the preparation of this report.*

*Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the transaction. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.*

*We note that Grant Thornton Corporate Finance was appointed as an independent expert by AML in April 2015 in relation to the exercise of the 2014 Warrants. In our opinion, the above engagement does not impact on our ability to provide an independent and unbiased opinion in the context of the Proposed Exercise.*

*Grant Thornton Corporate Finance considers itself to be independent in terms of Regulatory Guide 112 "Independence of expert" issued by the ASIC."*

## 6 Complaints process

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Financial Ombudsman Service (membership no. 11800). All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service who can be contacted at:

Financial Ombudsman Service Limited
GPO Box 3
Melbourne, VIC 3001
Telephone: 1800 367 287

Grant Thornton Corporate Finance is only responsible for this report and FSG. Complaints or questions about the General Meeting should not be directed to Grant Thornton Corporate Finance. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

### Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.

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# Contents

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# 1 Outline of the Proposed Issue

## 1.1 Introduction

On 8 May 2017, AML announced an agreement with OCP Funds to extend the repayment of its $27.68 million (excluding interest) debt owed to OCP Funds by a further 2 years to 17 December 2019. In consideration of the repayment extension, AML has proposed to issue 85,000,000 warrants to OCP Funds exercisable at $0.16 until 17 December 2019.

## 1.2 Effects of the Proposed Issue

If the Proposed Issue is approved by the Non-Associated Shareholders:

- AML will be granted an extension of repayment due date of its $27.68 million debt owed to OCP Funds.
- OCP Funds will be issued an additional 85,000,000 Warrants, which will be fully exercisable until maturity.
- If OCP Funds elects to exercise the 2015 Warrants and 2017 Warrants, the Company may receive approximately A$20.43 million ($6.83 million upon exercise of 2015 Warrants and $13.6 million upon exercise of 2017 Warrants) in cash or may reduce the amount of the outstanding debt (at the election of OCP Funds).
- AML will retain the right to divest its relevant interest in Walford Creek Project up to a maximum of 49% to third parties at a minimum price of $1 million per percentage point, provided that the proceeds from sale are used to repay OCP Funds debt.
- Following the issue of 2017 Warrants, AML will be subject to certain restrictions:
  - AML must acquire prior consent from OCP Funds if AML wishes to issue new shares at a price discounted by over 15% of the VWAP 1 month preceding the date of issuance of the 2017 Warrants.
  - AML can grant convertible securities (including options) amounting to a maximum of 10% of the fully diluted capital of the Company immediately following the issue date of the 2017 Warrants.
  - If AML wishes to pay dividends or make distributions, AML must give notice to OCP Funds so that OCP Funds can exercise the 2017 Warrants should they wish to participate in the dividend or distribution.

  However, these restrictions will extinguish, if the 2017 Warrants are exercised by OCP Funds.

## 1.3 Terms of the $27.68 million debt due for repayment on 17 December 2017

In 2015, OCP Funds agreed to provide new loan notes up to a total of A$27.68 million in two separate tranches as set out below:

- Tranche 1 Notes of A$22.83 million to fund repayment of existing loan note facilities.

- Tranche 2 Notes of A$4.85 million to fund the Walford Creek Project.

The key terms of the debt facility were as follows:

- AML to grant 73,000,000 million warrants ("2015 Warrants") on the same terms and conditions as the 2014 Warrants other than the exercise price.
- Payment in Kind ("PIK") interest rate of 12% per annum capitalised on a quarterly basis.
- The debt facilities to be secured over a fixed charge over the shares in AWCL (a 100% subsidiary of AML) and a fixed and floating charge over all the assets of AWCL.
- The principal amount of the Tranche 1 Notes and Tranche 2 Notes together with all accrued unpaid interest to be redeemed and repaid on 17 December 2017.
- The Tranche 1 and Tranche 2 Notes are freely transferable and any note may be transferred independently of any other note.

## 1.4 Terms of the 2015 Warrants

The terms of the 2015 Warrants are set out below:

- 73,000,000 warrants with the right to exchange each warrant for one ordinary share in the Company by paying the exercise price of A$0.0935.
- The warrants may be exercised at any time after issue up to 17 December 2017.
- The warrants are freely transferable and any warrant may be transferred independently of any other warrant.
- Instead of paying the exercise price for the 2015 Warrants in cash, OCP Funds may elect to offset the amount payable against the debt.

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# 2 Purpose and scope of the report

## 2.1 Purpose

Section 606 of the Corporations Act prohibits the acquisition of a relevant interest in the issued voting shares of a company if the acquisition results in the person's voting power in the company increasing from either below 20% to more than 20%, or from a starting point between 20% and 90%, without making an offer to all shareholders of the company.

Item 7 of Section 611 of the Corporations Act allows the shareholders not associated with the acquiring company (i.e. the Non-Associated Shareholders) to waive this prohibition by passing a resolution at a general meeting. Regulatory Guide 74 "Acquisitions agreed to by shareholders" ("RG 74") and Regulatory Guide 111 "Content of expert reports" ("RG 111") issued by ASIC set out the view of ASIC on the operation of Item 7 of Section 611 of the Corporations Act.

RG 74 requires that shareholders approving a resolution pursuant to Section 623 of the Corporations Act (the predecessor to Item 7 of Section 611 of the Corporations Act) be provided with a comprehensive analysis of the proposal, including whether or not the proposal is fair and reasonable to the Non-Associated Shareholders. The Directors may satisfy their obligations to provide such an analysis by either:

- Commissioning an independent expert's report; or
- Undertaking a detailed examination of the proposal themselves and preparing a report for the Non-Associated Shareholders.

If the Proposed Issue is approved, OCP Funds may increase its current shareholding interest in the Company from 23.24% to 47.22% (assuming OCP Funds does not acquire any further additional interest in AML prior to the Proposed Issue[7] and no other new AML Shares are issued).

Accordingly, the Directors have engaged Grant Thornton Corporate Finance to prepare an independent expert's report stating whether, in its opinion, the Proposed Exercises are fair and reasonable to the Non-Associated Shareholders for the purposes of Item 7 of Section 611 of the Corporations Act.

## 2.2 Basis of assessment

In preparing our report, Grant Thornton Corporate Finance has had regard to the Regulatory Guides issued by ASIC, particularly RG 111, which states that an issue of shares requiring approval under Item 7 of Section 611 of the Corporations Act should be analysed as if it were a takeover bid. Accordingly, we have assessed the Proposed Issue with reference to Section 640 of the Corporations Act. RG 111 states that:

- An offer is considered fair if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer. The comparison should be made assuming 100% ownership of the target company irrespective of whether the consideration offered is scrip or cash

[7] We note OCP Funds may acquire an additional interest in the Company up to 3% per annum without requiring approval from the Non-Associated Shareholders under the Corporations Act.

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and without consideration of the percentage holding of the offeror or its associates in the target company.

- An offer is considered reasonable if it is fair. If the offer is not fair it may still be reasonable after considering other significant factors which justify the acceptance of the offer in the absence of a higher bid. ASIC has identified the following factors which an expert might consider when determining whether an offer is reasonable:
  - The offeror's pre-existing entitlement, if any, in the shares of the target company.
  - Other significant shareholding blocks in the target company.
  - The liquidity of the market in the target company's securities.
  - Taxation losses, cash flow or other benefits through achieving 100% ownership of the target company.
  - Any special value of the target company to the offeror, such as particular technology and the potential to write off outstanding loans from the target company.
  - The likely market price if the offer is unsuccessful.
  - The value to an alternative offeror and likelihood of an alternative offer being made.

Grant Thornton Corporate Finance has determined whether the Proposed Issue is fair to the Non-Associated Shareholders by comparing the fair market value of AML Shares before the Proposed Issue on a 100% control basis with the fair market value of AML Shares after approval of the Proposed Issue on a minority basis.

In considering whether the Proposed Issue is reasonable to the Non-Associated Shareholders, we have considered a number of factors, including:

- Whether the Proposed Issue is fair.
- The implications to AML and the Non-Associated Shareholders if the Proposed Issue is not approved.
- Other likely advantages and disadvantages associated with the Proposed Issue as required by RG111.
- Other costs and risks associated with the Proposed Issue that could potentially affect the Non-Associated Shareholders of AML.

For the purpose of this report, an independent technical specialist, SRK Consulting was engaged to conduct an independent geological and technical assessment and a valuation of the mineral assets held by AML. The SRK Consulting Report is included as Appendix C to this report.

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## 2.3 Independence

Prior to accepting this engagement, Grant Thornton Corporate Finance (a 100% subsidiary of Grant Thornton Australia Limited) considered its independence with respect to the Proposed Issue with reference to the ASIC Regulatory Guide 112 "Independence of Expert's Reports" ("RG 112").

In this regard, we note that Grant Thornton Corporate Finance was involved in preparation an independent expert's report for Non-Associated Shareholders in April 2015. In our opinion, our previous independent expert report engagement does not impact our ability to provide an independent and unbiased opinion in the context of the Proposed Exercise. In our opinion, Grant Thornton Corporate Finance is independent of AML, its Directors and all other parties involved in the Proposed Exercise.

Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the approval of the Proposed Issue other than that of an independent expert. Grant Thornton Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this report.

Except for these fees, Grant Thornton Corporate Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this report. The payment of this fee is in no way contingent upon the success or failure of the Proposed Exercise.

## 2.4 Consent and other matters

Our report is to be read in conjunction with the Notice of Extraordinary General Meeting and Explanatory Memorandum dated on or around 17 September 2015 in which this report is included, and is prepared for the exclusive purpose of assisting the Non-Associated Shareholders in their consideration of the Proposed Exercises. This report should not be used for any other purpose.

Grant Thornton Corporate Finance consents to the issue of this report in its form and context and consents to its inclusion in the Notice of Extraordinary General Meeting and Explanatory Memorandum.

This report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Proposed Issue to the Non-Associated Shareholders as a whole. We have not considered the potential impact of the Proposed Issue on individual Non-Associated Shareholders. Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Proposed Issue on individual shareholders.

The decision of whether or not to approve the Proposed Issue is a matter for each Non-Associated Shareholder based on their own views of value of AML and expectations about future market conditions, AML's performance, risk profile and investment strategy. If the Non-Associated Shareholders are in doubt about the action they should take in relation to the Proposed Exercise, they should seek their own professional advice.

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# 3 Profile of the industry

AML is an ASX listed exploration company which holds 33 granted exploration permits for minerals ("EPMs") and one mining development license ("ML") in northwest Queensland, Australia. The Company is currently predominately focused on the development of its flagship polymetallic Walford Creek Project, a copper-cobalt-zinc-lead project. Accordingly, we have analysed the historical and forecast performance of key metals constituting AML's resource base.

## 3.1 Overview

Copper is a base metal used primarily in the manufacturing of electrical cabling, piping, valves and electronic devices due to its high ductility, malleability, and thermal and electrical conductivity.

Cobalt is not a base metal but is mined predominantly as a by-product of nickel and copper. Cobalt is primarily utilised in the production of rechargeable batteries required for portable electronic devices and electric and hybrid electric vehicles. Cobalt's usage in batteries accounts for over 40% of world refined cobalt consumption. It is also used extensively in the aerospace sector for the production of both air and land based jet turbine engines.

Zinc is a key raw material used mainly for galvanising iron and steel, brass production and die-casting. Consumption of zinc is predominately influenced by the performance of the construction and manufacturing industries which are major users of galvanised iron and steel.

Lead is a key raw material used for the production of batteries, paints, gasoline and ammunition. Lead is also used extensively in construction products, such as piping and sheeting.

## 3.2 Key drivers affecting exploration and development of key metals

The key drivers affecting key metals' exploration and development include:

- *Demand for copper, cobalt, zinc and lead* – the demand for copper, zinc and lead is derived mainly from construction and manufacturing activities depending on the use and application of these metals in these industries, which in turn are closely aligned with world gross domestic product ("GDP") growth.

- *Commodity prices* – low metal prices tend to have a negative impact on the level of exploration and development activities and vice versa.

- *Exchange rates* – copper[8], cobalt[17], zinc and lead are usually traded in US dollars, therefore relative exchange rates are an important factor affecting the level of global trading and demand.

- *Political and regulatory factors* – exploration activities are considered high risk undertakings as there is a considerable amount of risk and uncertainty surrounding the commercial viability of such projects. Tenements located in countries with well-defined regulatory processes and a stable political environment may be more attractive to explorers and producers as they are less risky than unregulated and politically unstable countries.

[8] We note that high-grade copper is also traded on the London Metal Exchange in pounds.

- *Funding requirements* – given the inherent riskiness of the copper industry, the availability and cost of capital to fund projects can significantly impact on the level of exploration and development activities being undertaken.

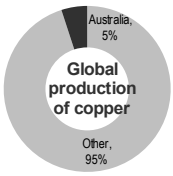
## 3.3 Consumption and production (Historical and forecast)

In Australia, the production of copper, zinc and lead are heavily concentrated in Queensland and South Australia whereas Cobalt resources are mainly found in Western Australia. In 2016, Queensland was estimated to account for circa 28% of copper and 53% of zinc produced and South Australia accounted for approximately 28% of copper produced in Australia[9].

Copper

The table and graph below summarises the historical and forecast global supply and demand for refined copper concentrates and Australia's contribution to global production levels.

| Global supply/ demand for refined copper | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| kT | 2013 | 2014 | 2015 | CAGR | 2016f | 2017f | 2018f | CAGR |
| **Production** | **21.1** | **22.5** | **22.9** | *4.2%* | **22.8** | **22.7** | **23.2** | *0.9%* |
| *Growth %* | *4.2%* | *6.8%* | *1.7%* | | *-0.3%* | *-0.4%* | *2.2%* | |
| **Consumption** | **21.4** | **22.9** | **23.0** | *3.7%* | **22.4** | **22.8** | **23.2** | *1.8%* |
| *Growth %* | *4.5%* | *7.0%* | *0.4%* | | *-2.6%* | *1.8%* | *1.8%* | |
| **Balance** | **(0.34)** | **(0.41)** | **(0.13)** | *0.5%* | **0.40** | **(0.10)** | **-** | *-0.9%* |




*Source: Sucden Financial Quarterly Metals Report Q1 CY17 and Q4 CY17, United States Geological Survey*

As can be seen from above, historically, global production of refined copper has been slightly behind the consumption. In 2016, growth in global copper production was expected to decline in response to decreasing copper prices as well as reduced demand from the construction industry in China. Also, in 2016, the growth in production was affected by the disruptions at top producing mines (for example workers' strike at BHP Billiton's Chile-based Escondida copper mine, which accounts for about 5% of global copper production). Going forward, the increase in copper consumption is expected to be driven by demand primarily from China (driven by infrastructure development and improvements, as well as increased sales of electronic and automotive products which use copper in their production). Production at existing facilities is likely to scale up to meet the growing demand.

In 2016, Australia accounted for approximately 5% of total global production and exported A$8.2 billion in copper concentrates[10]. Australia's top copper export market is China (approximately 53% of total copper produced in Australia was exported to China (by volume) in 2016).

In order to meet the increasing demand globally, Australia's copper exploration expenditure increased by 12% in 2016, year-on-year. In 2016, copper accounted for 60% of total exploration expenditure on base metals and 9.5% of total expenditure on minerals in Australia.

We note that Australia's main copper mining centres are in the Mount Isa/Cloncurry region of Queensland and at Olympic Dam in South Australia. The Mount Isa mine, which also produces large tonnages of lead, zinc and silver, currently is the largest copper producer in Australia.

[9] Department of Industry, Innovation and Science
[10] Australia Government Department of Industry and Science, Resources and Energy Quarterly March 2017

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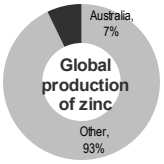
Zinc

The table and graph below summarises the historical and forecast global supply and demand for refined zinc concentrates and Australia's contribution to global production levels:

| Global supply/ demand for refined zinc | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| kT | 2013 | 2014 | 2015 | CAGR | 2016f | 2017f | 2018f | CAGR |
| **Production** | **12.9** | **13.5** | **13.7** | *3.2%* | **13.7** | **14.1** | **14.9** | *4.4%* |
| *Growth %* | *2.4%* | *4.7%* | *6.4%* | | *-0.5%* | *2.9%* | *6.0%* | |
| **Consumption** | **12.9** | **13.6** | **13.9** | *3.9%* | **14.3** | **14.5** | **14.9** | *2.3%* |
| *Growth %* | *4.4%* | *5.5%* | *8.0%* | | *2.4%* | *2.0%* | *2.6%* | |
| **Balance** | **0.01** | **(0.10)** | **(0.19)** | *-0.8%* | **(0.59)** | **(0.47)** | **(0.01)** | *2.2%* |




*Source: Sucden Financial Quarterly Metals Report Q1 CY17 and Q4 CY17, United States Geological Survey*

As can be seen from above, global production of refined zinc has been slightly behind the demand in 2014 and 2015. This was primarily due to closure of several large zinc/lead mines, including a large production facility in United States, as well as closure of MMG Limited's Century mine in Australia (capacity of 500 ktpa) which reached the end of its mine life. The global production of zinc is expected to continue to lag behind the consumption over the forecast period from 2016 to 2018 underpinned by stronger demand from China and United States while the production is expected to continue to struggle to keep up with the demand. We note that China contributes to approximately 50% of global zinc demand.

In 2016, Australia accounted for approximately 7% of total global production of zinc production. In 2016, Australia exported approximately A$2.7 billion in zinc concentrates[10] with circa 45% of the zinc exported to China.

*Lead*

The table and graph below summarises the historical and forecast global supply and demand for refined lead concentrates and Australia's contribution to global production levels:

| Global supply/ demand for refined lead | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| kT | 2013 | 2014 | 2015 | CAGR | 2016f | 2017f | 2018f | CAGR |
| **Production** | **11.2** | **11.0** | **11.8** | *3.0%* | **12.1** | **12.4** | **12.9** | *3.5%* |
| *Growth %* | *4.8%* | *-1.8%* | *6.0%* | | *2.0%* | *3.0%* | *4.0%* | |
| **Consumption** | **11.2** | **11.0** | **11.8** | *3.0%* | **12.1** | **12.5** | **12.9** | *3.3%* |
| *Growth %* | *5.3%* | *-1.8%* | *6.1%* | | *2.5%* | *3.4%* | *3.1%* | |
| **Balance** | **0.00** | **0.01** | **-** | *0.0%* | **(0.05)** | **(0.10)** | **0.01** | *0.2%* |


*Source: Sucden Financial Quarterly Metals Report Q1 CY17 and Q4 CY17, United States Geological Survey*

Historically, the global lead market has been relatively balanced in terms of production versus consumption. A supply deficit was expected in 2016 and 2017 as a result of several large zinc/lead mines reaching the end of their productive lives. The growth in production and consumption over 2016 to 2018 is expected to be supported mainly by increase in automobile production due to expected rise in automobile demand from China, India and US (slightly offset by the slowing automobile demand in Europe), and increasing substitution of lead-acid batteries with lithium-ion batteries.

In 2016, Australia accounted for approximately 10% of total global production and exported approximately A$1.8 billion of lead concentrates[11].

[11] Australia Government Department of Industry and Science, Resources and Energy Quarterly March 2017

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Cobalt

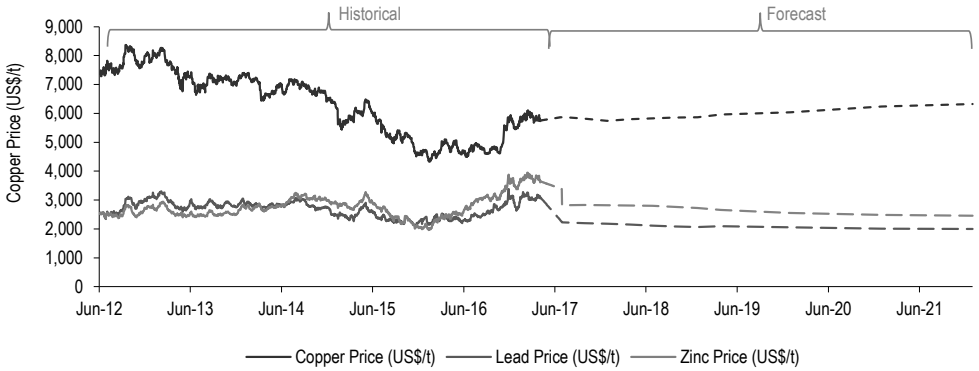
As noted before, cobalt is usually derived as a by-product of nickel and copper. Hence, the production of cobalt is driven by the production of other metals.

We note that Australia is the fourth largest producer of cobalt in the world. Nickel and cobalt exploration in Australia increased by 23%[12] year on year in December quarter of 2016.

## 3.4 Historical and forecast price of copper, cobalt, zinc and lead

Set out below is the historical and forecast price of copper, cobalt, zinc and lead since June 2012:

**Historical and forecast metal prices**




*Source: S&P Capital IQ, Consensus Forecast and GTCF Calculations*

As noted from the above:

- Since 2012, copper prices have been trending lower based on weak demand. Since 2016, copper prices have started to trend upwards driven by stronger industrial demand globally. In the near term, production is expected to continue to outpace consumption as substantial new large scale mines (such as CobrePanama mine in Panama) and several mine expansions are expected to add 1 million tonnes to mine production in 2018.

- From 2019 onwards, copper prices are expected to drift higher, as growth in consumption starts to outpace supply. Growth in China's vehicle sales will be a key driver of copper consumption over the forecast period. Also, growth in global investment in energy infrastructure including rising demand for renewable energy technologies, is expected to add to copper consumption. Over the next ten years, global investment in new power-generating capacity is estimated to be approximately US$4.4 trillion, with around US$570 billion expected to be spent on solar panels. Global solar capacity is expected to grow by over 600 gigawatts by 2021, which is estimated to require an additional 2.4 million tonnes of copper.

- Historically, zinc and lead prices have been relatively volatile driven by supply constraints and fluctuating demand. The prices for these metals have been increasing since 2016 in line with the price trend of other metals and improving demand globally.

[12] Resources and Energy quarterly March 2017

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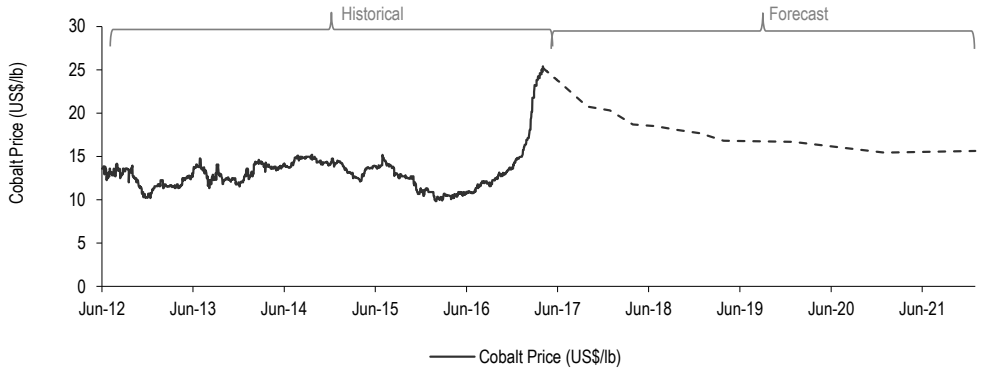
Going forward, zinc and lead prices are expected to remain relatively stable over the forecast period due to two offsetting factors:

- Demand for zinc and lead is expected to be strong, backed by increase in demand from the automobile and infrastructure sectors in China and other emerging markets. Several mine closures in the past imply that the supply will continue to remain constrained in the near term leading to a drawdown of inventories and price support.

- Since the prices have been increasing since January 2016, production at existing operations, particularly in China, has been ramped up. The increase in production is expected to place a downward pressure on prices as the demand is met and surplus production builds the inventories balance eventually.

Set out below are historical and forecast cobalt prices since June 2012.

**Historical and forecast cobalt prices**




*Source: S&P Capital IQ, Consensus Forecast and GTCF Calculations*

- Cobalt prices have been increasing since January 2016 driven by demand of batteries for electric cars, renewable energy storage and portable devices like smart phones and laptops where cobalt is a key component of lithium ion batteries, as well as supply constraints due to a decrease in production from countries such as Australia, Russia and Zambia over the recent years and limited number of new projects to increase the output. The Democratic Republic of Congo is currently the largest producer of cobalt.

  Going forward, cobalt prices are likely to stabilize at lower level prices than current, as production increases and demand starts to stabilise.

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# 4 Profile of AML

## 4.1 Overview

AML is a junior base metal exploration company listed on the ASX with a market capitalisation of approximately A$52.2 million as at 21st June 2017. AML's primary focus is on the exploration and development of polymetallic projects located in the Mount Isa area and near the Monto/ Gladstone area in Queensland.

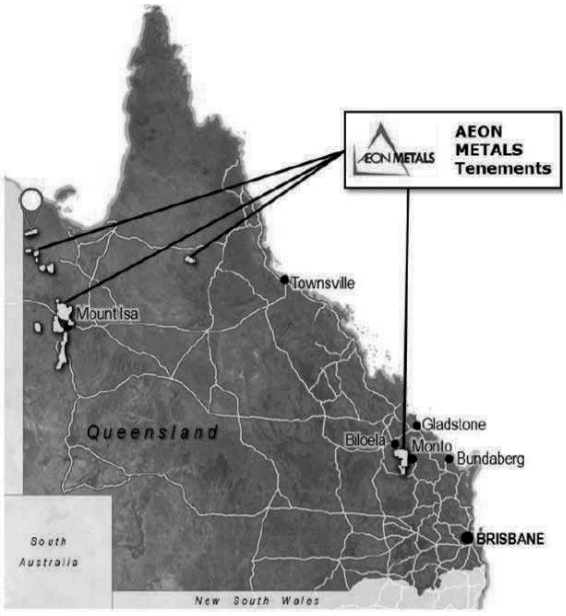
The following maps set out the geographical location of AML's key projects:

- *Walford Creek Project* – 100% owned flagship project located in North West Queensland and prospective for copper, zinc, lead, silver and cobalt. This includes the newly identified high-grade resources at Vardy Zone. Refer to section 4.2 for further details.

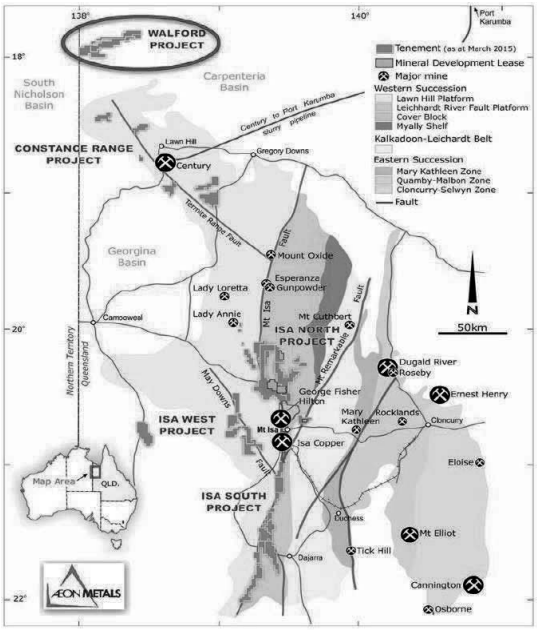
- *South-east Queensland Projects* – consist of the 100% owned Ben Hur Copper Project ("Ben Hur"), 7B Copper/ Gold Project ("7B") and Greater Whitewash Polymetallic Project ("Greater Whitewash"). Refer to sections 4.3 for further discussion on each of these projects.

- *North-west Queensland Projects* – consist of the early exploration stage Isa North, Isa West, Isa South, Forsayth and Constance Range projects located in North West Queensland and linked by significantly geological fault architecture. Refer to section 4.4 for further discussion on each of these projects.

**AML's tenement holdings**




**AML's North-west Tenement Holdings and Walford Creek project**




*Source: Company filings*

The following table provides a summary of AML's key projects and total attributable Mineral Resources

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reported in accordance with the JORC Code[13] ("Mineral Resources"):

| Project | | Tenements holder | Key commodity | Ownership % | Category | Million tonnes (Mt) | Cu (%) | Pb (%) | Zn (%) | Ag (g/t) | Co (p/m) | Mo (p/m) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Walford Creek | Global resources | Aeon Walford Creek Ltd | Cu, Pb, Zn, Co, Ag | 100% | Indicated | 16.2 | 0.46 | 0.83 | 1.02 | 20.1 | 909 | - |
| | | | | | Inferred | 57.1 | 0.39 | 0.86 | 0.80 | 24.5 | 785 | - |
| | | | | | **Total** | **73.3** | **0.40** | **0.85** | **0.85** | **23.5** | **813** | **-** |
| | Vardy Resource | Aeon Walford Creek Ltd | Cu, Pb, Zn, Co, Ag | 100% | Measured | 1.0 | 1.14 | 0.84 | 0.83 | 25.9 | 0 | |
| | | | | | Indicated | 2.2 | 1.26 | 0.80 | 0.93 | 26.4 | 0.18 | - |
| | | | | | Inferred | 3.4 | 1.28 | 0.68 | 0.63 | 25.0 | 0.15 | - |
| | | | | | **Total** | **6.6** | **1.25** | **0.74** | **0.76** | **25.6** | **0.16** | **-** |
| Ben Hur | | Aeon Metals Ltd | Cu, Mo, Ag | 100% | Inferred | 62.0 | 0.30 | - | - | 1.3 | - | 120 |
| Greater Whitewash | | Aeon | | 100% | Indicated | 185.0 | 0.12 | - | - | 1.55 | - | 263 |
| | | | | | Inferred | 56.0 | 0.11 | - | - | 1.54 | - | 239 |
| | | | | | **Total** | **241.0** | **0.12** | n/a | n/a | **1.55** | - | **257** |
| **Total** | | | | | Measured | 1.0 | 1.14 | 0.84 | 0.83 | 25.90 | 0.17 | - |
| | | | | 100% | Indicated | 203.4 | 0.16 | 0.07 | 0.09 | 3.30 | 72 | 239 |
| | | | | | Inferred | 178.5 | 0.29 | 0.29 | 0.27 | 9.25 | 251 | 117 |
| | | | | | **Total[1]** | **382.9** | **0.22** | **0.18** | **0.18** | **6.13** | **156** | **181** |

*Note (1): Total grades based on weighted average.*
*Source: AML's ASX announcements, investor presentations and financial reports*

Set out below is a brief description of the above key projects. Further details on the projects can be found in the SRK Consulting Report set out in Appendix C.

## 4.2 Walford Creek Project

The Walford Creek Project is a polymetallic project located in the Mount Isa area, North West Queensland and is currently AML's 100% owned flagship mining asset. AML acquired the Walford Creek Project (together with four other early stage exploration joint venture projects in the Mount Isa area) on 17 June 2014 when it acquired 100% interest in Aeon Walford Creek Limited ("AWCL") through a series of arrangements with AWCL's secured creditors, and receivers and managers.

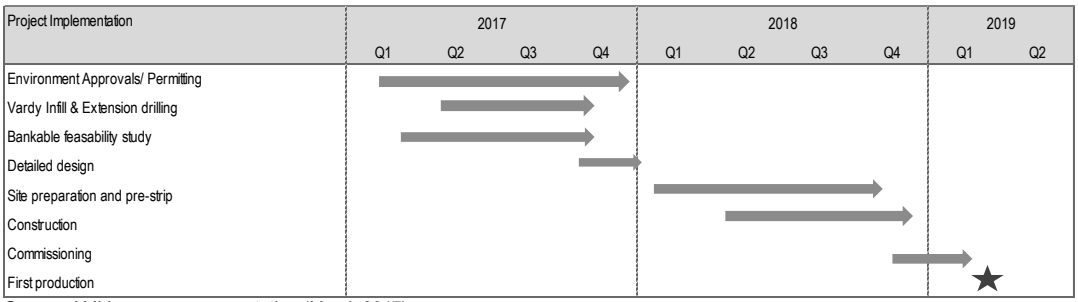
At Walford Creek, AML holds (through AWCL) the right to explore for minerals on 3 granted exploration permits covering a total area of 173km² as summarised below:

| Tenement Holdings - Walford Creek Project | Sub blocks | Km | Grant date | Expiry date |
|---|---|---|---|---|
| Walford Creek | 41 | 131.3 | 08-Mar-04 | 07-Mar-22 |
| Walford East | 6 | 19.2 | 22-Nov-05 | 21-Nov-20 |
| Walford Far East | 7 | 22.4 | 30-Nov-12 | 29-Nov-17 |
| **Total** | **54** | **172.9** | | |

Vardy Zone

In 2016, AML successfully completed two drill programs which identified a higher-grade resource within Walford Creek Project area called, 'Vardy Zone'. It is estimated that the Vardy Zone contains significant high grade copper and cobalt resources, as well as, lower grades of lead, zinc and silver. The Vardy Zone is approximately 9% of the currently estimated Walford Creek Global Resource. An indicative development plan for Vardy Zone is illustrated in the chart below:

[13]The JORC (the "Joint Ore Reserves Committee") Code is a standard used for the public disclosure of Mineral Resource as defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore. The Natougou Mineral Resources are estimated under the 2012 JORC code while the Nabanga Mineral Resources are estimated under the JORC 2004 code.




*Source: AML's company presentation (March 2017)*

A Preliminary Economic Assessment ("PEA") of Vardy Zone project was completed in February 2017 which assessed that the life of mine ("LOM") revenue from copper, zinc, silver and cobalt is likely to be $579 million with LOM production of 38kt copper, 29kt zinc and 3kt cobalt concentrates. The Vardy Zone project is subject to funding and necessary Government approvals and the first production is forecast to be in second quarter of 2019.

On 20th June 2017, AML announced intersecting significant mineralisation including high grade copper and cobalt in area located outside of the Vardy Resource. The Company has indicated that there is further potential for high grade mineralisation zones around the Vardy Zone. A total of approximately 1900m from 15 holes have been drilled since May 2017.

Cobalt Roasting Study

The PEA completed in February 2017 outlines an opportunity to exploit the Walford Creek Resource for cobalt roasting and includes a large scale, 2.5 Mtpa open pit mine and onsite processing concentrator, roaster and acid plant to produce copper, zinc, lead and pyrite concentrates. The pyrite concentrates can be processed into approximately 18kt of high grade cobalt over 15 years LOM. The Cobalt Roasting option requires approximately $668 million of capital expenditure to first production.

Set out below are key parameters of the cobalt roasting study conducting by AML:

| Key parameters of the Cobalt Roasting Study | |
|---|---|
| Mining inventory | 34.6Mt<br>0.43% Cu, 0.89% Pb, 0.75% Zn, 26g/t Ag and 810ppm (0.08%) Co. |
| Processing | 2.5Mtpa processing plant to produce copper, zinc, lead and pyrite concentrates. The pyrite concentrate is treated to produce cobalt metal. Sulphuric acid is also produced at 1.3Mtpa over the LOM, requiring regular and reliable offtake arrangements. Currently, there is no market for this quantity of sulphuric acid but there are a number of proximate phosphate resources held by third parties which are potential offtakers of this acid. Current prices for sulphuric acid in northwest Queensland are in the order of A$150/t. |
| Recoveries (average LOM) | Copper: 73%, Zinc: 85%, Cobalt: 68%, Lead: 55% |
| Production rates (average LOM) | Copper: 8ktpa, Cobalt: 1.2ktpa, Zinc: 15ktpa, Lead: 13ktpa and 1.3Mtpa sulphuric acid. |
| LOM | 15 years based on 2.5Mtpa throughput. |
| Operating costs | Operating costs inclusive of mining, processing, site administration, concentrate transport and royalties average A$74/t of run-of-mine feed over the life-of-mine (LOM). |

*Source: Company announcements, Broker research*

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## 4.3 Gladstone Project

### 4.3.1 Ben Hur Project

AML's 100% owned Ben Hur Project is located approximately 150 km from Gladstone port. AML commenced its exploration activities at the Ben Hur Project in early 2012 announcing a maiden JORC Mineral Resource estimate for the John Hill deposit on November 12, 2013[14]. The Company expects that further drilling has the potential to add to the current interpretation of mineralised volume, both laterally and at depth[15]. We note that the exploration permit for the project expires in August 2017 and a renewal application has been lodged.

### 4.3.2 Greater Whitewash Project

The Greater Whitewash Project is a copper-focused project located within a 15 km radius from the Ben Hur Project. The project was granted a mineral development license ("MDL") in December 2012. The Greater Whitewash Project has two main deposits, namely Whitewash and Gordons, which have JORC defined indicated and inferred resources of approximately 285 Mt of copper, 12.1 Moz of silver and 139 Mlbs of molybdenum. We note that the exploration permit for the project expires in December 2017 and a renewal application has been lodged.

### 4.3.3 7B Project

7B Copper-Gold Project is a 100% owned project located within a 15km radius of the Greater Whitewash and Ben Hur Projects. AML commenced exploration activities in 7B area in November 2012 and the ownership permit for this Project expires in January 2019. AML has defined a significant copper and copper-gold anomaly in the area.

## 4.4 Other projects

Aside from the abovementioned projects, AML has other base metal projects in Queensland. The majority of these projects are at an early stage of exploration or development. A brief overview of the main early stage exploration assets is as follows:

- Isa Projects (excluding the Walford Creek Project): The Company has interests in four main base metals projects in the Mount Isa and Constance Range areas linked by significant fault architecture. Namely, the Isa North, Isa South, Isa West and Constance Range projects covering an area of approximately 3,400km[25]. Within these projects, AML holds interests in 20 EPMs and renewals pending on another four EPMs. The Company has varied levels of interests in each of the northwest Queensland tenements with some held through joint venture partnership with AWCL.

- Forsayth Project: This project is situated around a small settlement of Forsyth, an area approximately 300 km southwest of Cairns in Queensland. AML owns 100% interest in this Project and secured exploration permit in March 2013 for a period of five years. Forsayth Project has potential for hydrothermal gold, base metal and molybdenum mineralisation, although minimal on-ground exploration has been conduction by AML so far.

[14] AML's 2014 annual report and ASX announcement dated 1 October 2014.
[15] AML's ASX announcement dated 31 July 2015.

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- Joint venture with SLW: the tenements are located near Monto, Queensland. The joint venture has a 60%-40% earning split between AML and SLW respectively.

- Joint venture with Rio Tinto Exploration Ltd ("RTX"): the joint venture was formed under the Earn-in Joint Venture Agreement on 8 November 2012 on tenement EPM 17060 with an agreed earning split of 70%-30% for RTX and AML respectively. After completing Phase 1 commitment to fund an exploration program, RTZ gave notice in FY16 not to extend Phase 2 period (earn-in).

## 4.5 Financial information

### 4.5.1 Financial Performance

The consolidated statements of profit or loss of AML for the financial years ended 30 June 2014 ("FY14"), 30 June 2015 ("FY15"), 30 June 2016 ("FY16") and first half of FY17 ("H1 FY17") are set out in the table below:

| AML - Consolidated statement of profit or loss<br>A$'000s | FY14<br>Audited | FY15<br>Audited | FY16<br>Audited | H1 FY17<br>Reviewed |
|---|---|---|---|---|
| Revenue | - | - | | - |
| Other income | 33 | - | | - |
| Adiminstrative expenses | (647) | (937) | (1,033) | (462) |
| Impairment loss | (3,881) | (7,270) | (939) | - |
| Other expenses | (1,045) | (1,046) | (656) | (401) |
| **Results from operating activites** | **(5,540)** | **(9,253)** | **(2,628)** | **(863)** |
| Finance income | 54 | 102 | 161 | 62 |
| Finance costs | (3) | (3) | - | - |
| **Profit/ (loss) for ther period** | **(5,489)** | **(9,154)** | **(2,467)** | **(801)** |

*Source: Company filings*

We note the following in relation to the above consolidated statement of financial performance:

- AML has consistently made losses over FY14 to FY16 primarily due to administrative and other expenses as it continues to invest in exploration and development activities.

- Impairment loss on exploration and evaluation assets has been recognised in each of the financial years. The recoverability of the carrying amount of exploration assets is dependent on the successful development and commercial exploitation or sale of the respective areas of interest.

- In FY14, other income included Government grants received in relation to exploration and evaluation and other expenses included expenses associated with share based payments whereby the Company issued 4 million shares at A$0.12 per share to Managing Director, Hamish Collins in July 2014.

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4.5.2 Financial Position

The statements of financial position of AML as at 30 June 2016 and 31 December 2016 are set out in the table below:

| AML - Consolidated statement of finanical position<br>A$'000s | 30-Jun-16<br>Actual | 31-Dec-16<br>Reviewed |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | 6,629 | 3,942 |
| Trade and other receivables | 146 | 74 |
| Other investments | 50 | 51 |
| Prepayments | 49 | 24 |
| **Total current assets** | **6,874** | **4,091** |
| Property, plant and equipment | 144 | 131 |
| Other assets | 36 | 36 |
| Exploration and evaluation assets | 50,113 | 55,265 |
| **Total non-current assets** | **50,293** | **55,432** |
| **Total assets** | **57,167** | **59,523** |
| **Liabilities** | | |
| Trade and other payables | 921 | 168 |
| Employee benefits | 50 | 135 |
| Loans and borrowings | - | 27,410 |
| Provisions | 103 | 50 |
| **Total current liabilities** | **1,074** | **27,763** |
| Loans and borrowings | 23,558 | - |
| **Total non-current liabilities** | 23,558 | - |
| **Total liabilities** | **24,632** | **27,763** |
| **Net assets** | **32,535** | **31,760** |

*Source: Company filings*

We note the following in relation to the statements of financial position:

- Cash and cash equivalents of A$6.6 million as at 30 June 2016 was a substantial increase compared to $1.8 million as at 30 June 2015, primarily as a result of proceeds of $4.8 million (net of costs) raised from refinancing notes.

  During FY16, the Company refinanced its debt facility of $22.83 million (borrowed to fund the acquisition of the Walford Creek Project in 2014) with OCP Funds to extend the repayment date to 17 December 2017 (from 17 December 2015 previously), revise the terms of repayment and raise additional debt of $4.85 million. As a part of the refinancing arrangements, the Company issued 73 million warrants to OCP Funds (the 2015 Warrants). Also, in order to raise an additional $4.85 million, AML issued 485 additional limited recourse notes and 20,825,106 warrants to OCP Funds on 30 October 2015 as Tranche 2 of the debt Facility.

- Loans and borrowings from OCP Funds which is due to mature on 17 December 2017 have been reclassified as a current liability. We note that the borrowings are secured against AML's subsidiary AWCL, assets of which were valued at $39.7 million as at 31 December 2016[16].

- Exploration and evaluation assets increased to A$55.3 million as at 31 December 2016 (FY2016: A$50.1 million) due to the expenses incurred for exploration and evaluation of assets.

[16] Half year report 31 December 2016

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## 4.6 Capital structure

As at 26th June 2017, AML's capital structure is as follows:

- 347,832,628 fully-paid ordinary shares ("AML's Shares").
- 73,000,000 warrants issued to OCP Funds ("2015 Warrants").

### 4.6.1 Ordinary shares

The top ten shareholders of AML as at 15th June 2017 are set out below:

| Top shareholders (As at 15 June 2017) | Number of shares | % shareholding |
|---|---|---|
| HSBC Custody Nominees (Australia) Limited - A/C 3 | 80,866,645 | 23.25% |
| Washington H Soul Pattinson & Company Ltd | 26,550,970 | 7.63% |
| Bliss Investments Limited | 23,499,910 | 6.76% |
| SLW Minerals Corporation Pty Limited | 16,000,000 | 4.60% |
| Goody Investments Pty Limited | 15,211,112 | 4.37% |
| Catholic Church Insurance Limited | 14,168,669 | 4.07% |
| SLG Australia Pty Limited | 12,533,334 | 3.60% |
| Frere & Associates Pty Limited <Derick Frere Super Fund A/C> | 10,981,552 | 3.16% |
| Moya Pty Ltd | 8,045,195 | 2.31% |
| 1147 Pty Ltd | 5,050,430 | 1.45% |
| **Total top 10 shareholders** | **212,907,817** | **61.21%** |
| Other shareholders | 134,924,811 | 38.79% |
| **Total shares outstanding** | **347,832,628** | **161.21%** |

*Source: Company presentation*

A discussion on AML's Share trading profile is set out in Section 6.2.1.

### 4.6.2 Options and Warrants

As at 26th June 2017, AML had approximately 73 million unlisted warrants issued to OCP Funds exercisable at $0.0935 until 17th December 2017 (2015 Warrants). These warrants were issued in consideration to financing arrangements provided by OCP Funds. Refer to section 4.6.2 for further details.

We note that approximately 63.3 million warrants were also issued to OCP Funds on 17 June 2014 (2014 Warrants) in relation to the acquisition of the Walford Creek Project which were not exercised and expired on 17 June 2017.

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# 5 Valuation methodologies

## 5.1 Introduction

As part of assessing whether or not the Proposed Issue is fair to the Non-Associated Shareholders, Grant Thornton Corporate Finance has compared the Fair market value of AML Shares before the Proposed Issue on a control basis to the fair market value of AML Shares after approval of the Proposed Issue on a minority basis.

In each case, Grant Thornton Corporate Finance has assessed value using the concept of fair market value. Fair market value is commonly defined as:

*"the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm's length."*

Fair market value excludes any special value. Special value is the value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

We note, RG111 requires the fairness assessment to be made assuming 100% ownership of the target company and irrespective of whether the consideration offered is script or cash and without consideration of the percentage holding of the offeror or its associates in the target company.

## 5.2 Valuation methodologies

RG 111 outlines the appropriate methodologies that a valuer should generally consider when valuing assets or securities for the purposes of, amongst other things, approval of an issue of shares using item 7 of s611 of the Corporations Act, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:

- Discounted cash flow ("DCF") method and the estimated realisable value of any surplus assets.
- Application of earnings multiples to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets.
- Amount available for distribution to security holders on an orderly realisation of assets.
- Quoted price for listed securities, when there is a liquid and active market.
- Any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

Further details on these methodologies are set out in Appendix A to this report. Each of these methodologies is appropriate in certain circumstances.

RG111 does not prescribe the above methodologies as the method(s) that an expert should use in preparing their report. The decision as to which methodology to use lies with the expert based on the expert's skill and judgement and after considering the unique circumstances of the entity or asset being

valued. In general, an expert would have regard to valuation theory, the accepted and most common market practice in valuing the entity or asset in question and the availability of relevant information.

## 5.3 Selected valuation methods

Grant Thornton Corporate Finance has selected the market value of net assets as the primary method to assess AML's equity value The market value of net assets is based on the sum-of-parts of AML's assets and liabilities as set out in AML's balance sheet as at 31 December 2016 which has been reviewed by an external auditor. In assessing the fair market value of AML, Grant Thornton Corporate Finance has aggregated:

- The market value of AML's mineral assets as assessed by SRK Consulting.
- The value of other assets and liabilities owned by AML.

We have cross-checked our valuation assessment based on the quoted price of listed securities method.

## 5.4 Independent technical expert

For the purposes of this report, Grant Thornton Corporate Finance has engaged SRK Consulting to prepare a valuation of the exploration assets of AML which was completed in accordance with the VALMIN Code[17]. A copy of the SRK Consulting Report is included as Appendix C to this report.

[17] The VALMIN Code is binding on members of the Australasian Institute of Mining and Metallurgy when preparing public independent expert reports required by the Corporations Act concerning mineral and petroleum assets and securities. The purpose of the VALMIN Code is to provide a set of fundamental principles and supporting recommendations regarding good professional practice to assist those involved in the preparation of independent expert reports that are public and required for the assessment and/or valuation of mineral and petroleum assets and securities so

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# 6 Valuation assessment of AML before the Proposed Issue

## 6.1 Valuation summary

Set out below is our valuation assessment of AML before the Proposed Issue on a control basis under the market value of net assets valuation method.

| Fair value of AML before the Proposed Issue<br>A$000s | *Section Reference* | Low | High |
|---|---|---|---|
| Fair value of AML mineral assets | *6.1.1* | 66,540 | 98,340 |
| Add: Adjusted other assets (liabilities) | *6.1.2* | 2,933 | 2,933 |
| Less: Value of 2015 Warrants | *6.1.3* | (7,930) | (9,868) |
| Add: Tax losses | *6.1.4* | - | - |
| **Equity value of AML on a control basis** | | **61,543** | **91,405** |
| Number of existing AML ordinary shares ('000s) | *4.6* | 347,833 | 347,833 |
| **Value per AML Share on a control basis (A$)** | | **0.177** | **0.263** |

*Source: SRK Consulting Report and GTCF calculations*

### 6.1.1 Fair value of AML's mineral assets

As discussed in Section 5.4, Grant Thornton Corporate Finance has engaged SRK Consulting to assess the fair market value of AML's mineral assets. SRK Consulting has assessed AML's mineral assets on an attributable basis (i.e. taking into consideration various levels of ownership interest) between A$66.54 million and A$98.34 million with preferred value of $84.94 million.

SRK Consulting has considered a number of valuation methodologies to assess the market value of AML's mineral assets. In this regard, we note that the Walford Creek Project and Gladstone Project have been assessed using metal transaction ratio ("MTR") multiples implied by recent and comparable transactions involving properties similar to Walford Creek and Gladstone. The Constance Range, Isa North, Isa West, Isa South, Gladstone and Forsayth Projects, which are in early stages of exploration, have been assessed based on the geoscientific rating approach with support from transaction multiples. A brief outline of the approaches adopted is set out below:

- The transaction multiples approach involves comparing the transaction value of similar mineral properties transacted in the open market to AML's projects. SRK Consulting has analysed 45 transactions[18] with similar levels of development and in similar political and geological setting. Refer to section 9.3.1 of the technical report for further details.

- The Yardstick approach involves applying the unitised sales price as a percentage of the prevailing commodity price to the existing Mineral Resource base of AML's projects. The percentage to the commodity price is determined by the quality of the resource (e.g. Inferred versus Indicated Resources). Refer to section 9.3.2 of the technical report for further details.

- The geoscientific rating method applies technical and market factors to a base acquisition cost ("BAC") for each of AML's permits. In addition, we note SRK Consulting has applied a 40% discount

[18] Includes 20 transactions involving Australian polymetallic projects transacted since August 2009, 9 transactions involving Australian resource-stage copper and molybdenum projects transacted since June 2006 and 16 transactions involving Australian early stage exploration projects.

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factor to account for the currently depressed commodity prices and malaise in the Australian minerals industry. Refer to sections 9.3.3 and 9.5.1 of the technical report for further details.

A summary of SRK Consulting's valuation results appears in the table below:

| Valuation of AML's mineral assets<br>A$m | *Section Reference* | Low | High | Preferred |
|---|---|---|---|---|
| Walford Creek | | 55.00 | 70.00 | 65.00 |
| Walford Creek - Exploration potential | | 3.00 | 7.00 | 5.00 |
| Whitewash | | 5.00 | 12.00 | 8.50 |
| Ben Hur | | 2.00 | 5.00 | 3.50 |
| Gladstone - Exploration potential | | 0.21 | 0.83 | 0.52 |
| Constance Range | | 0.30 | 0.80 | 0.55 |
| Isa North | | 0.28 | 0.70 | 0.49 |
| Isa West | | 0.27 | 0.75 | 0.51 |
| Isa South | | 0.45 | 1.13 | 0.79 |
| Forsayth | | 0.03 | 0.13 | 0.08 |
| **Total market value assessed by SRK Consulting** | *Appendix C* | **66.54** | **98.34** | **84.94** |

*Source: SRK Consulting Report*

The independent valuation assessment range of AML's mineral assets prepared by SRK Consulting is a wide range. As explained in the SRK Consulting Report, this is mainly due to AML's mineral assets being at an early exploration stage and there exists significant inherent uncertainly in relation to whether the existing resource can be successfully converted into commercial reserves. The amount of data is limited and their interpretation is subject to a material degree of uncertainty. As a result, valuations of these types of projects are quite subjective and speculative.

### 6.1.2 Other assets and liabilities

Other assets and liabilities of AML are based on the reviewed balance sheet as at 31 December 2016 as set out in Section 4.5.2 and summarised below:

| AML's other assets/ (liabilities)<br>A$000s | Section Reference | 31-Dec-16 |
|---|---|---|
| Cash and cash equivalents[1] | | 3,006 |
| Trade and other receivables | | 74 |
| Other investments | | 51 |
| Prepayments | | 24 |
| Property, plant and equipment | | 131 |
| Trade and other payables | | (168) |
| Employee benefits | | (135) |
| Provisions | | (50) |
| **Adjusted other assets (liabilities)** | **4.5.2** | **2,933** |

*Source: H1 FY17 report*
*Note 1: Cash balance as at 31 March 2017*

In forming our view on the other assets and liabilities, we have held discussions with the Management in relation to each of the items on the balance sheet as at 31 December 2016 and nothing has come to our attention that would suggest that the financial position of AML as at 31 December 2016 is not reliable. We note that we have updated the cash in the bank based on the 31 March 2017 balance.

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### 6.1.3 Options and warrants

AML currently has 73,000,000 warrants (2015 Warrants) on issue, which we valued using the Binomial Model having regard to the following key assumptions:

| Fair value of the options and warrants | *Section Reference* | OCP Funds 2015 Warrants |
|---|---|---|
| Number of options / warrants | *4.6.2* | 73,000,000 |
| Expiry date | *4.6.2* | 17-Dec-17 |
| Exercise Price (A$/share) | *4.6.2* | 0.0935 |
| Underlying share price (A$/share) | *Note 1* | 0.16 to 0.19 |
| Risk free rate (%) | *Note 2* | 1.74% |
| Volatility (%) | *Note 3* | 100% |
| **Value per security - low (A$/option)** | | **0.1087** |
| **Value per security - high (A$/option)** | | **0.1352** |
| **Value - low (A$)** | | **7,932,230** |
| **Value - high (A$)** | | **9,870,996** |

*Source: ASX Announcements, S&P CapitalIQ, Hoadley Trading & Investment Tools: Binomial Tree Option Calculator and GTCF calculations*
*Note (1): Underlying AML share price in the range of A$0.16 to A$0.19 per share is based on our assessed value of AML based on the quoted securities price method as assessed by Grant Thornton based on minority basis. Refer to section 6.2 for our valuation assessment of AML before the Proposed Issue using quoted securities price method.*
*Note (2): Risk free rate of 1.74%, being the yield on 2 year Australian Commonwealth Government Bond as at 8 May 2017.*
*Note (3): Assessed volatility over the life of the Options of 100% based on the historical 2 year share price volatility of AML sourced from S&P Capital IQ and rounded.*

Based on the above, we have assessed the value of the 2015 warrants to be approximately in the range of A$7.9 million to A$9.9 million. We note that the assessed value per warrant is higher than the intrinsic value of each 2015 warrant.

### 6.1.4 Taxation losses

AML has approximately A$8.7 million in accumulated net tax losses as at 30 June 2016 which could potentially be used to offset against future taxable income. However, the amount has not been recognised as an asset for financial reporting purposes as it does not satisfy the recognition criteria under the relevant accounting standards.

Given the early stage nature of AML's assets, it is not possible to predict whether or not AML will be able to generate any material earnings in the future and as a result be able to utilise the tax losses. Accordingly, we have not ascribed a value to AML's unutilised tax losses.

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## 6.2 Cross check - Quoted price of securities

In our assessment of the fair market value of AML Shares, we have had regard to the trading prices of the listed securities on the ASX. Set out in the table below is a summary of our assessed valuation range based on the Quoted Security Price Method:

| Cross check valuation of AML before the Proposed Issue (Quoted price of securities method) | *Section Reference* | Low | High |
|---|---|---|---|
| Assessed value per AML Share (minority basis) (A$) | *6.2.1* | 0.160 | 0.190 |
| Control premium | *6.2.2* | 30% | 30% |
| **Assessed value per AML Share (control basis) (A$)** | | **0.208** | **0.247** |

*Source: Grant Thornton Corporate Finance calculations*

The AML Share price range assessed above is an exercise of professional judgement that takes into consideration the depth of the market for the listed securities, volatility of the market price, and whether or not the market value is likely to represent the underlying value of AML in accordance with the requirements of RG111. The following sections detail the analysis undertaken in selecting the share price range.

### 6.2.1 Liquidity analysis

To assess the liquidity of AML Shares, we have analysed the trading volume over the last year as a percentage of the shares outstanding and free float as outlined in the table below:

| Share price Liquidity analysis Month end | Volume traded ('000) | Monthly VWAP (A$) | Total value of shares traded (A$'000) | Volume traded as % of total shares | Cummulative Volume traded as % of total shares | Volume traded as % of free float shares | Cummulative Volume traded as % of total shares |
|---|---|---|---|---|---|---|---|
| May 2016 | 2,500 | 0.072 | 181 | 0.7% | 0.7% | 1.7% | 1.7% |
| Jun 2016 | 2,216 | 0.083 | 184 | 0.7% | 1.5% | 1.7% | 3.4% |
| Jul 2016 | 3,654 | 0.122 | 447 | 1.2% | 2.7% | 2.9% | 6.3% |
| Aug 2016 | 5,647 | 0.166 | 940 | 1.9% | 4.6% | 4.4% | 10.7% |
| Sep 2016 | 1,873 | 0.155 | 290 | 0.6% | 5.2% | 1.5% | 12.2% |
| Oct 2016 | 2,818 | 0.148 | 416 | 0.8% | 6.0% | 1.9% | 14.0% |
| Nov 2016 | 3,755 | 0.179 | 674 | 1.1% | 7.1% | 2.5% | 16.6% |
| Dec 2016 | 2,536 | 0.191 | 483 | 0.7% | 7.8% | 1.7% | 18.3% |
| Jan 2017 | 820 | 0.187 | 153 | 0.2% | 8.1% | 0.5% | 18.8% |
| Feb 2017 | 2,418 | 0.195 | 470 | 0.7% | 8.8% | 1.6% | 20.4% |
| Mar 2017 | 1,711 | 0.183 | 313 | 0.5% | 9.3% | 1.1% | 21.6% |
| Apr 2017 | 1,077 | 0.172 | 186 | 0.3% | 9.6% | 0.7% | 22.3% |
| May 2017 | 155 | 0.166 | 26 | 0.0% | 9.6% | 0.1% | 22.4% |
| **Min** | | **0.072** | | **0.24%** | | **0.55%** | |
| **Max** | | **0.195** | | **1.90%** | | **4.42%** | |
| **Average** | | **0.154** | | **0.80%** | | **1.86%** | |
| **Median** | | **0.169** | | **0.72%** | | **1.69%** | |

*Source: Capital IQ and GTCF calculations*

With regard to the above analysis, we note that:

- In the absence of a takeover or alternate transactions, the trading prices represent the value at which minority shareholders could realise their portfolio investment.

- AML complies with the full disclosure regime required by the ASX. As a result, the market is fully informed about the performance of AML.

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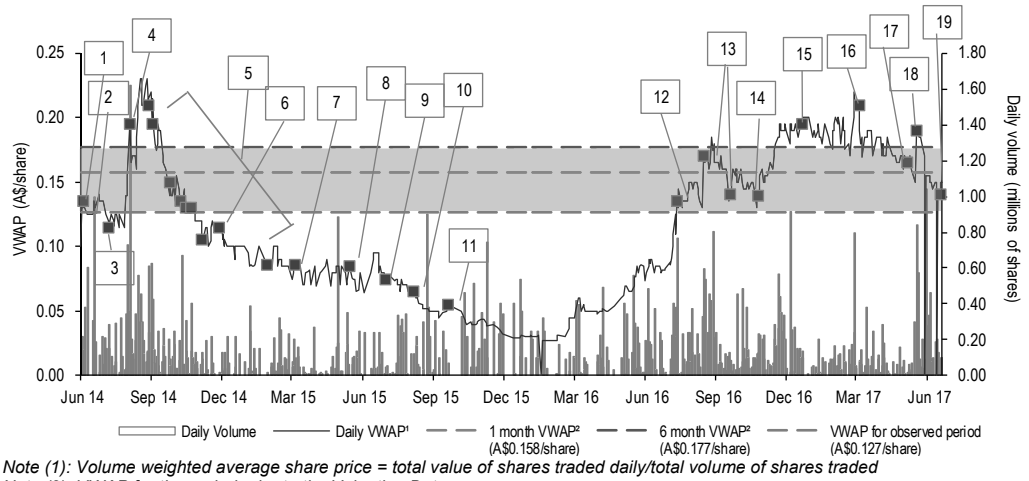
- The level of free float[19] of AML Shares as at 8 May 2017 was approximately 42%. As outlined in the table above, in our opinion there is limited liquidity and accordingly, we have adopted the recent share trading prices as a cross-check only. However, we note that it is not uncommon for exploration companies to demonstrate low levels of liquidity until resource targets become sufficiently defined. In addition, there are no other valuation methodologies that can be reasonable adopted for the valuation of AML.

- AML Shares have been quite volatile over the observed period (i.e. last 12 months), with the minimum and maximum monthly VWAP price varying between $0.08 and $0.22. This is explained further in our analysis of the daily movements in AML's share price and volumes, and market conditions below.

Our analysis of the daily movements in AML's share price and volumes over last three years is set out below:

**Historical VWAP and volume traded**




*Note (1): Volume weighted average share price = total value of shares traded daily/total volume of shares traded*
*Note (2): VWAP for the period prior to the Valuation Date*
*Source: S&P Capital IQ, AML's ASX announcements and GTCF analysis*

In relation to the share price graph above, we note the following:

| # | Date | Closing share price (A$/share) | Spot copper price (U$/t) | Comments |
|---|---|---|---|---|
| 1 | 5 Jun 14 | 0.135 | 6,800 | AML announced the commencement of 1,200m drilling program at its 7B Project in the Gladstone region of Queensland. |
| 2 | 18 Jun 14 | 0.127 | 6,739 | AML announced that it had completed the Aston Acquisition and issued 48.275 million ordinary shares at A$0.145 per share as part of the purchase consideration. The Company also announced the 12,000m drilling program planned at the Walford Creek Project (i.e. the 2014 Drilling Program). |
| 3 | 9 Jul 14 | 0.115 | 7,155 | AML announced the commencement of the 2014 Drilling Program at the Walford Creek Project. |

[19] Free float Shares excludes those owned by Company employees, individual insiders, related parties and other strategic investors (i.e. OCP Funds)

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| # | Date | Closing share price (A$/share) | Spot copper price (U$/t) | Comments |
|---|---|---|---|---|
| 4 | 4 Aug 14 | 0.195 | 7,104 | AML issued 3 million shares to two of AML's executives at A$0.195 per share (received shareholders' approval on the resolution on 14 November 2013) funded by a limited recourse loan from AML. |
| 5 | 28 Aug 14 | 0.210 | 7,033 | Drilling results for the Walford Creek Project under the 2015 Drilling Program were announced on the dates as listed. |
| | 2 Sep 14 | 0.195 | 6,966 | |
| | 25 Sep 14 | 0.150 | 6,766 | |
| | 9 Oct 14 | 0.135 | 6,766 | |
| | 16 Oct 14 | 0.130 | 6,630 | |
| | 23 Oct 14 | 0.130 | 6,719 | |
| | 6 Nov 14 | 0.105 | 6,681 | |
| | 30 Jan 15 | 0.086 | 5,391 | |
| 6 | 26 Nov 14 | 0.115 | 6,516 | AML announced that the Company had entered into a Memorandum of Understanding with Armour Energy Limited for the potential supply of gas from its projects as a source of energy for the Walford Creek Project. |
| 7 | 6 Mar 15 | 0.086 | 5,827 | Walford Creek Project JORC Mineral Resource base was increased by circa 52% from 48.3 Mt to 73.3 Mt (Indicated and Inferred). This exceeded AML's target to increase resources at the Walford Creek Project by 50% by December 2015 (after the 2015 Drilling Program which is expected to commence in the second quarter of 2015). |
| 8 | 15 May 15 | 0.085 | 6,356 | AML announced the commencement of 2,000m drilling program at Walford Creek and the Queensland Department of Natural Resources and Mines approves funding under Collaborative Drilling Initiative for Beauchamp target west of Mt Isa. |
| 9 | 01 Jul 15 | 0.075 | 5,756 | AML announced that it is undertaking a fully underwritten, pro rata, non-renounceable rights issue of 43.479 million shares at A$0.075 per share on the basis of 1 new share for each 7 shares held by shareholders on 10 July 2015. |
| 10 | 07 Aug 15 | 0.065 | 5,136 | AML announced that it issued 52.174 million options each expiring on 17 December 2017 and exercisable at A$0.095. |
| 11 | 29 Sep 15 | 0.055 | 5,267 | AML released documentation for shareholders to consider issue of additional new warrants to OCP to raise $4.85 million of debt. Additional 20,825,106 new warrants having exercise price of $0.935 were proposed to be issued to OCP. |
| 12 | 13 Jul 16 | 0.135 | 4,919 | AML's substantial shareholder increased its shareholding in AML to 6.76% from 5.37% held in May 2016. |
| 13 | 16 Aug 16<br>20 Sep 16 | 0.170<br>0.140 | 4,798<br>4,733 | Confirmed the continuity of a shallow high grade component of the Walford Creek Resource containing high grades of copper, zinc and cobalt estimated to be 600 meters in length. |
| 14 | 26 Oct 16 | 0.140 | 4,718 | AML announced its interest in certain assets of MMG Limited's[20] Century zinc mine. However, the structure of the transaction could not be agreed between AML and MMG as MMG's preferred structure involved taking on all |

[20] MMG is a Hong Kong based listed company and a subsidiary of China state-owned China MinMetals Corp.

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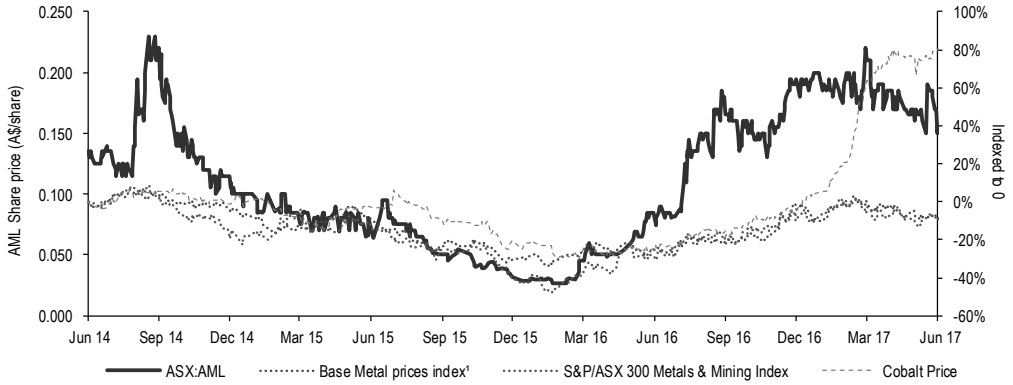
| # | Date | Closing share price (A$/share) | Spot copper price (U$/t) | Comments |
|---|---|---|---|---|
| | | | | the assets and liabilities associated with Century mine and infrastructure. |
| 15 | 22 Dec 16 | 0.195 | 5,426 | AML announced that a higher grade resource was delineated in Walford Creek Project resource called 'Vardy Zone'. The Vardy Zone is expected to contain significant copper and cobalt and lower grades of lead, zinc and silver. |
| 16 | 6 Mar 17 | 0.210 | 5,856 | A PEA for development of Vardy Zone was released which indicated that the Vardy Zone contains approximately 6.6Mt of measured, indicated and inferred resources. |
| 17 | 19 April 17 | 0.170 | 5,601 | Resulting from a Cobalt Scoping study was announced indicating high grade- large resource of Cobalt over a 15 years life of mine. |
| 18 | 8 May 17<br>9 May 17 | 0.165<br>0.165 | 5,466<br>5,496 | AML announced the Proposed Issue i.e. an agreement with OCP to delay the repayment of its $27.68 million debt by further 2 years until December 2019 as opposed to previous due date of December 2017, conditional upon issue of additional warrants to OCP.<br>Commenced drilling program focussed on extension drilling to the north-east of Vardy Zone to identify additional resources. |
| 19 | 19 May 17 | 0.190 | 5,596 | AML announced completion of three diamond holes in Walford Creek as part of its 2017 drilling program. |

*Source: AML's ASX announcements and GTCF analysis*

To further assist in our analysis and understanding of the recent AML Share price movements, we have also taken into consideration the indexed movement of AML share price to its peers and base metal prices as set out below:

**Historical AML share price comparison analysis**




*Note (1): Base Metal prices index is calculated based on the average of the prices for Copper, Zinc and Lead (the primary metals for AML's projects)*
*Source: S&P Capital IQ, AML's ASX announcements and GTCF analysis*

Specifically, we note the following in relation to the movements in the AML share price:

- Similar to other ASX listed companies operating in the mining industry, the decrease in the AML Share price until January 2016 appears to largely reflect the general downward trend in the base metal prices which had reduced investor interest and confidence in the industry. Although, cobalt is not a base metal but is derived as a by-product of Nickle, which is a base metal, cobalt prices have moved relatively in line with base metals prices until recently. Going forward, demand for cobalt is expected to be higher

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than that of other metals primarily driven by the demand from manufacturing of batteries and electric equipment and automobiles.

- Since January 2016, share price of AML has been trending upwards in line with the trend in base metal prices. In the environment where the demand for base metals is expected to increase, exploration companies can be perceived to be growth stocks. Thus, making AML considerably sensitive to the movement in the base metal prices.

  We note the following company's specific factors in addition to market based conditions:

  – In 2016, AML reported new intercepts with high grade copper and cobalt resources at the Walford Creek Project. Vardy Zone area has been identified to have measured resources.

  – In 2017, AML conducted a PEA in Walford Creek Project area that recognised an opportunity to exploit the Walford Creek Resource for cobalt roasting including a project to set up a large scale, 2.5 Mtpa open pit mine and onsite processing concentrator, roaster and acid plant to produce copper, zinc, lead and pyrite concentrates.

- Set out below the VWAP analysis of AML prior to the announcement date of the Proposed Issue:

| VWAP<br>A$ per share | Low | High | VWAP |
|---|---|---|---|
| Prior to 08 May 2017 | | | |
| 5 days | 0.164 | 0.170 | 0.166 |
| 10 days | 0.164 | 0.170 | 0.168 |
| 14 days | 0.164 | 0.170 | 0.167 |
| 1 month | 0.164 | 0.181 | 0.171 |
| 3 month | 0.164 | 0.213 | 0.186 |
| 6 month | 0.151 | 0.213 | 0.186 |

*Source: Capital IQ and Grant Thornton Corporate Finance calculations*

Based on the analysis above, we have selected trading prices between A$0.16 and A$0.19 (on a minority basis) as representative of the fair market value of the Company on a minority basis.

6.2.2 Control premium

The VWAPs set out in the tables above are based on portfolio trading and accordingly they represent the fair market value of the Company on a minority basis.

A premium for control is applicable when the acquisition of control of a company or business would give rise to benefits such as:

- The ability to realise synergistic benefits.
- Access to cash flows.
- Access to tax benefits.
- Control of the board of directors of the company.

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Evidence from studies indicates that premiums for control on successful takeovers have frequently been in the range of 20% to 40% in Australia and that the premiums vary significantly from transaction to transaction. For the purpose of our valuation assessment, we have adopted a premium for control of 30%.

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# 7 Valuation assessment of AML after approval of the Proposed Issue

Set out below is a summary of our valuation assessment of AML after approval of the Proposed Issue on a minority basis:

| AML after approval of the Proposed Issue | *Section Reference* | Low | High |
|---|---|---|---|
| Value per AML Share on a control basis before approval of the Proposed Issue (A$) | *6.1* | 0.177 | 0.263 |
| Number of AML ordinary shares ('000s) | *4.6* | 347,833 | 347,833 |
| **AML's Equity value (control basis) before the Proposed Issue (A$'000s)** | | **61,541** | **91,402** |
| Value of 2017 Warrants | *7.1* | (8,029) | (10,103) |
| **AML's Equity value (control basis) after the Proposed Issue (A$'000s)** | | **53,512** | **81,299** |
| Number of AML ordinary shares ('000s) | *4.6* | 347,833 | 347,833 |
| **Value per AML Share on a control basis (A$)** | | **0.154** | **0.234** |
| Minority discount (%) | *7.2* | 23% | 23% |
| **Value per AML Share on a minority basis (A$)** | | **0.118** | **0.180** |

*Source: Grant Thornton Corporate Finance Calculations and SRK Consulting Report*

## 7.1 Value of the 2017 Warrants

If the Proposed Issue is approved, AML will issue 85,000,000 Warrants. The value of the 2017 Warrants has been determined using the Binomial Model, and with regard to the following key assumptions:

- Underlying share price between A$0.16 and A$0.19 as assessed based on quoted securities price methodology (refer to section 6.3 for further details).
- Risk free rate of 1.74% based on the yield on 2 year Australian Government Bond as at 8 May 2017.
- Volatility of 100% based on historical 2 year share price volatility of AML.
- Expiry date of 17 December 2019.

As shown below, we have assessed the value of the 2017 Warrants to be approximately in the range of A$8.0 million to A$10.1 million.

| Fair value of the options and warrants | *Section Reference* | OCP Funds 2017 Warrants |
|---|---|---|
| Number of options / warrants | *4.6.2* | 85,000,000 |
| Expiry date | *4.6.2* | 17-Dec-19 |
| Exercise Price (A$/share) | *4.6.2* | 0.1600 |
| Underlying share price (A$/share) | *Note 1* | 0.16 to 0.19 |
| Risk free rate (%) | *Note 2* | 1.74% |
| Volatility (%) | *Note 3* | 100% |
| **Value per security - low (A$/option)** | | **0.0945** |
| **Value per security - high (A$/option)** | | **0.1189** |
| **Value - low (A$)** | | **8,028,797** |
| **Value - high (A$)** | | **10,102,846** |

*Source: Grant Thornton Corporate Finance Calculations*

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## 7.2 Minority discount

As the Proposed Issue is considered a control transaction in accordance with RG 111, we have compared our assessment of AML on a control basis before the Proposed Issue with our assessment of AML on a minority basis following the approval of the Proposed Issue. The minority discount of 23% is just the inverse of the 30% premium for control applied in our valuation assessment of AML before the Proposed Transaction.

## 7.3 Valuation assessment of AML after the Proposed Issue assuming exercise of 2015 Warrants and 2017 Warrants

Set out below is a summary of our valuation assessment of AML after approval of the Proposed Issue on a minority basis assuming that the 2015 and the 2017 Warrants are exercised immediately.

| AML after approval of the Proposed Issue (on fully diluted basis) | *Section Reference* | Low | High |
|---|---|---|---|
| Value per AML Share on a control basis before approval of the Proposed Issue (A$) | *6.3* | 0.177 | 0.263 |
| Number of AML ordinary shares ('000s) | *4.6* | 347,833 | 347,833 |
| **AML's Equity value (control basis) before the Proposed Issue (A$'000s)** | | **61,541** | **91,402** |
| Value of 2015 Warrants | | 7,932 | 9,871 |
| **AML's Equity value (control basis) before the Proposed Issue incl. 2015 Warrants value (A$'000s)** | | **69,473** | **101,273** |
| Proceeds from exercise of 2015 Warrants | | 6,825 | 6,825 |
| Proceeds from exercise of 2017 Warrants | | 13,600 | 13,600 |
| **AML's Equity value (control basis) after the Proposed Issue (A$'000s)** | | **89,898** | **121,698** |
| Number of AML ordinary shares ('000s) | *4.6* | 505,833 | 505,833 |
| **Value per AML Share on a control basis (A$)** | | **0.178** | **0.241** |
| Minority discount (%) | *7.2* | 23% | 23% |
| **Value per AML Share on a minority basis (A$)** | | **0.137** | **0.185** |

*Source: Grant Thornton Corporate Finance Calculations and SRK Consulting Report*

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# 8 Sources of information, disclaimer and consents

## 8.1 Sources of information

In preparing this report Grant Thornton Corporate Finance has used various sources of information, including:

- Notice of Meeting and Explanatory Memorandum.
- Annual reports/ consolidated accounts of AML for FY15, FY16, and HY17.
- SRK Consulting specialist technical report.
- Announcements made by AML on the ASX.
- AML's website.
- S&P Capital IQ.
- IBISWorld.
- Various broker's reports.
- Other publicly available information.
- Discussions with AML Management.

## 8.2 Qualifications and independence

Grant Thornton Corporate Finance Pty Ltd holds Australian Financial Service Licence number 247140 under the Corporations Act and its authorised representatives are qualified to provide this report.

Grant Thornton Corporate Finance provides a full range of corporate finance services and has advised on numerous takeovers, corporate valuations, acquisitions, and restructures. Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to  and all other parties involved in the Proposed Issue with reference to the ASIC Regulatory Guide 112 "Independence of expert" and APES 110 "Code of Ethics for Professional Accountants" issued by the Accounting Professional and Ethical Standard Board. We have concluded that there are no conflicts of interest with respect to AML, its shareholders and all other parties involved in Proposed Exercise.

Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with AML or its associated entities that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Exercise.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Proposed Exercise, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the Proposed Exercise. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

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## 8.3 Limitations and reliance on information

This report and opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Grant Thornton Corporate Finance has prepared this report on the basis of financial and other information provided by AML and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided by AML through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report. Nothing in this report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of AML.

This report has been prepared to assist the Directors in advising the Non-Associated Shareholders in relation to the Proposed Exercise. This report should not be used for any other purpose. In particular, it is not intended that this report should be used for any purpose other than as an expression of Grant Thornton Corporate Finance's opinion as to whether the Proposed Issue is fair and reasonable to the Non-Associated Shareholders.

AML has indemnified Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by our engagement letter, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services whether by reason of their negligence or otherwise, excepting gross negligence and wilful misconduct, and which arise from reliance on information provided by AML, which AML knew or should have known to be false and/or reliance on information, which was material information AML had in its possession and which AML knew or should have known to be material and which did not provide to Grant Thornton Corporate Finance. AML will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis as they are incurred.

## 8.4 Consents

Grant Thornton Corporate Finance consents to the issuing of this report in the form and context in which it is included in the Notice of Meeting and Explanatory Memorandum to be sent to the Non-Associated Shareholders. Neither the whole nor part of this report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and content in which it appears.

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## Appendix A – Valuation methodologies

**Capitalisation of future maintainable earnings**

The capitalisation of future maintainable earnings multiplied by appropriate earnings multiple is a suitable valuation method for businesses that are expected to trade profitably into the foreseeable future. Maintainable earnings are the assessed sustainable profits that can be derived by a company's business and excludes any abnormal or "one off" profits or losses.

This approach involves a review of the multiples at which shares in listed companies in the same industry sector trade on the share market. These multiples give an indication of the price payable by portfolio investors for the acquisition of a parcel shareholding in the company.

**Discounted future cash flows**

An analysis of the net present value of forecast cash flows or DCF is a valuation technique based on the premise that the value of the business is the present value of its future cash flows. This technique is particularly suited to a business with a finite life. In applying this method, the expected level of future cash flows are discounted by an appropriate discount rate based on the weighted average cost of capital. The cost of equity capital, being a component of the WACC, is estimated using the Capital Asset Pricing Model.

Predicting future cash flows is a complex exercise requiring assumptions as to the future direction of the company, growth rates, operating and capital expenditure and numerous other factors. An application of this method generally requires cash flow forecasts for a minimum of five years.

**Orderly realisation of assets**

The amount that would be distributed to shareholders on an orderly realisation of assets is based on the assumption that a company is liquidated with the funds realised from the sale of its assets, after payment of all liabilities, including realisation costs and taxation charges that arise, being distributed to shareholders.

**Market value of quoted securities**

Market value is the price per issued share as quoted on the ASX or other recognised securities exchange. The share market price would, prima facie, constitute the market value of the shares of a publicly traded company, although such market price usually reflects the price paid for a minority holding or small parcel of shares, and does not reflect the market value offering control to the acquirer.

**Comparable market transactions**

The comparable transactions method is the value of similar assets established through comparative transactions to which is added the realisable value of surplus assets. The comparable transactions method uses similar or comparative transactions to establish a value for the current transaction.

Comparable transactions methodology involves applying multiples extracted from the market transaction price of similar assets to the equivalent assets and earnings of the company. The risk attached to this valuation methodology is that in many cases, the relevant transactions contain features that are unique to that transaction and it is often difficult to establish sufficient detail of all the material factors that contributed to the transaction price.

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## Appendix B – Glossary

| | |
|---|---|
| $ | Australian Dollar |
| 2014 Warrants | Warrants with an exercise price of A$0.1579 per warrant and expiring on 17 June 2017 |
| 2015 Warrants | Warrants with an exercise price of A$0.0935 per warrant and expiring on 17 December 2017 |
| 2017 Warrants | Warrants with an exercise price of A$0.16 per warrant and expiring on 17 December 2019 |
| AML | Aston Metals Limited |
| APES | Accounting Professional and Ethical Standards |
| APES110 | Code of ethics for Professional Accounting |
| AML | Aeon Metals Limited |
| ASIC | Australian Securities Investment Commission |
| Aston Acquisition | AML's 100% acquisition of AML in June 2014 |
| ASX | Australian Stock Exchange |
| AWCL | Aeon Walford Creek Limited (previously known as Aston Metals (QLD) Limited) |
| BREE | Bureau of Resources and Energy Economics |
| China | People's Republic of China |
| Corporations Act | Corporations Act 2001 |
| DCF | Discounted Cash Flow |
| Directors | The Directors of AML |
| EPMs | Exploration permits for minerals |
| EU | European Union |
| EV | Enterprise Value |
| FSG | Financial Services Guide |
| FYXX | Financial year ended 30 June 20XX |
| GDP | Gross domestic product |
| Grant Thornton Corporate Finance | Grant Thornton Corporate Finance Pty Ltd |
| JORC/ JORC Code | The JORC (the "Joint Ore Reserves Committee") Code is a standard used for the public disclosure of Mineral Resource as defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore. |
| Kt | Kilo tonne |
| ML | Mining developing license |
| Mt | Million tons |
| Non-Associated Shareholders | Shareholders of AML not associated with OCP Funds |
| OCP Asia | OCP Asia (Hong Kong) Limited |
| OCP Funds | OCP Funds includes OCP Asia (Hong Kong) Limited, Centar SP3 Limited and OL Master Limited. |
| pa | Per annum |
| Proposed Exercise | Exercise of the 2014 Warrants and New Warrants by OCP Funds |
| RG | Regulatory Guide |
| RG111 | ASIC Regulatory Guide 111 "Contents of expert reports" |
| RG112 | ASIC Regulatory Guide 112 "Independence of Experts" |
| RG74 | ASIC Regulatory Guide 74 "Acquisitions agreed to by shareholders" |
| VWAP | Volume Weighted Average Price |
| WACC | Weighted Average Cost of Capital |
| Walford Creek Project | AML's flagship Walford Creek copper-cobalt-lead-zinc project |
| SRK Consulting | SRK Consulting Mining Consultants Pty |
| SRK Consulting Report | An independent geological and technical assessment and value of the mineral assets held by AML. See Appendix C. |

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## Appendix C – SRK Consulting Report

# Independent Specialist Report on the Mineral Assets of Aeon Metals Limited

**Report Prepared for**

## Aeon Metals Limited

**Report Prepared by**

SRK Consulting (Australasia) Pty Ltd

GRT003

June 2017

# Independent Specialist Report on the Mineral Assets of Aeon Metals Limited

# Aeon Metals Limited

**SRK Consulting (Australasia) Pty Ltd**

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**SRK Project Number GRT003**

**June 2017**

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Principal Consultant

**Authors:**

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# Executive Summary

SRK Consulting (Australasia) Pty Ltd (SRK) understands that Grant Thornton Corporate Finance Pty Ltd (Grant Thornton) has been engaged to prepare an Independent Experts Report (IER) to support a proposed transaction involving the mineral assets of Aeon Metals Limited (Aeon). Grant Thornton has subsequently contacted SRK to provide an Independent Specialist Report (ISR) incorporating a technical assessment and valuation relating to Aeon's mineral assets to accompany its IER.

Aeon's mineral assets consist of a regionally extensive, but dispersed, tenement holding in Queensland comprising 33 granted Exploration Permits for Minerals (EPMs), with a number of joint venture agreements held over these assets and five Mining Development Licences (MDLs) in southeast Queensland. The mineral assets considered in this report comprise:

- A 100% interest in the Walford Creek copper-lead-zinc project;
- A 60% to 100% interest in permits comprising the Gladstone copper-molybdenum project;
- Various interests in the northwest Queensland projects, comprising:
  - The Constance Range iron ore-copper-zinc project;
  - The Isa North copper project;
  - The Isa West copper-base metals-phosphate project;
  - The Isa South copper-gold project; and
- A 100% interest in the Forsayth project.

Exploration completed at Walford Creek to date has defined an Indicated and Inferred Mineral Resource reported at a 0.55% copper equivalent (CuEq) cut-off in accordance to the JORC Code (2012). The stated Mineral Resource is outlined in Table ES-1.

**Table ES-1: Walford Creek Mineral Resource at 0.55% CuEq cut-off**

| Project | Category | Tonnes (Mt) | Cu (%) | Pb (%) | Zn (%) | Ag (g/t) | Co (ppm) |
|---|---|---|---|---|---|---|---|
| Walford Creek | Indicated | 16.2 | 0.46 | 0.83 | 1.02 | 20.1 | 909 |
| | Inferred | 57.1 | 0.39 | 0.86 | 0.80 | 24.5 | 785 |
| | **Total** | **73.3** | **0.40** | **0.85** | **0.85** | **23.5** | **813** |

For further details, refer to Aeon's ASX announcement dated 6 March 2015.

Exploration completed to date at the Gladstone project has also defined Indicated and Inferred Mineral Resources in the Greater Whitewash and Ben Hur areas (Table ES-2).

**Table ES-2: Greater Whitewash and Ben Hur Mineral Resources**

| Project | Category | Tonnes (Mt) | Cu (%) | Mo (ppm) | Ag (g/t) |
|---|---|---|---|---|---|
| Whitewash | Indicated | 185 | 0.12 | 263 | 1.55 |
| | Inferred | 56 | 0.11 | 239 | 1.54 |
| Ben Hur | Inferred | 62 | 0.30 | 120 | 1.30 |

For further details, refer to Aeon's ASX announcements dated 30 May 2011 and 12 November 2013.

All other projects are at an early stage of exploration assessment.

In forming its opinion of the likely market value of Aeon's assets, SRK has used a combination of Comparable Market Transaction, Geoscientific rating and Yardstick valuation methods.

In SRK's opinion, as at 19 June 2017, the market was likely to pay between **A$66.54 M** and **A$98.34 M**, with a preferred value of **A$84.94 M**, for Aeon's interests in the mineral assets as summarised in Table ES-3.

**Table ES-3: Summary of the market value of Aeon's Queensland mineral assets**

| Project | Resource / Exploration Potential | Low (A$ M) | High (A$ M) | Preferred (A$ M) |
|---|---|---|---|---|
| Walford Creek | Mineral Resource | 55.0 | 70.0 | 65.0 |
| | Exploration Potential | 3.0 | 7.00 | 5.0 |
| Gladstone | Whitewash Mineral Resource | 5.0 | 12.0 | 8.5 |
| | Ben Hur Mineral Resource | 2.0 | 5.0 | 3.5 |
| | Exploration Potential | 0.21 | 0.83 | 0.52 |
| Constance Range | | 0.30 | 0.80 | 0.55 |
| Isa North | | 0.28 | 0.70 | 0.49 |
| Isa South | | 0.45 | 1.13 | 0.79 |
| Isa West | | 0.27 | 0.75 | 0.51 |
| Forsayth | | 0.03 | 0.13 | 0.08 |
| | **Total Market Value** | **66.54** | **98.34** | **84.94** |

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# Disclaimer

The opinions expressed in this Report have been based on the information supplied to SRK Consulting (Australasia) Pty Ltd (SRK) by Grant Thornton Corporate Finance Pty Ltd (Grant Thornton) and Aeon Metals Limited (Aeon). The opinions in this Report are provided in response to a specific request from Grant Thornton to do so. SRK has exercised all due care in reviewing the supplied information. Whilst SRK has compared key supplied data with expected values, the accuracy of the results and conclusions from the review are entirely reliant on the accuracy and completeness of the supplied data. SRK does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from commercial decisions or actions resulting from them. Opinions presented in this Report apply to the site conditions and features as they existed at the time of SRK's investigations, and those reasonably foreseeable. These opinions do not necessarily apply to conditions and features that may arise after the date of this Report, about which SRK had no prior knowledge nor had the opportunity to evaluate.

# List of Abbreviations

| | |
|---|---|
| % | percent |
| < | less than |
| > | greater than |
| A$ | Australian dollars |
| Aeon | Aeon Metals Limited |
| Ag | silver |
| AIG | Australian Institute of Geoscientists |
| AMQ | Aston Metals (Qld) |
| AQR | Aussie Q Resources Limited |
| ASP | Alternative State Provision |
| Aston | Aston Metals (Qld) Limited |
| ASX | Australian Securities Exchange |
| Au | gold |
| AusIMM | Australasian Institute of Mining and Metallurgy |
| AWC | Aeon Walford Creek Limited (formerly AMQ – Aston Metals (QLD) Limited) |
| BAC | base acquisition cost |
| BHC | base holding cost |
| CIMVAL | The Canadian 2003 Edition of the Standards and Guidelines for Valuation of Mineral Properties |
| Co | cobalt |
| Company | Aeon Metals Limited |
| CSAMT | Controlled source audi-frequency magnetotellurics |
| CSE | Copper Strike Limited |
| Cu | copper |
| CuEq | copper equivalent |
| DCF | discounted cash flow |
| DME | Department of Mines & Energy |
| DNRM | Department of Natural Resources & Mines |
| DRC | Democratic Republic of Congo |
| EM | electromagnetic |
| EPM | Exploration Permit for Minerals other than coal |
| ERE | endangered regional ecosystems |
| EV | expected values |
| FMV | fair market value |
| g | gram(s) |
| g/t | grams/tonne |
| Goody | Goody Investments Pty Ltd |
| Grant Thornton | Grant Thornton Corporate Finance Pty Ltd |
| H&S | H&S Consultants Pty Ltd |
| HQ/NQ | drill bit sizes |
| IER | Independent Expert's Report |

| | |
|---|---|
| ILUA | Indigenous Land Use Agreements |
| Iluka | Iluka Resources Limited |
| IP | induced polarisation |
| ISR | Independent Specialist Report |
| JORC Code | The 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves |
| Kennecott | Kennecott Explorations (Australia) Pty Ltd |
| km / $km^2$ | kilometre(s) / square kilometre(s) |
| lb | pound |
| LOI | Letter of Intent |
| M | million |
| m | metre(s) |
| Ma | million years |
| MDL | Mining Development License |
| MEE | Multiples of Exploration Expenditure |
| MIM | Mount Isa Mines |
| MMM | MM Mining Ltd |
| Mo | molybdenum |
| MoEq | molybdenum equivalent |
| Moz | million ounces |
| Mt | million tonnes |
| Mtpa | million tonnes per annum |
| MTR | metal transaction ratio |
| MVT | Mississippi Valley |
| NTPC | Native Title Protection Conditions |
| OCE | Department of Industry, Innovation and Science |
| OCP | OCP Asia (Hong Kong) Limited |
| oz | Troy ounce |
| Pb | lead |
| PEA | Preliminary Economic Assessment |
| ppm | parts per million |
| RC | Reverse circulation drilling |
| RTX | Rio Tinto Exploration Pty Limited |
| SAMVAL | The South African Code for the Reporting of Mineral Asset Valuation |
| SEDEX | Sedimentary exhalative |
| SLW | SLW Minerals Corporation Pty Ltd |
| SLWQ | SLW Queensland Pty Ltd |
| SRK | SRK Consulting (Australasia) Pty Ltd |
| Summit | Summit Resources (Aust) Pty Ltd |
| t | tonne(s) |
| Ti | titanium |
| US$ | United States dollar |

| | |
|---|---|
| VALMIN Code | The 2005 edition of the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports |
| W | tungsten |
| WCPL | Walford Consolidated Pty Ltd |
| WMC | Western Mining Corporation |
| Zn | zinc |

# 1 Introduction and Scope of Report

SRK Consulting (Australasia) Pty Ltd (SRK) understands that Grant Thornton Corporate Finance Pty Ltd (Grant Thornton) has been engaged to prepare an Independent Experts Report (IER) to support a proposed transaction involving the mineral assets of Aeon Metals Limited (Aeon). Grant Thornton has subsequently contacted SRK to provide an Independent Specialist Report (ISR) incorporating a technical assessment and valuation relating to Aeon's mineral assets to accompany its IER.

Aeon's mineral assets comprise a regionally extensive, but disparate, tenement holding in Queensland, namely:

- The Walford Creek base metals project;
- The Constance Range base metals project;
- Forsayth gold/ base metals/ molybdenum project;
- The Isa North, Isa South and Isa West base metals projects; and
- The Southeast Queensland regional projects.

Technical details relating to these mineral assets are discussed elsewhere in this Report.

SRK has prepared this Report under the guidelines of the JORC and VALMIN Codes. The VALMIN Code (2015) incorporates the JORC Code (2012) for the reporting of Exploration Results, Mineral Resources and Ore Reserves.

As defined in the VALMIN Code (2015), mineral assets comprise all property including (but not limited to) tangible property, intellectual property, mining and exploration Tenure and other rights held or acquired in connection with the exploration, development of and production from those Tenures. This may include the plant, equipment and infrastructure owned or acquired for the development, extraction and processing of Minerals in connection with that Tenure.

For this valuation, all projects were classified according to the development stage categories (VALMIN Code (2015):

- **Early Stage Exploration Projects –** Tenure holdings where mineralisation may or may not have been identified, but where Mineral Resources have not been identified.
- **Advanced Exploration Projects –** Tenure holdings where considerable exploration has been undertaken and specific targets have been identified that warrant further detailed evaluation, usually by drill testing, trenching or some other form of detailed geological sampling. A Mineral Resource estimate may or may not have been made, but sufficient work will have been undertaken on at least one prospect to provide both a good understanding of the type of mineralisation present and encouragement that further work will elevate one or more of the prospects to the Mineral Resources category.
- **Pre-Development Projects –** Tenure holdings where Mineral Resources have been identified and their extent estimated (possibly incompletely) but where a decision to proceed with development has not been made. Properties at the early assessment stage, properties for which a decision has been made not to proceed with development, properties on care and maintenance and properties held on retention titles are included in this category if Mineral Resources have been identified, even if no further work is being undertaken.
- **Development Projects** – Tenure holdings for which a decision has been made to proceed with construction or production or both, but which are not yet commissioned or operating at design levels. Economic viability of Development Projects will be proven by at least a Pre-Feasibility Study.

- **Production Projects** – Tenure holdings - particularly mines, wellfields and processing plants that have been commissioned and are in production.

The valuation is current as at 19 June 2017 and the monetary amounts are expressed in Australian dollars (A$) as specified throughout the Report. The final valuation is expressed in A$ terms.

# 2 Background and Brief

## 2.1 Background

Aussie Q Resources Limited (AQR) was incorporated on 22 September 2006 to acquire the rights to a number of prospective copper/ molybdenum tenements in the Rawbelle district near the town of Monto in central Queensland. AQR was listed on the Australian Securities Exchange (ASX) on 14 June 2007, raising A$12 M.

The principal project at Rawbelle was the Greater Whitewash Project. In addition, AQR held 16 satellite prospects, with four of these joint ventured with SLW Queensland Pty Ltd (SLWQ).

In May 2012, AQR raised A$700,000 through a placement of shares to further exploration and project development over its tenement holdings. In August 2012, AQR changed its name to Aeon Metals Limited and subsequently entered into a transaction with SLWQ and SLW Minerals Corporation Pty Ltd (SLW), as well as raising a further A$675,000 in cash.

In April 2014, Aeon agreed to acquire a 100% interest in Aston Metals (Qld) Ltd (Aston) from its Receivers and Managers and the acquisition was completed in June 2014. Aston held an extensive exploration tenement portfolio in the Mount Isa and Constance Ranges areas of northwest Queensland. As consideration, Aeon issued some 48 M shares, approximately 63 M warrants each exercisable at 15.81 cents and A$20 M of limited recourse, three-year 12% notes. Aeon also placed additional shares with other investors to raise A$8 M, principally to advance exploration at Aston's Walford Creek Project.

In May 2017, Aeon engaged Grant Thornton to prepare an IER in relation to the issue of the Warrants announced on the ASX on 8 May 2017. Grant Thornton engaged SRK on 17 May 2017 to provide an ISR incorporating a technical assessment and valuation relating to Aeon's mineral assets to accompany its IER.

The location of Aeon's Queensland tenement holdings is shown in Figure 2.1.

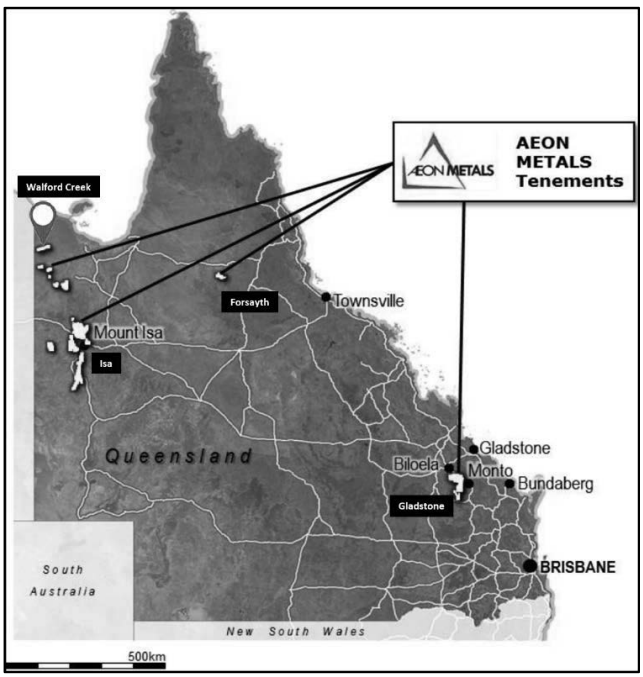



**Figure 2-1: Location of Aeon's tenements**

Source: Aeon Metals Limited company presentation June 2017.

# 3 Program Objectives and Work Program

## 3.1 Program Objectives

This report and associated valuation has been prepared by SRK under instructions from Grant Thornton. It complies with the technical property information required under various securities laws of Australia.

As per the VALMIN Code (2015), a first draft of the Report was supplied to Grant Thornton and Aeon to check for material error, factual accuracy and omissions before the Final Report was issued. SRK's scope of work was limited to the second draft of the Report after a round of edits by Grant Thornton and Aeon. The Final Report was issued following review of any client comments by the project team.

SRK has selected the most appropriate valuation technique for the assets, based on the development stage of the projects and the amount of available information. This Report expresses an opinion regarding the value of the mineral assets held by Aeon as directed in SRK's mandate from Grant Thornton. This Report does not comment on the 'fairness and reasonableness' of any transaction between the project's owners and any other parties.

## 3.2 Reporting Standard

This Report has been prepared to the standard of, and is considered by SRK to be a Technical Assessment and Valuation Report under the guidelines of the VALMIN Code (2015). It should be noted that the authors of this Report are Members of either the Australasian Institute of Mining and Metallurgy (AusIMM) or the Australian Institute of Geoscientists (AIG) and, as such, are bound by both the VALMIN and JORC Codes. For the avoidance of doubt, this report has been prepared according to:

- the 2015 edition of the Australasian Code for the Public Reporting of Technical Assessments and Valuations of Mineral Assets ("VALMIN Code"); and
- the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code").

Where SRK has relied on Mineral Resource or Ore Reserve estimates for its valuation, SRK has quoted the Competent Person for these estimates as reported in publicly available documentation.

For the purposes of this report, value is defined as 'market value' being the amount of money (or the cash equivalent of some other consideration) for which a mineral asset should change hands on the date of Valuation between a willing buyer and a willing seller in an arm's length transaction after appropriate marketing wherein the parties each acted knowledgeably, prudently and without compulsion.

## 3.3 Work Program

This valuation assignment commenced in mid-May 2017, with a review of existing remote electronic company data and other information sourced by SRK from literature and company websites as well as using subscription databases, such as SNL Financial database services. Activities conducted as part of SRK's work program included:

- Review of relevant documentation;
- Review of the Mineral Resource estimates and their compliance with JORC Code (2012) and appropriateness for valuation purposes;
- An assessment of the pre-development projects and exploration assets, including an outline of the basis for this value; and
- A Report detailing the results of the above tasks.

SRK notes that the VALMIN Code (2015) recommends that a site inspection be completed should it be '*likely to reveal information or data that is material to the report'*. A site visit was not undertaken for the purposes of this Report. Given the current pre-development status of Aeon's assets and the level of infrastructure in place, there was little perceived benefit in undertaking a site visit.

SRK carried out the following work program:

- Review awarded - 17 May 2017;
- Submission of first draft - 7 June 2017;
- Submission of final draft - 14 June 2017; and
- Submission of Final Report - 22 June 2017.

### 3.3.1 Legal matters

SRK has not been engaged to comment on any legal matters.

SRK notes that it is not qualified to make legal representations in regard to the ownership and legal standing of the mineral tenements that are the subject of this valuation. SRK has not attempted to confirm the legal status of the tenements with respect to joint venture agreements, local heritage or potential environmental or land access restrictions.

SRK has sighted documentation supplied by relevant Government Agencies or prepared for previous exercises (i.e. various technical reports) that indicate that Aeon has legal rights to the minerals, which are the subject of this report. SRK has relied on the accuracy and completeness of the technical documentation supplied to it by Aeon. SRK has made all reasonable enquiries.

## 3.4 Key Sources of Data

Data and information on the assets used to prepare this report are referenced throughout the Report.

## 3.5 Effective Date

The effective date of this Report and the associated valuation is 19 June 2017.

## 3.6 Project Team

This report has been prepared based on a technical review by a team of consultants sourced from SRK's offices in Australia. Details of the qualifications and experience of the consultants who have carried out the work in this Report, who have extensive experience in the mining industry and are members in good standing of appropriate professional institutions, are set out below.

- Jeames McKibben, Principal Consultant (Project Evaluation), BSc(Hons), MBA, MAusIMM(CP), MAIG, MRICS – Project management and internal peer review;
- Bryce Healy, Principal Consultant (Geology), PhD, BSc(Hons), MAusIMM – Geology, Mineral Resources and Valuation;
- Anthony Stepcich, Principal Consultant (Mining/Project Evaluation) MSc, BEng, GDip, Dip, FAusIMM(CP) – Mine Engineering and Valuation; and
- Simon Walsh, Associate, BEc, BAppSci (Extractive Metallurgy), MAusIMM – Metallurgy, Processing.

## 3.7 Limitations, Reliance on Information, Declaration and Consent

### 3.7.1 Limitations

SRK's opinion contained herein is based on information provided to SRK by Aeon and Grant Thornton throughout the course of SRK's investigations as described in this Report, which in turn reflect various technical and economic conditions at the time of writing. Such technical information as provided by Aeon and Grant Thornton was taken in good faith by SRK. SRK has reviewed the stated resources but not independently verified Mineral Resources estimates by means of recalculation.

This report includes technical information, which requires subsequent calculations to derive subtotals, totals, averages and weighted averages. Such calculations may involve a degree of rounding and consequently introduce an error. Where such errors occur, SRK does not consider them to be material.

As far as SRK has been able to ascertain, the information provided by Aeon and Grant Thornton was complete and not incorrect, misleading or irrelevant in any material aspect. SRK has no reason to believe that any material facts have been withheld.

### 3.7.2 Statement of SRK independence

Neither SRK nor any of the authors of this report have any material present or contingent interest in the outcome of this Report, nor do they have any pecuniary or other interest that could be reasonably regarded as being capable of affecting their independence or that of SRK.

SRK and the authors of this Report have a prior association with Aeon in regard to the Mineral Resource estimates for the Whitewash and Ben Hur assets that are the subject of this Report. In addition, whilst an employee of Xstract, Mr McKibben, was previously involved in valuations of the mineral assets as discussed in this Report. However, SRK has no beneficial interest in the outcome of this technical assessment and valuation being capable of affecting its independence.

### 3.7.3 Indemnities

The VALMIN Code requires that a Practitioner (in this case, SRK) receives an indemnity under which it will be compensated for any liability and/or any additional work or expenditure resulting from any additional work required:

- which results from SRK's reliance on information provided by either Aeon or Grant Thornton or these parties not providing material information; or
- which relates to any consequential extension workload through queries, questions or public hearings arising from this Report.

### 3.7.4 Consent

SRK consents to this report being included, in full, in Grant Thornton's IER in the form and context in which the technical assessment is provided, and not for any other purpose. SRK provides this consent on the basis that the technical assessments expressed in the Summary and in the individual sections of this Report are considered with, and not independently of, the information set out in the complete Report.

### 3.7.5 Consulting Fees

SRK's estimated fee for completing this report is based on its normal professional daily rates plus reimbursement of incidental expenses. The fees are agreed based on the complexity of the assignment, SRK's knowledge of the assets and availability of data. The fee payable to SRK for this engagement is estimated at approximately A$21,000. The payment of this professional fee is not contingent upon the outcome of the Report.

# 4 Walford Creek Project

Following Aeon's acquisition of Aston in April 2014, Aeon now holds interests in a regionally extensive tenement package in northwest Queensland. The most advanced of these is the Walford Creek project where recent exploration has delineated a JORC Code (2012) compliant Indicated and Inferred Resource (Figure 4-1).

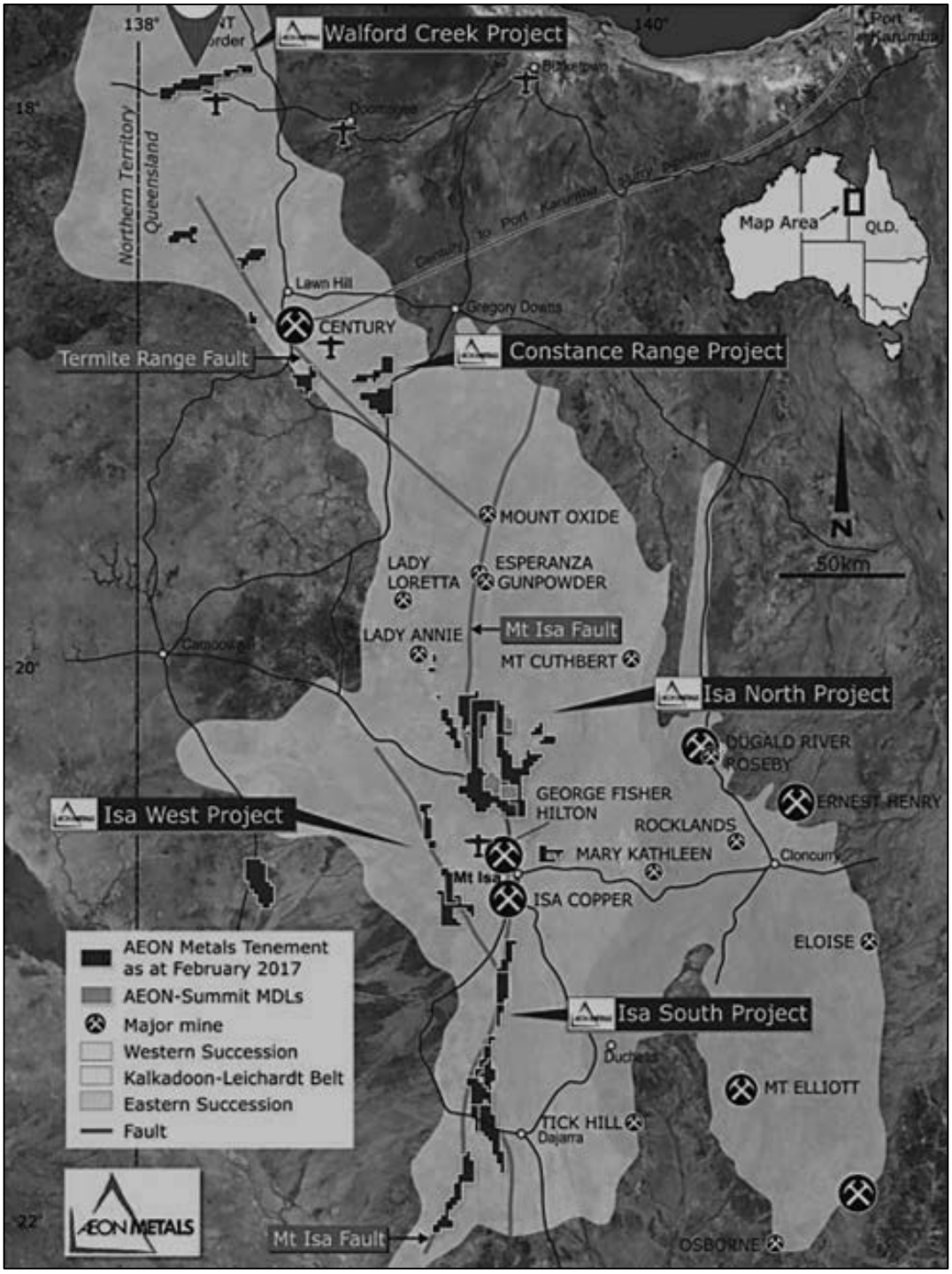



**Figure 4-1: Location of Aeon's northwest Queensland Projects**

Source: Aeon Metals Limited Company Presentation (dated 15 March 2017).

## 4.1 Location, Access and Infrastructure

Aeon's Walford Creek Project is located approximately 350 km northwest of Mount Isa in northwest Queensland, close to the Northern Territory border. The closest town is Doomadgee, approximately 70 km to the east, which is accessed by unsealed road. Doomadgee has an airstrip that connects the project site to other major centres within Queensland. Burketown lies 135 km directly to the east and is accessible by road.

## 4.2 Ownership, Status and Agreements

Through its wholly owned subsidiary company Aeon Walford Creek Limited, Aeon owns a 100% interest in three granted Exploration Permits for Minerals (EPMs) covering a total area of 172.9 km$^2$ at Walford Creek, as summarised in Table 4-1.

**Table 4-1: Details for the Walford Creek (WC) Exploration Permits for Minerals**

| Tenement | Status | Granted | Expiry | Sub Blocks | Area (km$^2$) |
|---|---|---|---|---|---|
| EPM18552 | Granted | 30/11/2012 | 29/11/2017 | 7 | 22.41 |
| EPM14854 | Granted | 22/11/2005 | 21/11/2020 | 6 | 19.21 |
| EPM14220 | Granted | 08/03/2004 | 07/03/2022 | 41 | 131.28 |

Source: Aeon Annual Report 2016.

## 4.3 History

Exploration of the Walford Creek area commenced in the early 1960s; however, it was not until the mid-1980s that any concerted activities were completed.

The first detailed exploration of the area was in 1984 to 1987, when Western Mining Corporation (WMC) completed soil sampling, ground magnetic and electromagnetic (EM) geophysical surveying and then tested co-incident soil/ EM anomalies with nine drill holes. Massive pyrite lenses were intersected at shallow depths over a 3.3 km strike length.

In 1989, WMC carried out further exploration resulting in the discovery of higher grade zinc-lead-silver intersections mainly within the pyrite lenses. Activities conducted by WMC between 1989 and 1996 included airborne EM/ magnetic, gravity and SIROTEM geophysical surveying, rock chip and soil geochemical sampling and 16.1 km of drilling. Drilling consisted of 51 diamond core and 42 percussion holes on lines at 400 m and 800 m intervals. The drilling encountered several ore-grade zinc-lead intersections, but suggested little potential for a coherent economic resource.

In 1995/96, MIM Exploration entered into a farm-in agreement with WMC and subsequently conducted controlled source audi-frequency magnetotellurics (CSAMT), EM and induced polarisation (IP) geophysical surveys over nine conceptual targets outside of the area drilled by WMC. No drilling was completed by MIM.

In November 2004, Copper Strike Limited acquired the project from Teck Cominco Australia (Pty) Ltd and developed a modified geological model for the mineralisation. A total of 30 reverse circulation (RC) holes were drilled at the main Walford Creek prospect. Several Pb, Zn, Cu, Ag and Co intersections were encountered. A resource estimate was prepared based on WMC and Copper Strike drill data.

In February 2006, Copper Strike reported an Inferred Resource at Walford Creek following the completion of 30 RC holes (including four short diamond drill holes). The resource was defined using a copper equivalent (CuEq) cut-off grade based on converting the Pb, Zn, Ag and Co values into CuEq grades using the metal prices as at February 2006. A total of 23 WMC drill holes, as well as the holes

drilled by Copper Strike, were used to define the 2006 Walford Creek resource. The resource is now superseded, but was based on a cut-off of 1.0% CuEq and a minimum width of 4 m. The resource was spread across four separate bodies, lying end-to-end along or adjacent to the Fish River Fault occurring over a 3 km strike length and at a depth of 20 - 180 m below surface.

In 2010, Copper Strike entered into a farm-in and joint venture agreement with Aston, which provided Aston with the ability to earn up to a 70% interest in the Walford Creek permits by incurring exploration expenditure of A$4 M. Prior to completion of the joint venture agreement, Copper Strike sold the entire project to Aston for A$2.5 M in May 2011.

Between 2010 and 2012, Aston conducted an extensive drilling program comprising 82 diamond drill holes and 5 RC holes, for a total of 15,000 m. This augmented drilling by previous owners and was used to update the previous Mineral Resource estimate. The previous Mineral Resource estimate was prepared by independent consultants, Hellman & Schofield Pty Ltd (H&S), in March 2013. This estimate has now been superseded by a Mineral Resource updated completed by H&S in March 2015, as reported in Section 4.6. Further drilling in 2016 has not been incorporated into an updated global resource estimate at this stage.

Table 4-2 provides details of previous drilling campaigns over the Walford Creek area, with a total of 217 exploration drill holes for 34,504 m completed between 1961 and 2012.

**Table 4-2: Exploration drilling history**

| Company | Years | Drilling work Completed |
|---|---|---|
| MIM | 1961 - 1969 | 3 diamond drill holes |
| Esso | 1979 - 1980 | 1 diamond drill hole |
| ELF | 1983 | 2 diamond tailed holes |
| WMC | 1985 - 1987 | 9 drill holes |
| CRAE | 1987 - 1988 | 2 drill holes |
| PASMINCO | 1992 - 1993 | 62 drill holes |
| WMC | 1989 - 1996 | 51 diamond and 42 percussion holes |
| Copper Strike | 2004 - 2006 | 30 RC holes |
| Aston (formerly MM Mining) | 2010 - 2012 | 87 diamond and 5 RC holes |

Source: Draft Pre-feasibility Report, Minarco MinConsult.

The Walford Creek Project was acquired by Aeon from Aston's Managers and Receivers in April 2014. Details of the work conducted by Aeon since acquisition is summarised in Section 4.5 (Exploration).

## 4.4 Geology

### 4.4.1 Regional setting

The Walford Creek Project lies at the northern margin of the Lawn Hill Platform of the Mount Isa Inlier adjacent to the Murphy Tectonic Ridge, a major east-west trending basement inlier which separates the Mount Isa Inlier from the McArthur Basin to the northwest (Figure 4-1).

Within the immediate area, the Murphy Metamorphics are overlain by units of the Wire Creek Sandstone and Peters Creek Volcanics. These comprise a belt of basic, intermediate and acid lavas, pyroclastic and sedimentary rocks up to 10 km wide. The Peters Creek Volcanics are unconformably overlain by the mid-Proterozoic Fickling Group, akin to the Mount Isa Group, consisting of the basal Fish River Sandstone and the overlying Walford Dolomite, Mount Les Siltstone and Doomadgee Formation.

The project area covers several stratabound and vein-style base metals prospects in Fickling Group sediments, the most significant of which is the Walford Creek zinc-lead-copper-silver deposit.

Mineralisation at Walford Creek is hosted by the metamorphosed Proterozoic Mount Les Siltstone unit of the Fickling Group on the downthrown side of the east-west trending Fish River Fault Zone. This fault zone has a net vertical displacement of some 500 m and is interpreted to have been active during deposition of the host sediments.

The host Mount Les Siltstone typically comprises a clastic-carbonate sequence of thinly bedded carbonaceous, pyritic and dolomitic shales with subordinate dolomitic sandstone units. Within the area of the deposit, the sequence contains thick accumulations of dolomite breccia (Talus Breccia Member), three massive pyrite lenses, which are up to 40 m thick, and localised developments of solution-collapse breccia.

The Talus Breccia Member is a submarine mass flow breccia, which was deposited through periodic movement on the Fish River Fault. Adjacent to the fault, the Talus Breccia Member occurs as a thick discordant wedge of clast-supported dolomite breccia. To the south, it splits into separate concordant horizons of matrix-supported, submarine, debris-flow dolomite breccias, which interfinger with the more typical argillaceous units of the Mount Les Siltstone.

The pyrite lenses, which are hosted wholly within black carbonaceous shale units of the Mount Les Siltstone, comprise massive to laminated pyrite with soft sediment deformational features, which indicate a syn-sedimentary origin.

The irregular discordant solution collapse breccia bodies lie adjacent to the Fish River Fault Zone over a vertical interval of around 300 m.

### 4.4.2 Deposit Type

The Walford Creek mineralisation shows affinities to both early sedimentary exhalative (SEDEX) and late Mississippi Valley type (MVT) mineralisation styles, being structurally controlled by the regionally significant Fish River Fault system. This results in a variety of stratiform, stratabound and discordant styles. The wide diversity of mineralisation styles reflects multiple events in a long-lived re-activated structural setting.

Mineralisation is interpreted to comprise an earlier diagenetic zinc/ lead phase, which is restricted to the pyrite lenses, and later overprinting, epigenetic zinc-lead-copper mineralisation, which occurs within the pyrite lenses and various breccias. Four temporally separate stages of mineralisation are recognised at Walford Creek.

### 4.4.3 Mineralisation

Mineralisation in the Walford Creek area generally abuts the steeply dipping, east-west to east-northeast trending Fish River Fault Zone.

The current Mineral Resource has been defined along a 5 km strike length of the Fish River Fault Zone, which extends over a distance of 25 km within the Walford Creek tenements. The mineralisation is largely structurally controlled, and thus, there is further potential for extensions to the defined Mineral Resource area along the strike-length of the fault.

Figure 4-2 summarises the stratigraphy at Walford Creek and details the location of the presently defined mineralisation along the Fish River Fault.

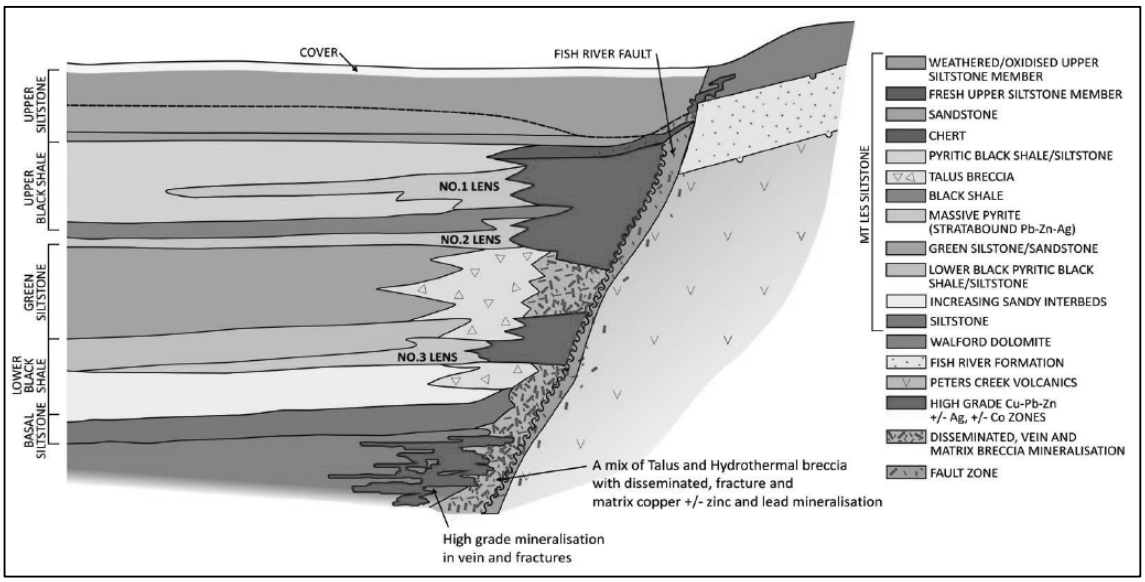



**Figure 4-2: Conceptual cross section of the mineralisation at Walford Creek**

Source: Aeon Metals Limited.

## 4.5 Exploration

Aeon's near-term exploration strategy at Walford Creek is designed to gain further confidence in the mining and metallurgical parameters to support feasibility studies initiated by 2017, with a focus on initial development of a small shallow part of the resource base known as the 'Vardy Zone'. As part of this strategy, additional drilling will look to expand the resource base which will feed into subsequent mining studies.

Exploration at Walford Creek is currently in the definition phase, which includes further resource delineation drilling, as well as further refinement of metallurgical and mining parameters ultimately in support of a feasibility study.

In summary, work to date includes:

- In June 2014, Aeon commenced RC and diamond drilling along the Fish River Fault Zone to test for strike and depth extensions to the currently defined Mineral Resource at Walford Creek. To date, Aeon has completed a 6,021 m drilling campaign, which intersected a number of broad zones of moderate to high-grade polymetallic mineralisation. Details of these holes and associated significant intersections are set out in Aeon's Company announcement to the ASX dated 10 October 2014.
- In September 2014, Aeon commenced a metallurgical testwork program based on three lithological composite core samples collected during the 2012 drilling program. These tests suggest a multi-component progressing circuit is required to treat the ores. Core samples from the 2014 were selected for compositing, with a multi-stage flotation separation program commencing in January 2015.
- In December 2014, Aeon commissioned H&S to update the existing Mineral Resource estimate to incorporate the results of the 2014 drill program. The results of the Mineral Resource update were reported to the ASX on 6 March 2015.
- In the 2016 drilling, Aeon commenced further drill testing focused on the eastern portion of the Walford Global Resource, now referred to as the Vardy Zone. An updated Mineral Resource estimate for the Vardy Zone was reported to the ASX on 22 December 2016.

- In February 2017, Aeon announced the results of a Preliminary Economic Assessment (PEA) for the development of the high-grade Vardy Zone within the broader Walford Creek Resource. This was followed in April 2017 by a preliminary Scoping Study addressing "Cobalt Roasting" of the Global Resource.
- On 9 May 2017, Aeon reported to the ASX that it had commenced an extensive drilling program initially focused on extension drilling to the east-northeast of the Vardy Resource to identify additional resources to supplement the resource and development potential. Preliminary exploration results of that drilling program were reported to the ASX on 19 May 2017.
- In two ASX announcements, dated 5 and 13 June 2017, Aeon announced the assay results from the first four drill holes from the 2017 Walford Creek drill program. These holes lied outside of the Vardy Zone resource area to the northeast and intersected wide zones of strong cobalt, copper and zinc mineralisation at shallow downhole depths (<60 m below surface) in association with the PY1 lens and the eastward extension of the Vardy Zone. Based on this drilling, Aeon expects a material increase to the currently stated resource tonnages at the Vardy Zone will be announced in the near future. Further details of the recent drilling and associated assay results are outlined in the Company's June 2017 ASX announcements.

### 4.5.1 Mineral Resource

As presented in Table 4-3, the 2015 Walford Creek Resource was estimated at a 0.55% CuEq cut-off, with the cut-off based on US$5,535/t Cu, US$1,839/t Pb, US$2,123/t Zn, US$16.50/oz Ag and US$29,000/t Co. Assumed recovery was 90% for Cu, 75% for Pb, Zn, Ag and Co.

**Table 4-3: Walford Creek 2015 Mineral Resource and contained metal**

| Category | Tonnes (Mt) | Cu (%) | Pb (%) | Zn (%) | Ag (g/t) | Co (ppm) |
|---|---|---|---|---|---|---|
| Indicated | 16.2 | 0.46 | 0.83 | 1.02 | 20.1 | 909 |
| Inferred | 57.1 | 0.39 | 0.86 | 0.80 | 24.5 | 785 |
| **Total** | **73.3** | **0.40** | **0.85** | **0.85** | **23.5** | **813** |

(Minor rounding errors)

| Category | Cu (kt) | Pb (kt) | Zn (kt) | Ag (Moz) | Co (kt) |
|---|---|---|---|---|---|
| Indicated | 75 | 135 | 166 | 10.5 | 14.8 |
| Inferred | 221 | 491 | 457 | 44.9 | 44.8 |
| **Total** | **296** | **626** | **623** | **55.4** | **59.6** |

Source: H&S Consultants.

Cu Equivalent = (0.9*Cu%) + (0.24*Pb%) + (Zn*0.22%) + (0.012*Ag ppm) + 0.000237*Co ppm).

The information above that relates to Mineral Resources and Exploration Targets is based on information compiled by Mr Simon Tear, who is a member of the AusIMM. Refer to Aeon's ASX announcement dated 6 March 2015 for a detailed Competent Person's Statement.

The Mineral Resource estimate was prepared by H&S to update a previous block model for reporting the Walford Creek Mineral Resource in March 2013. Using the same methodology as the previous estimate, the results showed a 52% increase in the size of the Indicated and Inferred Resources, including a 13.5% increase in the Indicated Resources (H&S, 2015). Much of the increased resource resulted from drilling the third pyrite lens (PY3), which enabled conversion of the majority of the 2013 Exploration Target into the Inferred Resource category.

A high-level summary of the resource model development and estimation parameters to construct the Walford Creek 2015 Mineral Resource is provided in Table 4-4.

**Table 4-4: Summary of resource model development and estimation parameters for Walford Creek**

| Mineral Resource | Description |
|---|---|
| Geological interpretation | Mineralisation styles vary with host rock and stratigraphic position; however, sulphide mineralisation is dominant in the primary base metals mineralisation which occurs in relatively flat-lying stratigraphic units. Four primary mineralised domains (namely the Chert Unit, the PY1 Unit, the Dolomite Unit and the PY3 Unit) have been defined using a nominal 0.1% Cu/ CuEq cut-off and geological evidence. Wireframe extrapolation is 50 m beyond the last drill hole; downdip termination of wireframes is due to lack of drilling rather than any geological termination whereas the Fish River Fault terminates any up-dip mineralisation. Lateral strike terminations are due to a lack of drilling. |
| Sample data | A total of 235 holes for 40,525 m were used in the delineation of the geology and the resource model. Drilling included HQ/NQ core and RC drilling at spacings of 30 - 80 m on 50 - 100 m spaced sections. The samples were reduced to 6,681 x 1 m composites for grade estimation within the four primary mineralised units. |
| Type of model for reporting | Block model developed from sectional geological and grade interpretations. |
| Block size | 20 m (east) by 15 m (north) by 5 m (elevation). |
| Estimation type | Ordinary Kriging with no upper grade cut-off applied. |
| Search ranges | 60 m by 60 m by 15 m with at least 12 samples (to inform Indicated Resources).<br>120 m by 120 m by 30 m to 180 m by 180 m by 45 m with at least six samples (to inform Inferred Resources). |
| Variography | Variogram quality described as poor to modest in all zones, mainly due to a lack of drilling in combination with the disseminated nature of the mineralisation. |
| Bulk density | Density was determined by water immersion from 4,998 samples, combined into 2,133 x 1 m composite data within the resource model. This density data was estimated into the block model using inverse distance squared to define the Bulk Density. |
| Grade estimation parameters and Classification | Grades were estimated for copper, lead, zinc, silver and cobalt, and combined as a copper equivalent for resource reporting, including recovery assumptions.<br>Mineral Resources have been classified on the search pass category together with an assessment of other factors such as drill hole spacing, sample quality, density measurements, and the geological model. |
| Audits | No external audits or reviews have been reported. |

In SRK's opinion, the Walford Creek Mineral Resource estimation methodology is consistent with internationally acceptable practices for similar styles of deposits and is appropriate for valuation purposes.

SRK notes that as part of the 2014 drilling campaign, Aeon completed two exploration holes to the some 1 - 2 km west and along strike of the Walford Creek Resource. This drilling encountered the same mineralised stratigraphic zones and generated additional exploration potential west of the current resource (Figure 4-3).

The 2016 drilling, which was focused on the eastern portion of the Walford Global Resource, now referred to as the Vardy Zone, identified high value shallow mineralisation. This highlighted the opportunity of other high grade near surface copper/ cobalt mineralisation immediately adjacent to the Fish River Fault along strike.

Based on the initial results of Aeon's May 2017 drill program, the Vardy Zone appears to be able to be extended eastwards for approximately 500 m.

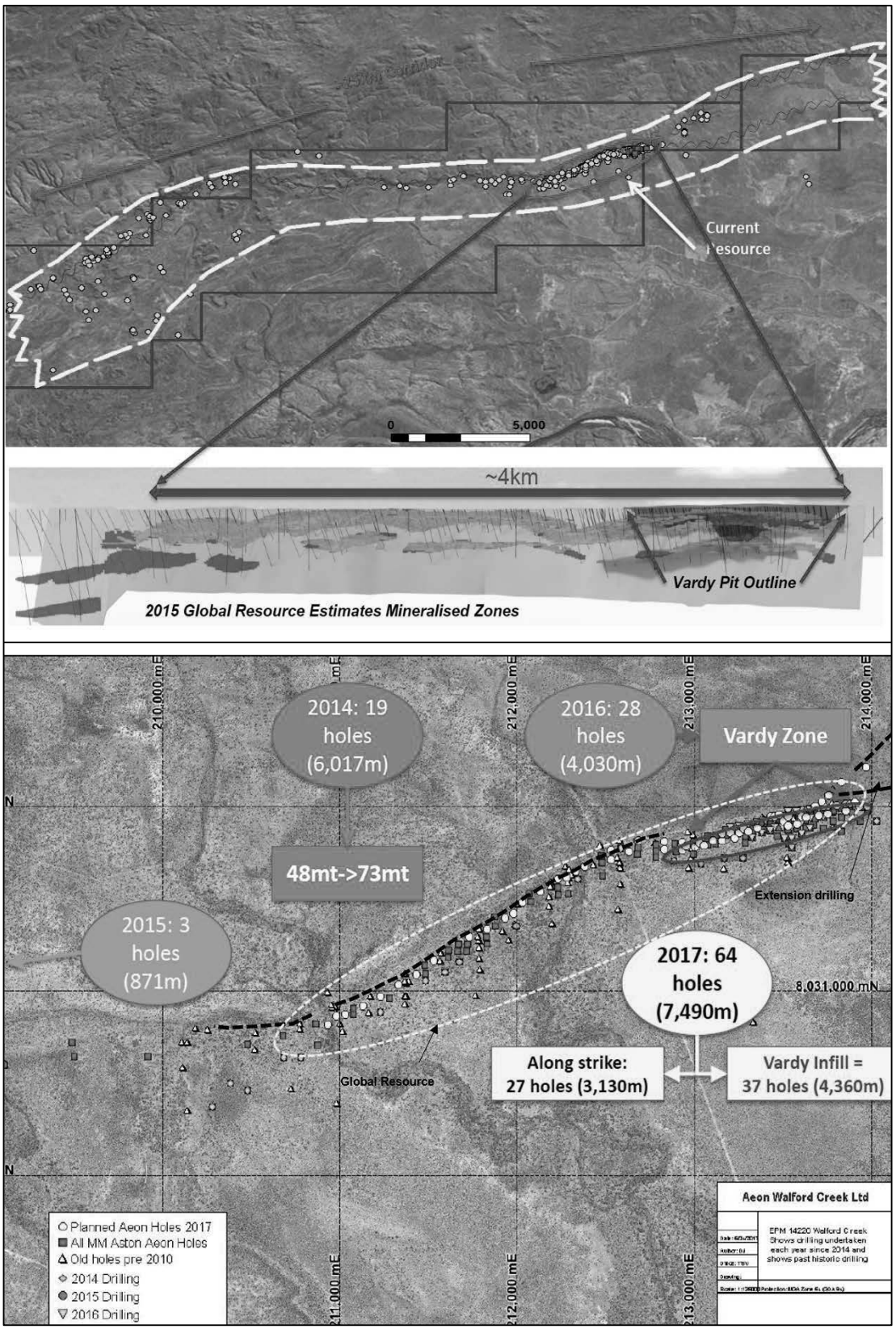



**Figure 4-3: Exploration and potential areas along strike of the defined Walford Creek resource area**

## 4.6 Preliminary Economic Assessment – Vardy Zone

In February 2017, Aeon announced the results of a PEA for the development of the high-grade Vardy Zone within the broader Walford Creek resource. The Vardy resource (Table 4-5) represents approximately 9% of the currently estimated Walford Creek Global Resource and an estimate was separately prepared by a Competent Person in accordance with the JORC Code (2012) and declared on 22 December 2016. This estimate has been used as the basis of the production target outlined in the PEA, which includes open pit mining studies (RungePincockMinarco), process plant studies (AMEC Foster Wheeler) and infrastructure, utility supplies and logistics.

In line with the study objectives, the PEA outlines capital and operating costs for a number of project production scenarios, including the production of copper, lead and zinc concentrates, and additionally preliminary assessments on the potential to extract cobalt, silver and pyrite concentrates. The PEA is based on low-level technical and economic assessments, and is insufficient to support the estimation of Ore Reserves or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the scoping study will be realised.

On the basis of the PEA outcomes, Aeon decided to progress to feasibility studies on the Vardy Zone and a drilling campaign was commenced, incorporating a Vardy Zone in-fill drilling program, as well as the near-surface, along-strike Vardy Zone extension drilling, with a focus on scaling up the project.

An upgraded Mineral Resource estimate is required to finalise the preferred development scenario.

**Table 4-5: Vardy Zone Mineral Resource and contained metal**

| Category | Tonnes (Mt) | Cu (%) | Pb (%) | Zn (%) | Ag (g/t) | Co (%) |
|---|---|---|---|---|---|---|
| Measured | 1.0 | 1.14 | 0.84 | 0.83 | 25.9 | 0.17 |
| Indicated | 2.2 | 1.26 | 0.80 | 0.93 | 26.4 | 0.18 |
| Inferred | 3.4 | 1.28 | 0.68 | 0.63 | 25.0 | 0.15 |
| **Total** | **6.6** | **1.25** | **0.74** | **0.76** | **25.6** | **0.16** |

(Minor rounding errors)

| Category | Cu (kt) | Pb (kt) | Zn (kt) | Ag (Moz) | Co (kt) |
|---|---|---|---|---|---|
| Measured | 11 | 8 | 8 | 0.8 | 1.6 |
| Indicated | 28 | 18 | 21 | 1.9 | 4.0 |
| Inferred | 43 | 23 | 21 | 2.7 | 5.2 |
| **Total** | **82** | **49** | **50** | **5.4** | **10.8** |

Source: ASX Announcement 22 December 2016.

Cu Equivalent = (0.9*Cu%) + (0.24*Pb%) + (Zn*0.22%) + (0.012*Ag ppm) + 0.000237*Co ppm).

The information above that relates to Mineral Resources is based on information compiled by Mr Simon Tear, who is a member of the AusIMM. Refer to Aeon's ASX announcement dated 6 March 2017 for a detailed Competent Person's Statement.

## 4.7 Cobalt Roasting Study

In April 2017, results from the PEA outlined an option addressing "Cobalt Roasting" of the Global Resource which considered a large-scale, 2.5 Mtpa open pit mine and onsite processing utilising a concentrator, roaster and acid plant to produce copper, zinc, and lead concentrates, with payable silver as well as cobalt metal and sulphuric acid over a 15-year mine life.

The PEA developed a mine plan which produced a positive net present value (NPV). SRK has reviewed this mine plan and finds it reasonable as an order of magnitude scoping study. However, SRK cautions the use of the NPV as a measure of value at this level of study. The purpose of a

scoping study is to function as a gateway in order to determine whether further studies on the deposit are appropriate, not typically as a measure of value.

In the case of Walford Creek, only 23% of the mill feed comprises Measured and Indicated Resource material over the project's life. Inferred Resources total 77% of the proposed mill feed.

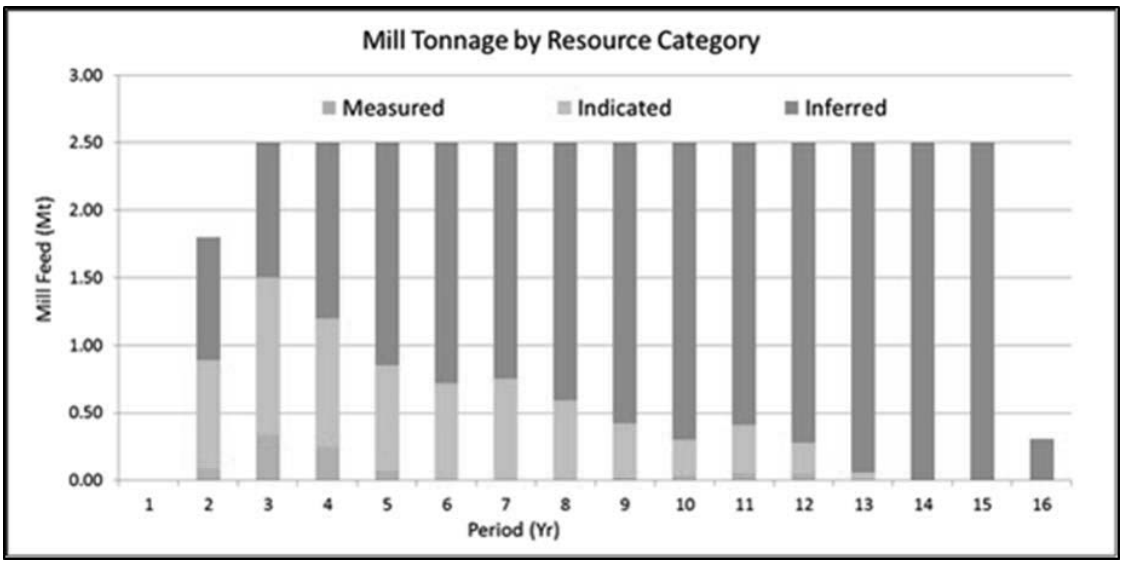



**Figure 4-4: LOM Resource Categories**

Mineral Resources are likely to be re-estimated on the basis of the current drilling campaign and further preliminary assessments are likely prior to feasibility studies.

## 4.8 Environmental and Social Considerations

No Native Title claims exist over the Project (EPM14220). Agreements were negotiated with Carpentaria Land Council Aboriginal Corporation, representing the Waanyi and Gangalidda-Garawa people, and signed prior to commencement of exploration. To date, no significant Aboriginal cultural heritage has been registered over EPM14220.

# 5 Gladstone Project

For the purposes of reporting, Aeon has divided its southeast Queensland permits into various sub-projects. Figure 5-1 shows the location of the Gladstone Project, which is divided into the Whitewash (black outline) and Kildare (blue outline) areas. In addition, in 2012 Rio Tinto Exploration Pty Limited ("RTX") entered into an earn-in agreement on EPM17060 (red outline).

The Whitewash area encompasses the Greater Whitewash copper-molybdenum-silver sub-project, the Ben Hur copper-molybdenum sub-project and the 7B copper-gold sub-project.

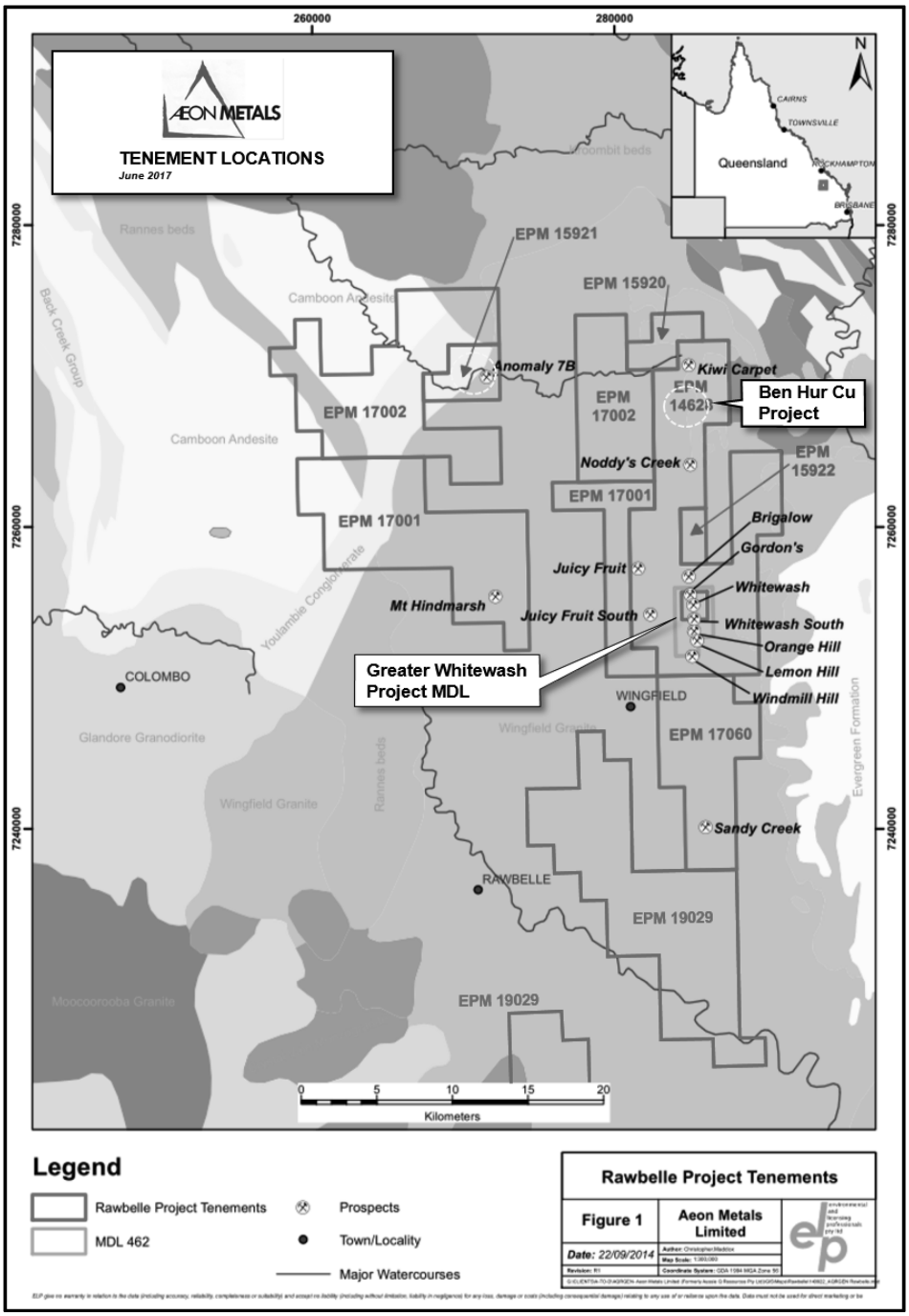



**Figure 5-1: Location of the Gladstone Project**

Source: Aeon.

## 5.1 Location, Access and Infrastructure

The Gladstone Project lies some 30 km west of the town of Monto, 150 km by road to Gladstone port and about 500 km by road north of Brisbane in southeast Queensland. The project is situated in proximity to established infrastructure and major service providers to the nearby coal industry of the Bowen Basin.

Sealed roads and gravel station tracks provide good access within the permit area. Power lines are nearby and Monto lies on the rail line connecting Brisbane, Rockhampton and Gladstone. The Callide thermal power station is situated 70 km to the north.

The Burnett Highway connects Monto to Biloela and passes through the northern part of this project area as illustrated in Figure 5-1.

## 5.2 Ownership, Status and Agreements

Aeon holds interests over nine granted EPMs and a single Mining Development Licence (MDL), which cover a total area of approximately 917 km$^2$ near the town of Monto in southeast Queensland, as summarised in Table 5-1.

**Table 5-1: Status for the Gladstone Project**

| Permit | Sub-project | Ownership | Expiry | Area (km$^2$) | Area (sub-blocks) |
|---|---|---|---|---|---|
| EPM17002 | | Aeon 100% | 19/02/18 | 96 | 31 |
| EPM17001 | | Aeon 100% | 20/02/18 | 109 | 35 |
| EPM15921 | 7B | Aeon 100% | 7/01/19 | 16 | 5 |
| EPM14628 | BH | Aeon 100% | 23/08/17^ | 99 | 32 |
| MDL462 | GW | Aeon 100% | 31/12/17 | | 10.05# |
| EPM17060 | | Aeon 100%## | 25/06/17^ | 56 | 18 |
| EPM19029* | | Aeon 60% / SLWQ 40% | 30/05/19 | 152 | 49 |

Source: Queensland Government Department of Natural Resources and Mines, Aeon.

GW = Greater Whitewash; BH = Ben Hur.

*SLW Queensland Pty Ltd responsible for payment of annual rents.

^Renewal pending.

#Within EPM14628.

In September 2012, Aeon signed a Letter of Intent (LOI) with RTX, which set out indicative terms in regard to a proposed earn-in and joint venture of Aeon's tenement EPM17060. Upon RTX satisfying a total exploration expenditure commitment of A$2.7 M through a two-stage earn-in, a joint venture would be formed with the participating interests of RTX (70%) and Aeon (30%). A third phase provided RTX with the option to earn a further 20% in the project by either funding A$15 M in further exploration or completion of a pre-feasibility study. After completing Phase 1 commitment to sole fund an exploration program and any associated expenditure to minimum of A$200,000, RTZ gave notice in June 2016 not to extend Phase 2 Period (Earn-In). Importantly from a valuation perspective, RTX did not complete the required expenditures to earn an equity interest in the project and as such, Aeon currently retains a 100% interest in EPM17060.

In November 2012, Aeon announced a transaction with SLWQ and SLW Minerals Corporation Pty Ltd (SLW) via a multi-party deed, whereby Aeon receives A$675,000 in cash and increases ownership in SLWQ from 35% to 60% via issue of new SLWQ shares to Aeon. As part of the transaction, an A$2 M loan from SLW to SLWQ was extinguished and 16 M Aeon shares were issued to SLW, along with up to 13.3 M options exercisable at 15c.

SLWQ initially held a 100% interest in four permits (EPM19029, EPM14627, EPM15919, EPM18202) located in the Kildare area of the Gladstone Project, i.e. the southern extents outlined in blue. SRK has been advised by Aeon that EPM15919 and EPM18202 have subsequently been relinquished. As such, Aeon currently holds a 60% in EPMs 14627 and 19029.

## 5.3 History

Exploration in the Rawbelle area began in the 1960s and resulted in the discovery of the Whitewash prospect. Between 1972 and 1974, Kennecott Exploration (Australia) Pty Ltd (Kennecott) explored the area now covered by Aeon's tenement holdings under a joint venture agreement. Kennecott initially carried out stream geochemistry, grid-based soil and rock sampling, and ground magnetic and Induced Polarisation (IP) geophysical surveys. This was followed by trenching, percussion drilling (19 holes) and one diamond drill hole.

The above work outlined porphyry copper-molybdenum mineralisation at both Kiwi Carpet and Whitewash. Kennecott estimated a modest low-grade copper-molybdenum resource to a depth of around 68 m at this time. These grades were considered insufficient at the time to encourage further work.

Around this time, the Queensland Department of Mines also drilled three diamond holes, NS1-3, totalling 311 m outside the Kennecott leases. Holes NS1 and 2 tested an area at Whitewash. Hole NS1 located three short mineralised zones including two reportedly with high-grade molybdenum.

In the early 1980s, Amoco Minerals Australia Company carried out gridding, mapping, soil geochemistry, ground magnetics, auguring, electromagnetic (EM) geophysical surveying and percussion drilling. A total of 12 vertical percussion holes, labelled WP1 to WP12 and totalling 1,500 m tested coincident IP geophysical and copper-molybdenum-tungsten geochemical anomalies at Whitewash. These holes encountered narrow polymetallic (Cu-Mo-Zn-Pb) mineralised zones at relatively shallow depths.

From 1994 to 2000, Westralian Sands Limited (now Iluka Resources Limited (Iluka)) explored the area under joint venture for alluvial concentrations of rutile and ilmenite within the drainages. The focus subsequently changed towards porphyry copper mineralisation. Work completed during this period included grid mapping, rock sampling, geophysical data surveys, regional stream sediment sampling, RC drilling with limited diamond coring on selected target areas.

In 2005, Goody Investments Pty Ltd (Goody) estimated a target quantity and value of the in-ground mineralisation at Whitewash using historic drill hole data. The potential quantity and grade was considered conceptual in nature and insufficient exploration had been undertaken at Whitewash to define a JORC Code compliant Mineral Resource.

In 2007, Aeon acquired the Project permits from Goody and was listed on the ASX.

## 5.4 Geology

### 5.4.1 Regional setting

The Project permits cover predominantly granitoid rocks of the Late Permian–Triassic Rawbelle Batholith in the New England Orogen. The Permo-Triassic Wingfield Adamellite occurs as a north-trending body some 50 km long. The oldest rocks in the area are gneiss and schist of undetermined age. Prospective Carboniferous granitoids, partially covered by Tertiary basalt flows, flank the western margin of the Rawbelle Batholith. Elsewhere, granitic rocks are locally overlain by younger sedimentary rocks, such as the Precipice Sandstone to the east.

Tertiary weathering has resulted in some laterisation.

Structurally the area lies within the Gogano Overfold Zone, where granites lie in proximity to the Nielsen Lineament. The area is considered prospective for copper-molybdenum porphyry deposits and some 25 or more mineralised occurrences have been documented, most lying within a 25 km wide belt extending from Mount Morgan to just north of Brisbane.

Copper-molybdenum mineralisation is best developed in quartz veins within structurally controlled zones.

### 5.4.2 Deposit type

The main area investigated to date is associated with the Whitewash and Gordon resource areas (collectively known as the Greater Whitewash Sub-project) which has been subject to resource definition drilling.

At Whitewash, wall rock molybdenum-copper porphyry style mineralisation is confined entirely within the host granodiorite and is associated with veins developed within pre-existing structures.

The Gordons mineralisation lies within a tapering offshoot from the granitoid body, which varies in composition from pegmatite to granite porphyry and deeper level crystalline equi-granular intrusions. Figure 5-2 illustrates the conceptual mineralisation style.

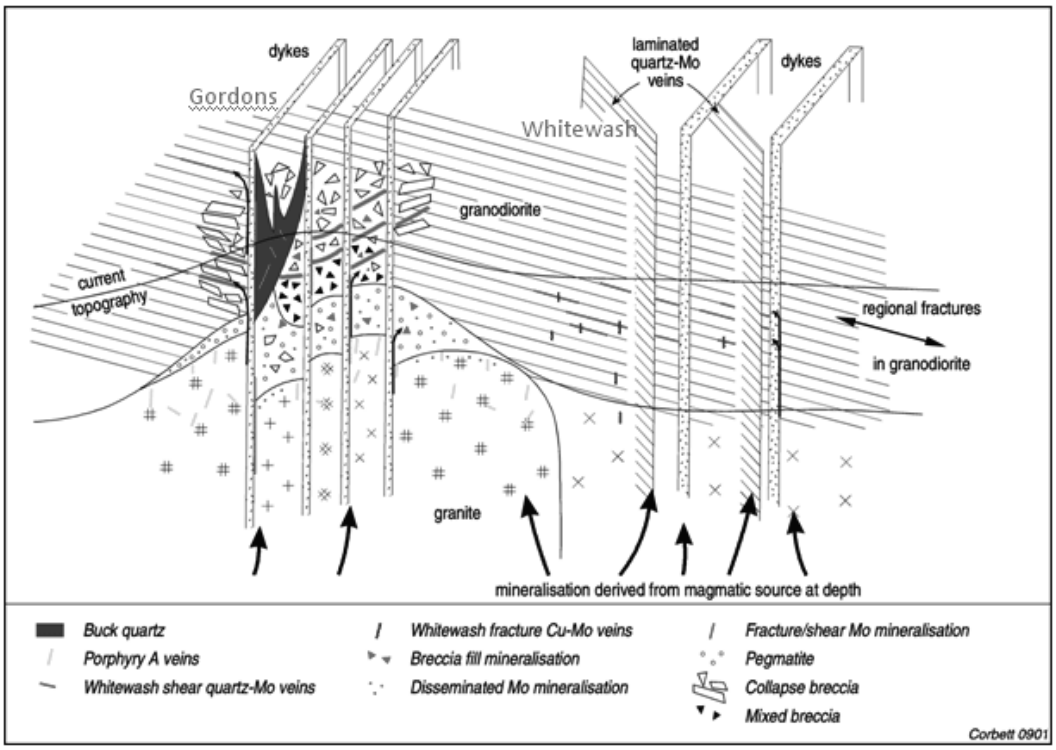



**Figure 5-2: Conceptual geological model**

Source: Aeon.

## 5.5 Greater Whitewash Sub-project

### 5.5.1 Ownership, status and agreements

Aeon holds a 100% interest in MDL 642, which covers an area of 10 km$^2$ and constitutes the Greater Whitewash Sub-project. It is situated within the southern part of EPM14628 that expires on 23 August 2017. A renewal has been lodged pending assessment.

MDL642 was granted in December 2012 and is due to expire on 31 December 2017.

### 5.5.2 Mineralisation

The Greater Whitewash Mineral Resource comprises five main target areas – Gordon's Knob, Whitewash, Whitewash South and Whitewash Southwest and Windmill. There is also potential for similar mineralisation between Whitewash South and Windmill Hill.

The mineralised system is hosted within two major lithological groups – granodiorite and granite/ leuco-granite, as well as significant breccia intrusions and mafic dykes swarms, which were emplaced post mineralisation.

### 5.5.3 Exploration

Up to 2005, Goody had drilled 21 RC and diamond holes at Whitewash Hill over an area measuring 800 m by 800 m. Mineralisation was identified as comprising Mo, Cu, Ag, Pb, Zn, Ti and W, but insufficient exploration was carried out at this time to define a JORC Code compliant Mineral Resource.

Southern Geoscience Consultants reviewed Geomap 2005 aeromagnetic and radiometric data, which defined a number of geophysical targets. These targets were subsequently investigated and several drill tested between 2008 and 2010. This work culminated in a Mineral Resource estimate for the Greater Whitewash area that was prepared by SRK in May 2011.

Between 2011 to 2012, a further 13 holes totalling 2,892 m were drilled in the Greater Whitewash area.

From 2013 to date, no further exploration took place on the Greater Whitewash area, with a strategic decision made to seek joint venture parties for the combined Greater Whitewash and Ben Hur resource areas.

### 5.5.4 Mineral Resources

SRK initially provided a Mineral Resource Statement for the Whitewash Project on 24 September 2008, with a further Mineral Resource Statement for the Gordon's Knob area. The combined Resource Statement was announced to the ASX on 7 May 2009.

Following the completion of the 2010 drilling program, SRK provided a Resource Update for the Greater Whitewash area. This update has a Summary Report announced to the ASX on 30 May 2011. This is a 2004 JORC Code-compliant Indicated and Inferred Mineral Resource. The Resource was estimated using Ordinary Kriging on 50 m by 50 m by 5 m blocks followed by a change of support correction via the Uniform Conditioning method to 10 m by 10 m by 5 m support size. A MoEq cut-off of 425 ppm was calculated according to the formula MoEq = Mo + Cu/3.8 + Ag*28.8.

The following current metal prices was used:

- Mo = US$37,150/t
- Cu = US$9,781/t
- Ag = US$33.38/troy oz.

An equal process recovery for all three elements was assumed.

**Table 5-2: Greater Whitewash Mineral Resource**

| Category | Tonnes (Mt) | Mo (ppm) | Cu (%) | Ag (g/t) |
|---|---|---|---|---|
| Indicated | 185 | 263 | 0.12 | 1.55 |
| Inferred | 56 | 239 | 0.11 | 1.54 |
| **Total** | **242** | **258** | **0.12** | **1.54** |

The information above that relates to Mineral Resources and Exploration Targets is based on information compiled by Mr Danny Kentwell, who is a member of the AusIMM. Refer to Aeon's ASX announcement dated 30 May 2011 for a detailed Competent Person's Statement.

**Table 5-3: Contained Metal**

| Category | Cu (kt) | Mo (kt) | Ag (Moz) |
|---|---|---|---|
| Indicated | 220 | 49 | 9.2 |
| Inferred | 63 | 14 | 2.8 |
| **Total** | **284** | **63** | **12** |

Source: H&S Consultants.

A high-level summary of the resource model development and estimation parameters to construct the Greater Whitewash Mineral Resource is provided in Table 5-4.

**Table 5-4: Summary of resource model development and estimation parameters for Greater Whitewash**

| Mineral Resource | Description |
|---|---|
| Geological interpretation | The Greater Whitewash area includes the deposits known as Gordon's Knob, Whitewash, Whitewash South, Whitewash Southeast and Windmill Hill. The mineralised system for Greater Whitewash is hosted within two major lithological groups, these being granodiorite and granite/leuco-granite, as well as significant breccia intrusions and mafic dykes swarms which were emplaced post mineralisation. A number of high-grade domains are identified (>500 MoEq) and these are modelled as a separate so-called 500 domain. A Granodiorite domain is also modelled and the remaining mineralised areas are defined as the REM domain. The Greater Whitewash mineralisation occurs predominantly as sheeted chalcopyrite-quartz veins, whereas the major mineralisation at the Gordon's Knob deposit occurs predominantly as disseminated sulphides. |
| Sample data | The Greater Whitewash deposits contain more than 217 holes for over 62,000 m drilling completed, 26,000 m as diamond core drilling and 36,000 m as RC drilling. |
| Type of model for reporting | The 2011 Greater Whitewash is block modelled with selective reporting of smaller block units. |
| Block size | The Greater Whitewash model consists of 50 m (east) by 50 m (north) by 5 m (elevation), with grade-tonnage selectivity reported for a 10 m by 10 m by 5 m selective unit size. |
| Estimation type | Ordinary Kriging into the larger block size with Multivariate Uniform Conditioning to estimate the selectivity of smaller block units. |
| Variography | Variogram and grade statistics illustrated similar mineralisation continuity across all deposits of the Greater Whitewash (and therefore the deposits were treated as one combined area for modelling purposed). |
| Bulk density | Densities were assigned by lithology, with: 2.73 t/$m^3$ for the Granodiorite domain, 2.62 t/$m^3$ for the REM domain, and 2.66 t/$m^3$ for the 500 domain. |
| Grade estimation parameters and Classification | Grades were estimated for molybdenum, copper, silver and tungsten, and reported above a molybdenum equivalent grade of 425 ppm for resource reporting in selective block units, assuming equal process recovery assumptions for all three informing metals, namely molybdenum, copper and silver.<br>Mineral Resources have been classified as Indicated and Inferred Resources. |
| Audits | No external Audits or reviews have been reported. |

Figure 5-3 illustrates the resource model and borehole positions in a three-dimensional space along a 5 km strike length. The resource remains open at depth, along strike and across strike in many places. In most areas, the limits were reached by the distance constraint and not the mineralisation molybdenum equivalent (MoEq) cut-off of 50 ppm.

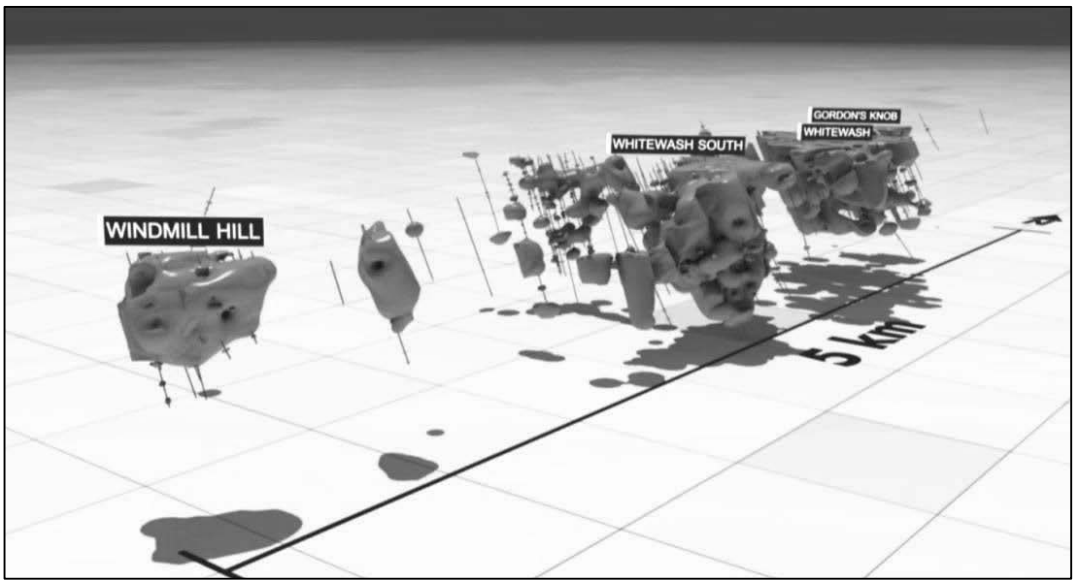



**Figure 5-3: Greater Whitewash Resource Model**

Source: Aeon.

## 5.6 Ben Hur Sub-project

### 5.6.1 Ownership, status and agreements

The Ben Hur Sub-project is situated in the northern part of EPM14628 that covers a total area of 134 km$^2$. It is also situated within EPM14628, but some 10 km to the south of the Greater Whitewash tenement.

### 5.6.2 Mineralisation

Ben Hur has been identified as a large mineralised copper system, which occurs as a halo of disseminated sulphide and stockwork quartz veins hosted by a series of granodiorite to diorite igneous intrusive bodies surrounding a central, largely unmineralised, quartz-feldspar porphyry intrusive. Mineralisation at Ben Hur occurs within a 1.5 km by 1.5 km 'wall-rock' carapace zone known as the John Hill target.

The low-sulphidation style mineralisation at John Hill occurs principally as a series of overprinting narrow veins and vein stockworks. Less visible are fine-grained disseminated sulphides interstitial to veining. The main visible sulphide species are molybdenite, chalcopyrite and pyrite.

The weathered zone extends up to 100 m in depth below surface. Although there are lateral trends in the distribution of mineralisation, concentration of Mo, Cu and Ag in the supergene zone, does not result in substantially higher grades than the grades found in the main, fresh portion of the deposit.

### 5.6.3 Exploration

In the 1970s, Kennecott completed 59 drill holes approximately1 km to the north of the John Hill target. All Kennecott holes were shallow and targeted copper oxide mineralisation.

Between 2011 and 2013, the Ben Hur area was sampled in three phases by a total of 122 drill holes (total 6,083.9 m) comprising 118 RC (4,802 m) and four diamond (1,282) drill holes.

On 12 November 2013, Aeon announced a maiden Mineral Resource for the Ben Hur copper-silver-molybdenum project (John Hill deposit), which was completed by SRK in accordance with the guidelines of the JORC Code (2012).

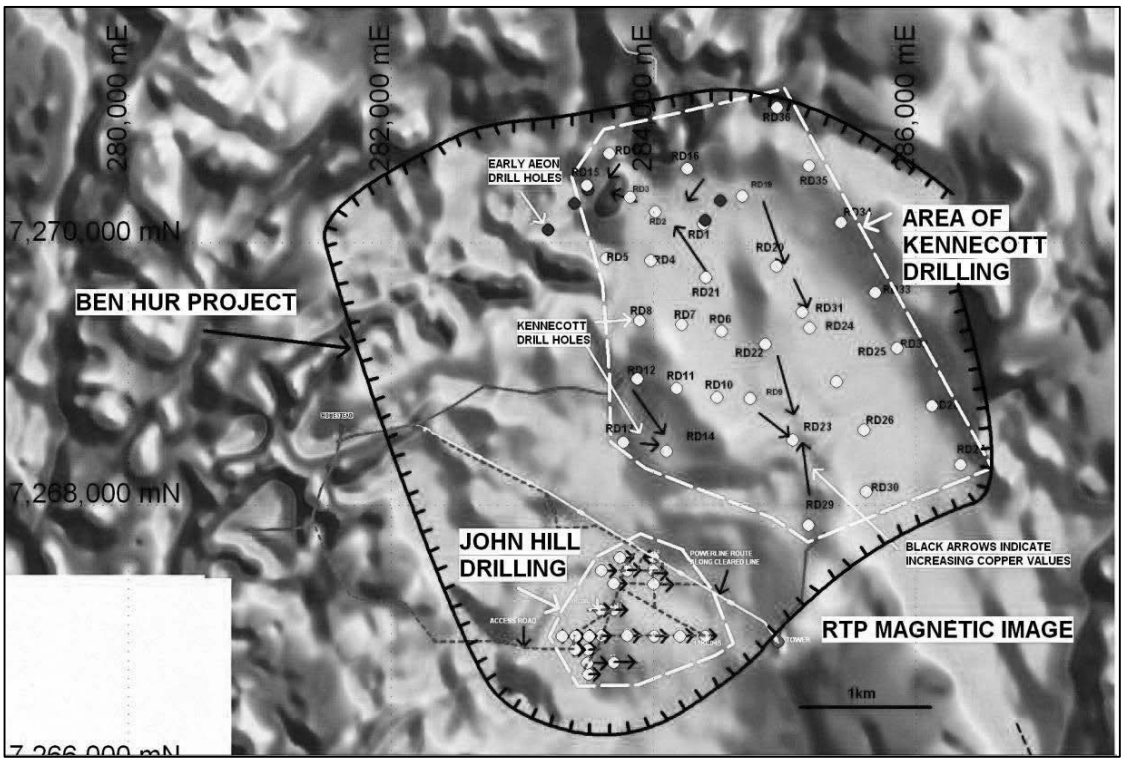



**Figure 5-4: Ben Hur/John Hill target area**

Source: Aeon.

### 5.6.4 Mineral Resource

The Ben Hur Sub-project hosts a 2012 JORC Code compliant Inferred Mineral Resource of 62 Mt at 0.36% CuEq as summarised in Table 5-5. This Mineral Resource was estimated in November 2013 by SRK and reported to the ASX by Aeon in 12 November 2013.

**Table 5-5: Ben Hur Mineral Resource**

| Category | Tonnes (Mt) | Mo (ppm) | Cu (%) | Ag (g/t) |
|---|---|---|---|---|
| Inferred | 62 | 120 | 0.30 | 1.30 |
| **Total** | **62** | **120** | **0.30** | **1.30** |

Source: SRK Consulting.

The information above that relates to Mineral Resources and Exploration Targets is based on information compiled by Mr Robin Simpson, who is a member of the AusIMM. Refer to Aeon's ASX announcement dated 12 November 2013 for a detailed Competent Persons' Statement.

**Table 5-6: Contained Metal**

| Category | Cu (kt) | Mo (kt) | Ag (Moz) |
|---|---|---|---|
| Inferred | 190 | 7.6 | 2.7 |
| **Total** | **190** | **7.6** | **2.7** |

Source: H&S Consultants.

The cut-off grade (0.24% Cu) was chosen for reporting Mineral Resources and is based on analogies with mined deposits that have a similar mineralisation style.

Metal equivalents were used for reporting the Mineral Resource in the fresh domains.

The price assumptions used to derive the Cu Eq value are Cu=A$3.25/lb, Ag=A$25/oz, Mo=A$14/lb. The recovery factors assumed in the metal equivalent equation were based on analysis by ALS Ammtec in Sydney. This laboratory carried out a demonstration flotation test on a 1 kg subsample of primary mineralised John Hill material, split from an 8 kg composite of four assay reject samples. The test sample assayed 0.4% Cu, 1 ppm Ag and 190 ppm Mo. The test yielded recoveries of 86.1% Cu, 56.1% Ag and 69% Mo.

Combining the price and recovery assumptions, the CuEq equation is:

CuEq (ppm) = Cu (ppm) + 73.1 Ag (ppm) + 3.45 Mo (ppm).

A high-level summary of the resource model development and estimation parameters to construct the Ben Hur Mineral Resource is provided in Table 5-7.

**Table 5-7: Summary of resource model development and estimation parameters for Ben Hur**

| Mineral Resource | Description |
|---|---|
| Geological interpretation | Mineralisation within the Ben Hur deposit area occurs within a 1.5 km by 1.5 km carapace zone known as the John Hill target. This target area is situated marginal to a central, largely unmineralised, quartz-feldspar porphyry intrusive. The predominant host to mineralisation comprises a series of granodiorite to diorite igneous intrusive bodies.<br>The low-sulphidation style mineralisation at John Hill occurs principally as a series of narrow veins and vein stockworks containing predominantly disseminated molybdenite, chalcopyrite and pyrite.<br>The weathered zone extends up to 100 m in depth below surface and there are no substantially higher grades in the supergene zone than the grades found in the main, fresh portion of the deposit. Four mineralised domains were interpreted at a nominal 400 ppm copper grade. |
| Sample data | A total of 22 drillholes for 6,084 m have been used in the resource modelling. Eighteen holes were drilled by RC and the balance as diamond core or a combination of RC pre-collars and NQ diamond cores. Drilling spacings are typically 100 m by 100 m and up to 200 m by 200 m on an east-west grid, dipping at 60 degrees to the east. Sampling was generally at 1 m intervals. |
| Type of model for reporting | Block model developed from grade shells at a 400-ppm copper threshold. |
| Block size | 100 m (east) by 100 m (north) by 5 m (elevation) primary blocks with grade-tonnage selectivity reported for a 20 m by 20 m by 5 m selective unit size |
| Estimation type | Ordinary Kriging into the larger block size with Multivariate Uniform Conditioning to estimate the selectivity of smaller block units. |
| Search ranges | Search radii of 250 m by 250 m in the horizontal in the weathered domains and 400 m by 400 m by 150 m first-pass searches in the dip plane of the unweathered domains. Maximum extrapolation ranges of 150 m in the horizontal and 50 m below the depth of drilling have been applied. |
| Bulk density | Density was assumed from mineral assemblages and standard densities for these minerals. A density of 2.0 t/m$^3$ was applied for oxide (weathered zones) and 2.7 t/m$^3$ for fresh, unweather zones. |
| Grade estimation parameters and Classification | Grades were estimated for copper, silver and molybdenum, and the resources reported above a 0.24% Cu cut-off for the selective block size.<br>Mineral Resources have been classified and reported under the 2012 JORC Code as Inferred mainly because of the sparse drilling and resultant poor-quality grade variography and grade and geology continuity. |
| Audits | No external audits or reviews have been reported. |

Figure 5-5 shows the location of the 22 drill holes used for the Mineral Resource estimation. A total of 18 RC drill holes were completed, with four diamond core holes (or a combination of RC pre-collars and diamond cores). The total drilling length was 6,083.9 m. Drill spacing was typically 100 m by 100 m to 200 m by 200 m. Drill holes predominantly dipped 60˚ towards the east. Sampling was generally on 1 m intervals.

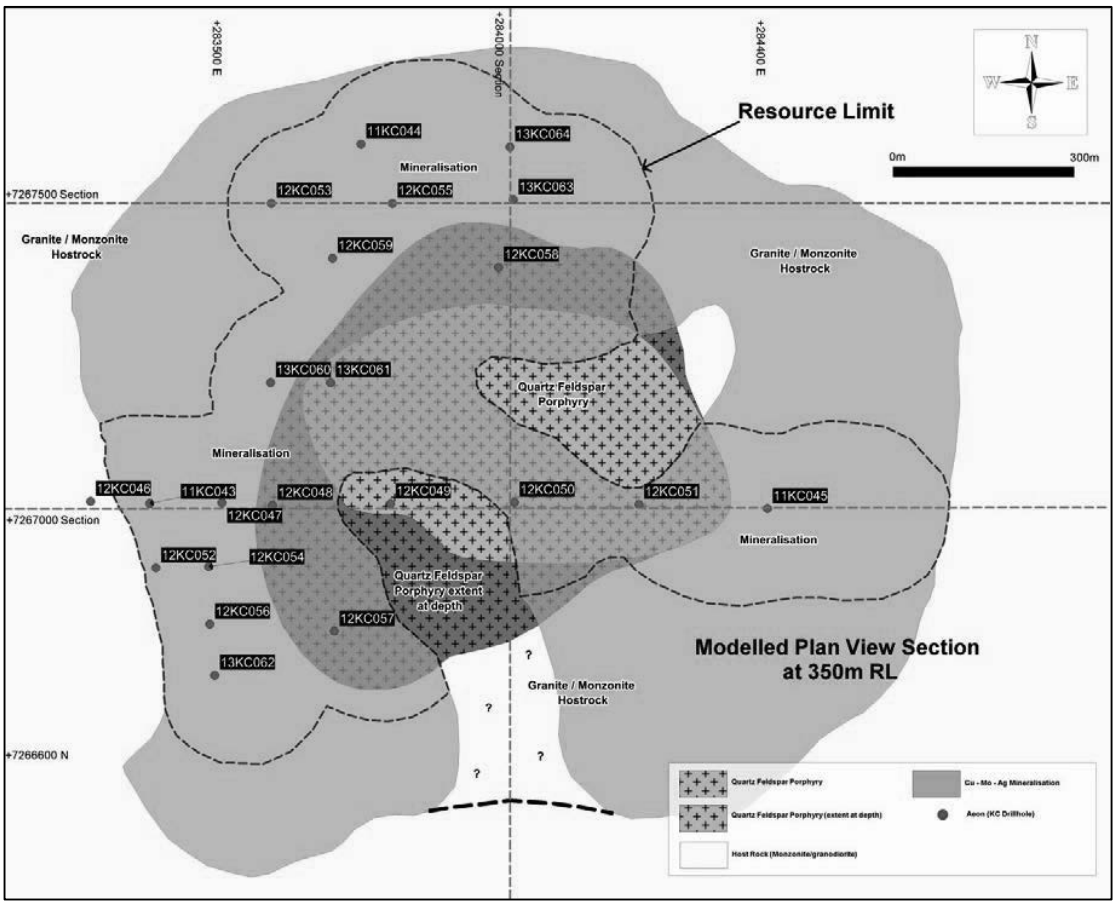



**Figure 5-5: Plan section of the Resource Model**

Source: Aeon.

Figure 5-6 shows a cross section through the Ben Hur Mineral Resource model.

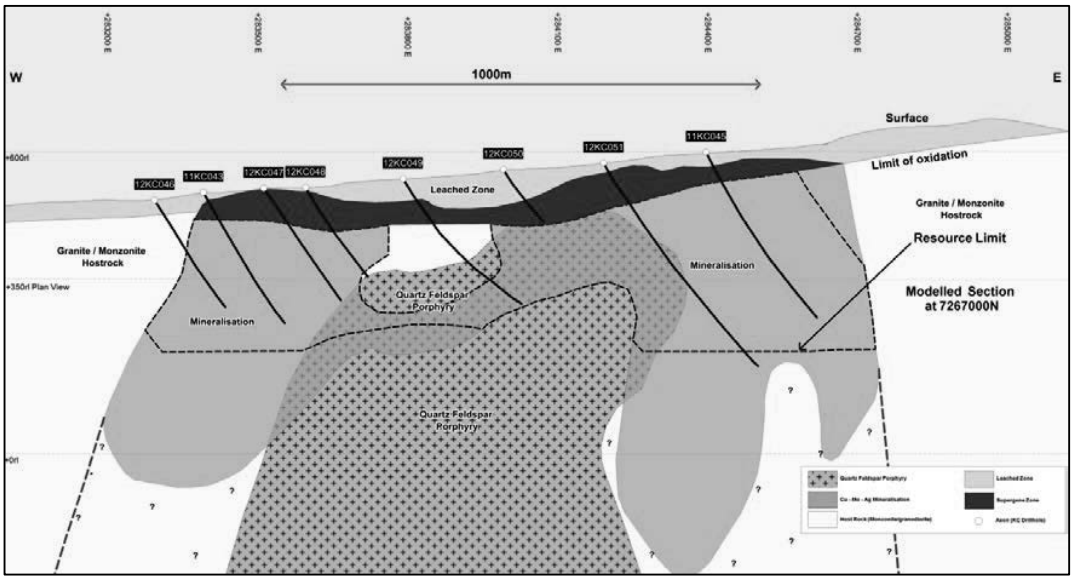



**Figure 5-6: Cross section of the Ben Hur Resource Model**

Source: Aeon.

## 5.7 7B Sub-project

### 5.7.1 Ownership, status and agreements

The 7B Sub-project lies within EPM15921, which covers a total area of 15.6 km$^2$. The permit is due to expire in January 2019.

### 5.7.2 Mineralisation

The 7B Sub-project consists of two main targets – Wild Chilli and Meat Ant.

The Wild Chilli target is interpreted to represent remobilised Cu-Zn-Au mineralisation, which was encountered in diamond drill holes 48 and 49, and is evident as a deep IP chargeability target lying to the south of these drillholes and coincident with an overlying Pb-Zn soil geochemical anomaly.

The Meat Ant target is defined by the presence of Zn-Pb-Au-Ag mineralisation located along a south-dipping thrust fault/ shear zone. To the south, there is a sericite-altered area with associated Cu-Ag-Zn anomalism that appears related to associated structures along this shear/ thrust zone.

### 5.7.3 Exploration

As a result of extensive soil sampling over previously underexplored areas within its Gladstone Project area, Aeon defined a significant copper and copper-gold anomaly over a large area (measuring approximately 500 m by 500 m) associated with old copper workings in the 7B area. In early 2013, Aeon completed 13 RC holes for 982 m to test for volcanogenic massive sulphide (VMS) style mineralisation. This program intersected narrow to broad zones of low to medium grade (<2.5% CuEq[1]) copper-gold-silver and zinc mineralisation at shallow depths and provided the impetus for further drill testing campaigns in 2013 and 2014.

In total, Aeon has completed three stages of drilling at the 7B Sub-project which collectively comprise 60 RC/ diamond holes for 6,770 m. Drilling to date has focussed on the Wild Chilli area, where visible polymetallic mineralisation has been intersected at shallow depths. This mineralisation is interpreted to occur within sheeted vein style lodes with associated hornfels and microdiorite dykes. Aeon has postulated that this provides for a high priority drill target for porphyry Cu-Au-Mo mineralisation. In late 2014, Aeon conducted further magnetic interpretation as well as a sub-audio magnetic–EM geophysical survey in the Wild Chilli area to assist in targeting postulated deeper mineralisation. Processing of the data was ongoing at the time of preparation of this Report.

Drilling in the Meat Ant area has encountered widespread Zn-Pb-Cu-Au mineralisation within a highly altered volcanic breccia pile. Work is ongoing to assess the potential for higher grade and possibly massive sulphide mineralisation at depth and in association was a known Zn-Pb soil geochemical anomaly.

[1] Copper equivalent calculation was announced by Aeon in its announcement to the ASX dated 5 June 2014 and is based on commodity prices Cu A$3.25/lb, Zn A$0.89/lb, Ag A$22/oz, Au A$1,300/oz and Co A$36,000/t. CuEq Formula = Cu grade + (Zn grade*(Zn price/Cu price) + Ag grade*((Ag price/0.0625)/Cu price) + Au grade *((Au price/0.0625)/Cu price) + Co grade*(Co price/Cu price). For further details refer to Aeon's ASX announcement.

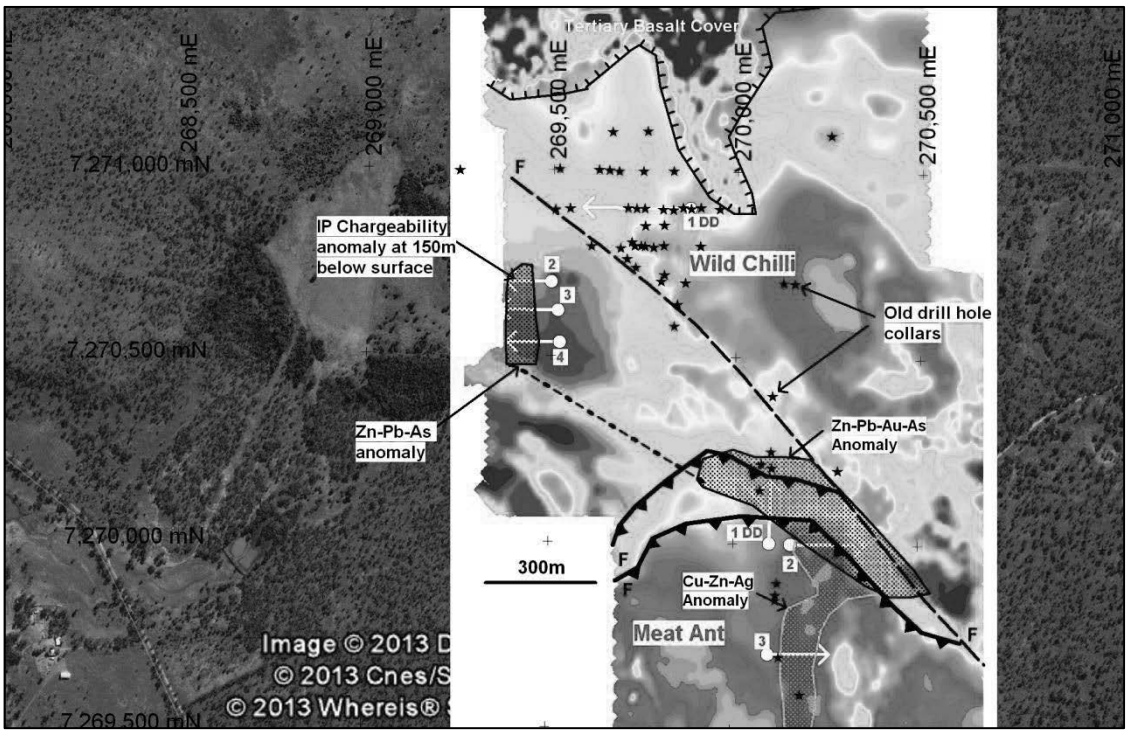



**Figure 5-7: Drill holes for the 2014 to 2015 campaign**

Source: Aeon ASX announcement 5 June 2014.

## 5.8 Environmental and Social Considerations

EPM14628 contains a large section of scattered Endangered Regional Ecosystems (EREs) areas in the northwest of the permit. These areas are located within State Forest area. State Forest also extends from the mid-eastern boundary of the permit down to the southeast corner of the tenement. However, no exclusions apply to these State Forest areas and the tenement was granted by DME with these areas included.

Within EPM14627, there is a very small and discrete ERE area in the northern section of the permit. There are also State Forest areas in the northern and mid-eastern sections. These State Forest areas are excluded from EPM14627.

There are no EREs situated within EPM15919; however, there is a large area of State Forest located within this permit. No exclusions apply to this area.

Within EPM15920, a large area of EREs have been identified in the southern reaches of the permit. This ERE area also extends to the mid-eastern section of the EPM. A large area of State Forest is also located within EPM15920.

There are no EREs within EPM15922.

There are active native title claims existing over parts of EPMs 14627, 14628, 15919, 15920 and 15922. There are no overlaps with Indigenous Land Use Agreements (ILUAs) on these permits.

# 6 Northwest Queensland Projects

In addition to the Walford Creek Project, Aeon holds interests in a number of other base metals projects in the Constance Range and Mount Isa areas of northwest Queensland (refer to Figure 2-1). These permits are at an earlier stage of evaluation than the Walford Creek Project and are assessed below.

## 6.1 Location, Access and Infrastructure

The other permit areas acquired by Aeon in April 2014 extend over a distance of 500 km from north to south and are subdivided into four main project areas, namely: Constance Range, Isa North, Isa West and Isa South.

Northwest Queensland is host to a number of significant base metals mines such as Mount Isa, George Fisher Hilton, Mount Gordon, Ernest Henry, Osborne, Lady Loretta and the Century zinc mine. This area is accessible by road and the city of Mount Isa is the largest population centre in the region. It has its own airport connecting the region to major centres in Australia.

## 6.2 Ownership, Status and Agreements

Aeon holds interests in 20 granted EPMs and renewals pending on another four EPMs covering a total area of 2,171.34 km$^2$ in the Constance Range and Mount Isa regions, as summarised in Table 6-1.

The Isa North Mining Rights Agreement, between Summit Resources (Aust) Pty Ltd (Summit) and Aston Metals (QLD) Limited (AMQ), covers the Isa North Project's EPMs 17511, 17513, 17514 and 17519. In accordance with the agreement, Aeon Walford Creek (AWC) has earned an 80% interest in the non-uranium mineral potential within the Isa North Co-operative area through exploration and expenditure. Summit retains 100% ownership of the tenements and sole and exclusive rights to uranium.

The Western Isa Base Metals Farm-in and Joint Venture Agreement is a purchase and farm-in joint venture with Summit. This agreement covers EPMs within AWC's Constance Range, Isa West and Isa South Project areas. Under the terms of the agreement, AWC has earned a 72% to 80% joint venture interest in Summit's tenements by sole funding non-uranium exploration. AWC's interest does not include any rights in respect of uranium, which are reserved exclusively for Summit. For Isa West and Isa South Projects, AWC has met its joint venture commitments and most titles have now been transferred to Aeon Walford Creek Limited, with only a few remaining to still be transferred.

All tenements in the Constance Range Project are now under the Aeon Walford Creek Limited name having been transferred from Summit/ Pacific Mines.

Aeon has entered into a farm-in agreement with Glencore QLD Limited's subsidiary, Mount Isa Mines Limited (Mt Isa Mines), regarding two permits in the Isa South Project area, Blue Hills and Blue Hills west. This agreement covers contiguous EPMs 15911 and 17297, which form part of AWC's Isa South Project area. AWC holds 100% ownership of both EPMs 15911 and 17297. Xstrata retains the right to a 2.5% net smelter royalty.

**Table 6-1: Exploration Permit for Minerals for the Northwest Queensland Projects**

| Tenement | Project | Equity % | Expiry | Area ($km^2$) | Sub-blocks |
|---|---|---|---|---|---|
| **Constance Range** | | | | | |
| EPM14712 | Constance Range | AWC 80%/ PML 20% | 20-Aug-19 | 73.65 | 23 |
| EPM14713 | Constance Range South | AWC 80%/ PML 20% | 20-Aug-19 | 60.84 | 19 |
| EPM14935 | Riversleigh | AWC 80%/ PML 20% | 20-Aug-18 | 64.04 | 20 |
| EPM15186 | Gregory | AWC 80%/ SUMM 20% | 22-Mar-22 | 137.69 | 43 |
| **Isa North** | | | | | |
| EPM14694 | Mount Kelly South | AWC 80%/ SUMM 20% | 18-Oct-18 | 12.4 | 4 |
| EPM16921 | Buckley River | AWC 100%# | 22-Feb-18 | 65.10 | 21 |
| EPM17511 | Andersons | SUMM 20%/ AWC 80% | 05-Jan-20 | 46.50 | 15 |
| EPM17513 | Calton | SUMM 20%/ AWC 80% | 05-Jan-20 | 160.1 | 50 |
| EPM17514 | Valhalla | SUMM 20%/ AWC 80% | 05-Jan-20 | 352.22 | 110 |
| EPM17519 | Skal | SUMM 20%/ AWC 80% | 05-Jan-20 | 252.96 | 79 |
| **Isa South** | | | | | |
| EPM13412 | Yappo | AWC 100%# | 15-Dec-16^ | 64.04 | 20 |
| EPM13413 | Rufus | AWC 100%# | 15-Dec-16^ | 28.82 | 9 |
| EPM13682 | Wonomo | AWC 100%# | 15-Dec-16^ | 137.69 | 43 |
| EPM14040 | Kahko | AWC 80%/ SUMM 20% | 19-Apr-18 | 22.41 | 7 |
| EPM14233 | Mt Guide | AWC 72%/ SUMM 18%/ CM 10% | 19-Apr-21 | 54.43 | 17 |
| EPM17300 | Waverly North | AWC 100% | 05-Jul-18 | 9.3 | 3 |
| EPM14821 | Waverly | AWC 80%/ SUMM 20% | 07-Jan-18 | 77.50 | 25 |
| EPM15156 | Rufus South | AWC 80%/ SUMM 20% | 21-Mar-22 | 117.80 | 38 |
| EPM15911 | Blue Hills | AWC 100%# | 14-Nov-18 | 49.60 | 16 |
| EPM17297 | Blue Hills West | AWC 100%# | 20-Jun-16 | 9.61 | 3 |
| **Isa West** | | | | | |
| EPM11897 | May Downs | AWC 80%/ SUMM 20% | 06-Jul-18 | 51.232 | 16 |
| EPM11898 | May Downs South | AWC 80%/ SUMM 20% | 06-Jul-18 | 57.64 | 18 |
| EPM18395 | Isa South | AWC 100% | 13-Apr-21 | 105.62 | 33 |
| EPM18769 | Beauchamps | AWC 100% | 22-May-17^ | 160.13 | 50 |

Source: Queensland Government Department of Natural Resources and Mines.

AWC – Aeon Walford Creek Limited (formerly AMQ – Aston Metals (QLD) Limited).

SUMM – Summit Resources (Aust) Pty Ltd.

CM – Centaurus Metals Ltd.

*JV partner is responsible for annual rental.

^Renewal application lodged, confirmation awaited.

#Title being transferred to AWC.

• AWC holds an 80% interest in the base metals rights.

## 6.3 History

Various prospectors throughout the Mount Isa district have investigated copper mineralisation since 1867.

In 1941, the Black Rock copper open pit at Mount Isa was discovered and mined for copper oxides and chalcocite. However, it was not until 1954 that the major copper sulphide orebodies at Mount Isa were discovered at depths of over 270 m below surface.

The majority of Aeon's project tenements within the Isa South, May Downs (now known as Isa West) and Isa North project areas were acquired by Summit between 2002 and 2003. Two tenements in the Isa North project (EPMs 9221 and 9918 – now replaced by EPM17514) were acquired by Aeon in 1991. Summit's initial acquisition strategy and exploration focus was targeted to the discovery of base metals and gold deposits with initial work undertaken in the Isa North and May Downs project areas.

In 2004, Summit conducted exploration targeting a variety of targets in these two areas, as well as a number of base metals targets in the Isa South project. During the same period, Summit acquired tenements to the northwest of the Century zinc mine, known then as the Lawn Hill project. The initial exploration focus was directed towards the known Constance Range iron ore deposits and, to a lesser degree, on the phosphate potential. During the same year, Summit also commenced detailed evaluation of the known Skal, Valhalla and Andersons uranium deposits located within the Isa North project.

In 2005, further tenements located to the south and southeast of the Century mine were acquired principally for their base metals potential. Since 2005, Summit's exploration focus has progressively moved away from base metals and become more directed to the uranium potential of the project areas.

In December 2007, MM Mining (Qld) Ltd (MM Mining) entered into an agreement with Summit to earn an 80% interest in the non-uranium rights of their projects in the Mount Isa region of northwest Queensland. Subsequent to this initial agreement, MM Mining continued to acquire majority rights to base metals interests in the Mount Isa region through additional joint venture agreements and tenement applications.

Between November 2007 and June 2010, MM Mining undertook various exploration activities including geophysical surveys, structural mapping, sampling and drilling. In addition, MM Mining commissioned Coffey to synthesise and evaluate the large volume of geological data. From this evaluation, Coffey identified eight main target areas within this group of permits of the Mount Isa area.

In late 2008, Aston Resources Limited acquired MM Mining Limited and changed its name to Aston Metals. Limited exploration was completed by Aston prior to its acquisition by Aeon in 2012.

## 6.4 Geology

### 6.4.1 Regional Setting

Rocks of the Mount Isa Orogen crop out over an area in excess of 50,000 km$^2$ in northwest Queensland, roughly centred on the township of Mount Isa. Rocks of the Mount Isa Orogen have been subdivided into three broad north-trending Provinces – the Western Fold Belt Province, the Kalkadoon-Ewen Province and the Eastern Fold Belt Province. The Western Fold Belt Province is subdivided into the Lawn Hill Sub-province in the west and the Leichhardt River Sub-province in the east separated by the Mount Gordon Fault Zone.

Aeon's acquired permits are mostly all situated in the Western Fold Belt Province of the Mount Isa Inlier.

The projects are subdivided according to geological structured areas, the Constance Range Project on the Termite Range Fault, the Isa North Project on the Mount Isa Fault, the Isa West Project on the May Downs Fault, and the Isa South Project on the Mount Isa Fault Zone south of Mount Isa.

### 6.4.2 Deposit type and mineralisation

Four main styles of mineralisation account for the majority of the mineral resources within the Mount Isa Orogen:

- Sediment-hosted silver-lead-zinc;
- Brecciated sediment-hosted copper;
- Iron-oxide related copper-gold; and
- Broken Hill type silver-lead-zinc.

Since the discovery of copper and gold near Cloncurry in the 1860s, the Mount Isa Orogen has been significant producers of copper, lead, zinc and silver. Significant resources remain, with rocks of the Mount Isa Orogen containing 11% of the world's lead and zinc resources, 5% of the world's silver resources and 1% of the world's copper resources (Wallis & others, 1998).

## 6.5 Exploration

Exploration at the Isa South, Isa West, Isa North, and Constance Range projects is at a relatively early stage with only a limited number of targets having been drill tested. No Mineral Resources have been defined within these permits to date, although numerous targets have been identified for further assessment.

### 6.5.1 Constance Range

The Constance Range tenements lie along or adjacent to the Termite Range Fault associated with stratabound base metals mineralisation at the world-class Century zinc-lead-silver deposit (Figure 6-1).

The Musselbrook copper-gold prospect is the focus of Aeon's exploration activities within the Constance Range Project area. The prospect is located approximately 30 km north of the Century Mine. Mineralisation at Musselbrook consists of a series of narrow, offset, northeast trending, copper-gold shear zones in close proximity to the Termite Range Fault. AWC's previous mapping and surface geochemical sampling has located a number of zones of high grade Cu, up to 41%, and elevated Au, up to 3.1 g/t. Anomalous molybdenum, lead, zinc and silver were also returned.

AMQ completed three drill holes at Musselbrook in late 2010. All three holes intersected a number of narrow intervals of low-grade copper mineralisation associated with quartz-carbonate veins in shears. Previously, Nickel Mines reportedly intersected a broad zone of modest grade (up to 1.8 g/t Au) gold at Musselbrook; however, this intercept remains to be verified.

At Gregory, previous work between 2009 and 2010 defined a series of geological, structural and geochemical targets adjacent to the Termite Range Fault, which remain to be fully assessed.

Outside of the Musselbrook and Gregory prospects, much of the defined strike length of the shear zones remains to be drill tested.

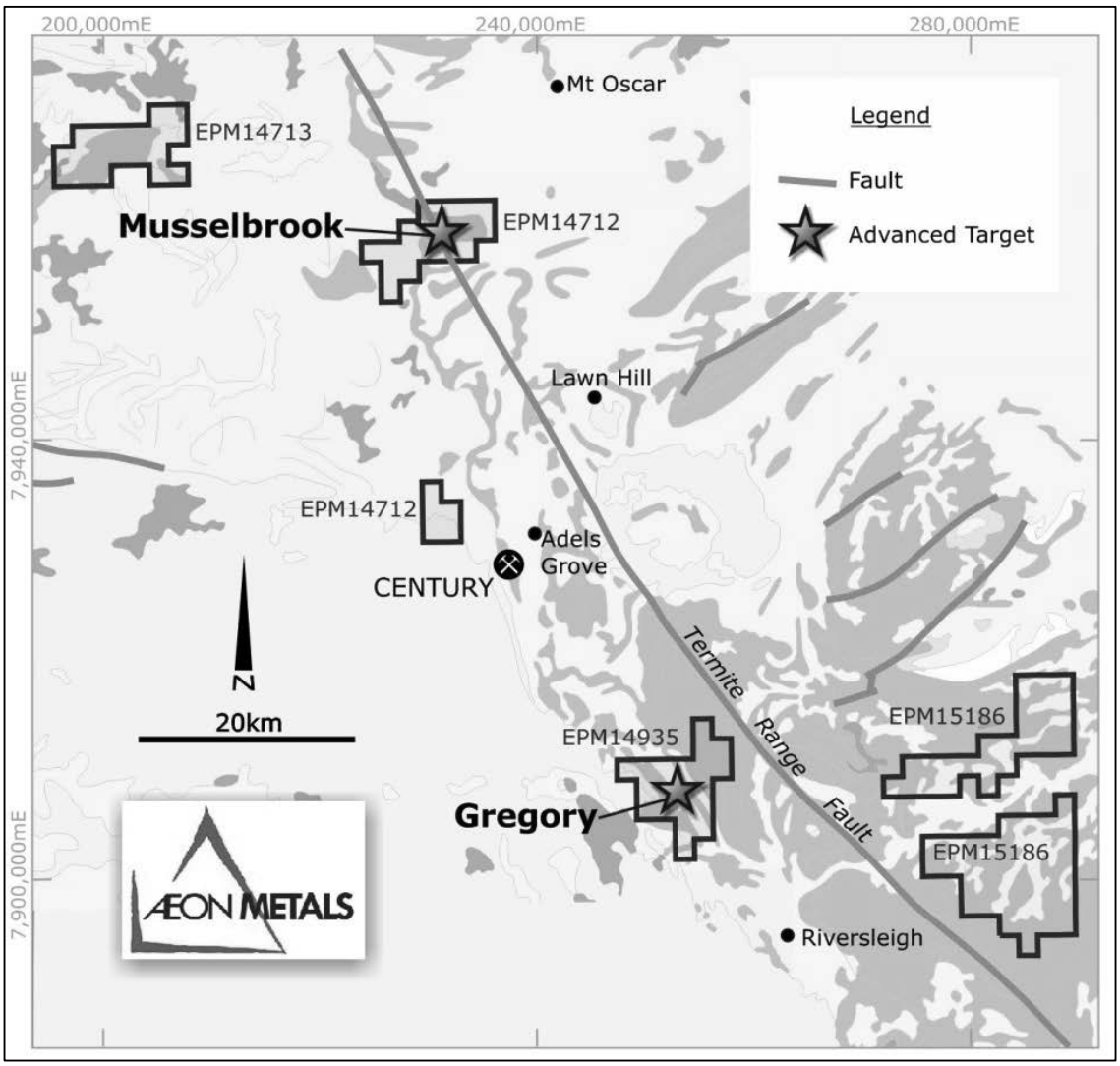



**Figure 6-1: Constance Range Project**

## 6.5.2 Isa North

The Isa North tenements are located immediately adjacent to the northern boundary of the Glencore's Mount Isa Mine mining lease covering the world-class Mount Isa copper and the Mount Isa, Hilton and George Fisher zinc-lead-silver deposits (Figure 6-2).

The Isa North tenements cover a series of intersecting major faults including the Mount Isa, Hero, and Western Fault zones. Aeon's primary target within the Isa North tenement package is the Hero Prospect, which lies along the Hero Fault a splay off the Mount Isa Fault Zone and northwest of the George Fisher mine. At Hero, previous drilling has encountered wide, low-grade zones of copper mineralisation with similarities to both the Mount Isa system and iron oxide copper-gold systems more typical of the Eastern Succession of the Mount Isa Inlier.

Other targets include the Bonus Basin and Paddy B targets, both located in proximity to major fault zones.

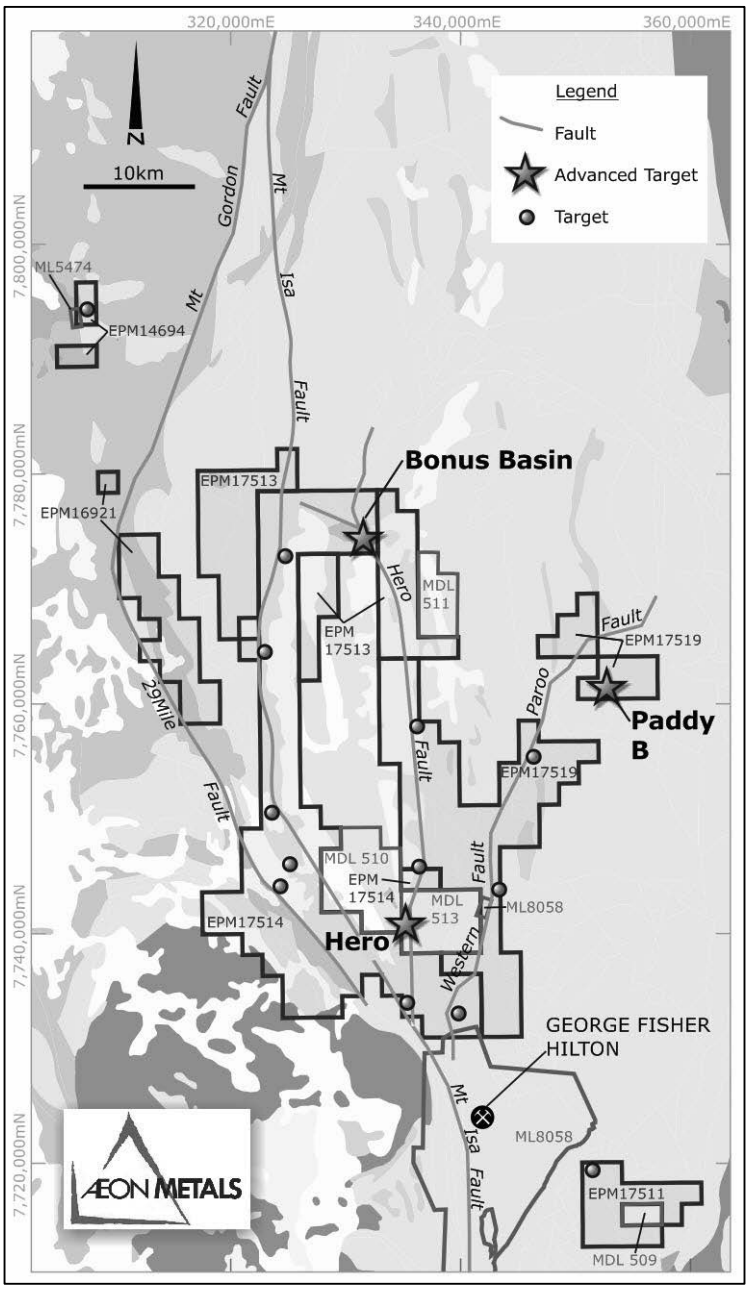



**Figure 6-2: Isa North Project**

### 6.5.3 Isa South

The Isa South Project is located along the southern extension of the Mount Isa Fault Zone adjacent to the southern margin of the Mount Isa Mining Lease (Figure 6-3). Reprocessing of geophysical data, in particular a VTEM survey, has generated multiple new targets for drill assessment. Priority targets within the Isa South Project area include Waverly Basin, Mount Guide and Aztec Ridge prospects.

The Waverley Basin prospects (including Mount Annable and Blue Hills) host an identified zone of copper and gold mineralisation within siltstones and sandstones. Two diamond holes in early 2010 on a single section underneath an old prospector's shaft provided geologic and structural information across the geochemically anomalous zone. Furthermore, structural mapping along the Isa Fault and the northern end of the Waverley Basin has identified several structurally complex zones coincident with known gold and copper anomalism.

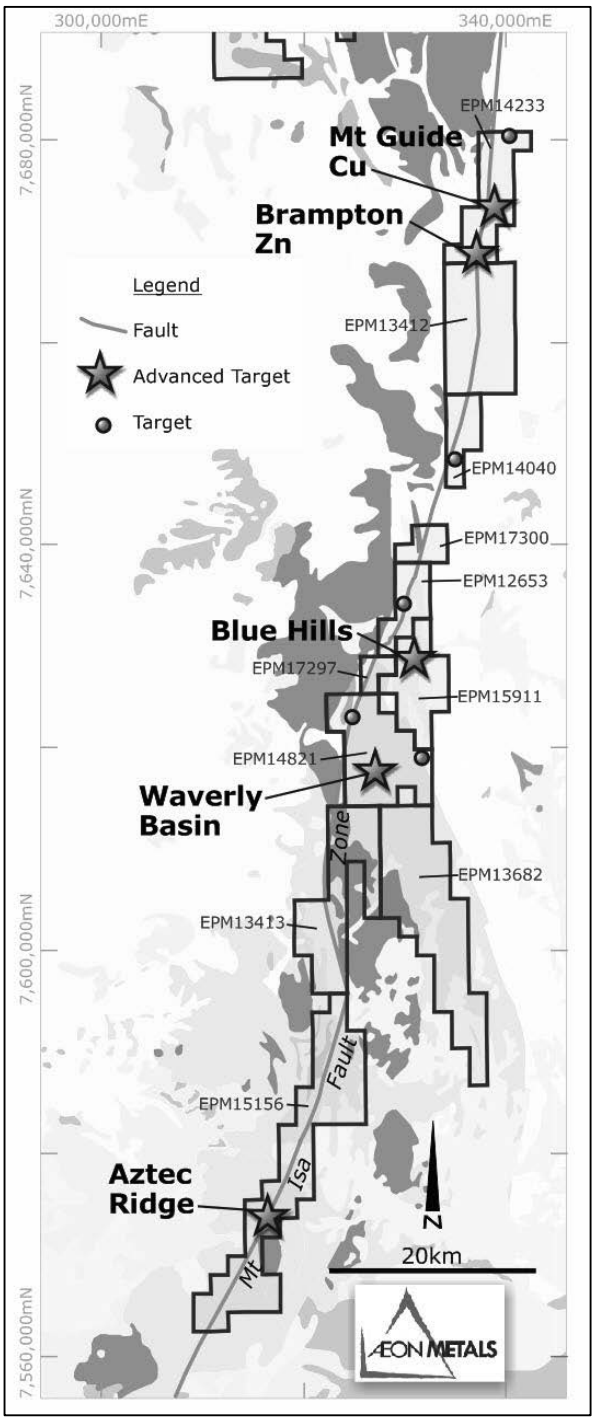



**Figure 6-3: Isa South Project**

The Mount Guide prospect lies immediately south of Glencore's Mount Isa mine lease and hosts copper anomalism associated with historic workings. A single hole drilled by AMQ, MGPD001, yielded a down hole intercept of 29 m and 0.37% Cu from 174 m, including 8 m at 0.44% Cu from 184 m downhole depth within a broad shear zone.

The Aztec Ridge prospect is centred on the Rufus Fault, part of the regionally extensive Mount Isa Fault Zone. Aeon has confirmed the presence of anomalous gold with pan concentrate samples contained visible gold. AMQ now aims to identify the source of the gold and define drill targets.

### 6.5.4 Isa West

The Isa West Project straddles a 50-km length of the May Downs Fault (Figure 6-4). Surficial mapping and geochemistry surveys identified a number of highly copper anomalous zones within sedimentary units of the Lawn Hill Platform (mainly MacNamara Group). Key targets include the May Downs Goldfields, Beauchamp and Carters Ridge.

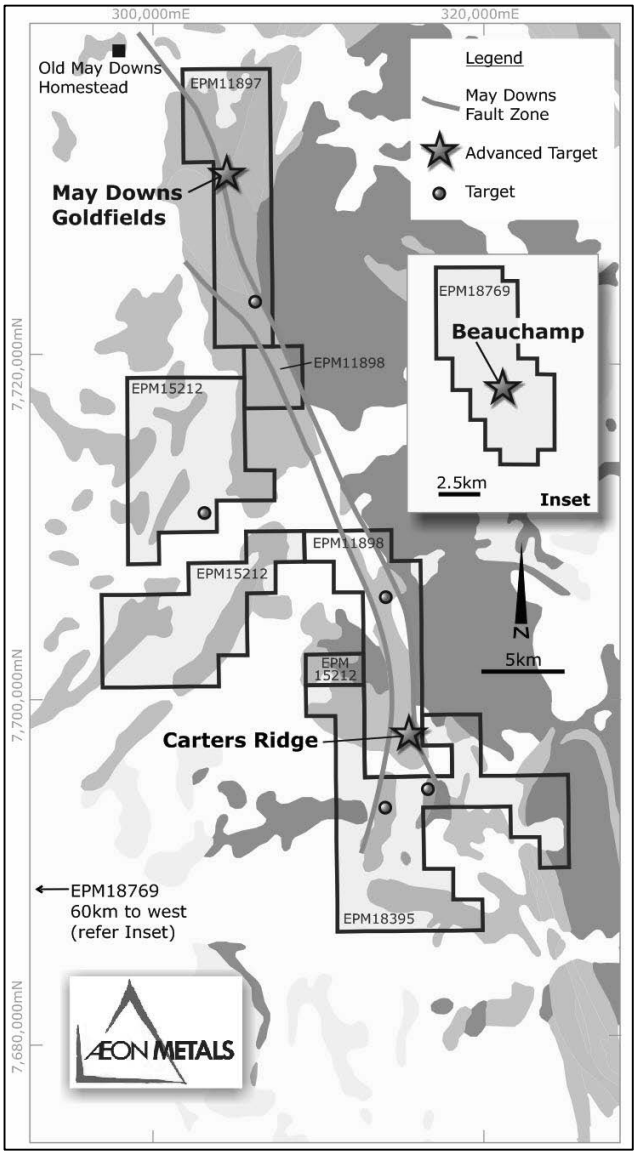



**Figure 6-4: Isa West Project**

The Beauchamp target comprises a coincident gravity and magnetic feature considered prospective for iron oxide copper gold mineralisation under cover. Drill assessment of this target is currently proposed.

At the Carters Ridge target, soil geochemistry indicated a zone over 15 km in length with anomalous copper values. The southern three km of this zone was tested by drilling which revealed an extensive zone of silica-dolomite alteration below deep weathering. In several drill holes, the silica-dolomite veining and brecciation extends over 150 m widths as observed in drill hole YCQ-93-3. The lithologies and alteration intersected by the drilling appeared to be very similar to the alteration halo around the Mount Isa copper deposit.

## 6.6 Environmental and Social Considerations

A number of the Constance Range EPMs are impacted by the Boodjamulla National Park, which encroaches onto the EPMs effectively sterilises that portion of the licence from exploration or development.

In addition, portion of EPM14712 covers a High Preservation region of the Gregory River Wild River Preservation Zone and is not available for exploration or development.

All tenements within Aeon's northwest Queensland portfolio of projects are subject to Native Title conditions. The status of Native Title negotiations and agreements varies according to tenement.

EPMs 14040, 14233, 14620, 14694, 14712, 14713, 14935, 15156 and 17300 are granted subject to compliance of the Native Title Protection Conditions (NTPCs). The NTPCs require the holder to serve a copy of the proposed program of works on any registered Native Title claimant before commencing exploration activities.

EPMs 11897 and 11898 are subject to the Kalkadoon and Indjilandji/Dithannoi ILUA. When conducting exploration activities on Native Title land, the holder must comply with all terms and conditions of that ILUA.

The Alternate State Provision (ASP) was a Native Title process used by the Queensland Government for the grant of EPMs during the period 2001 to 2004. Tenements granted in respect of either low impact or high impact activities include EPMs 13412, 13413, 13414 and 13682. These have progressed in accordance with the High Impact process. This process essentially requires the applicant to negotiate an agreement with the relevant Native Title parties to conduct high impact exploration activities within the tenement.

# 7 Forsayth Project

## 7.1 Location, Access and Infrastructure

Aeon's Forsayth Project is situated around the small settlement of Forsyth, approximately 40 km directly west of Einasleigh, 40 km south of Georgetown and some 300 km southwest of Cairns in northern Queensland. The permit is easily accessible by road on the Einasleigh to Forsayth public road.

Georgetown is connected by rail to Cairns and Townsville. The branch railway from the Cairns-Chillagoe line was extended from Einasleigh to Forsayth in 1910. The railway was used mainly for transporting copper ore to the Chillagoe smelters in the area.

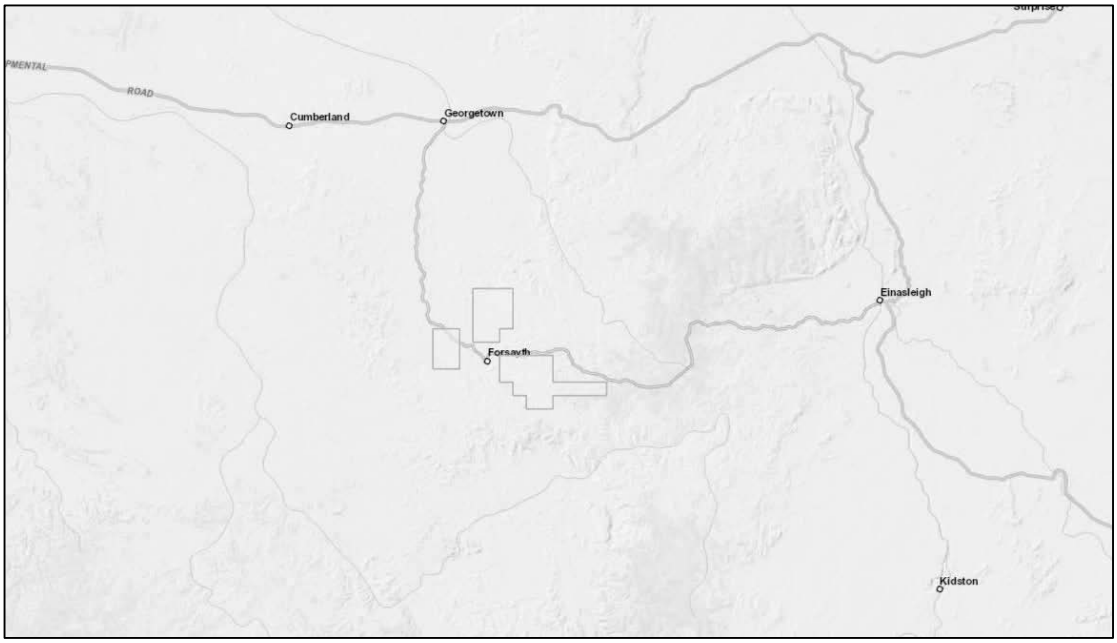



**Figure 7-1: Location of the Forsayth Project (EPM18359)**

## 7.2 Ownership, Status and Agreements

Aeon owns a 100% interest in EPM18359, registered in the name of its wholly owned subsidiary company, Aussie NQ Resources Pty Ltd. The permit was granted on 5 March 2013 for a period of five years.

**Table 7-1: Exploration Permit for Minerals of the Forsayth Project**

| Tenement | Status | Holder | Expiry | Area km$^2$ | Area (sub-blocks) |
|---|---|---|---|---|---|
| EPM18359 | Granted | Aeon 100% | 04/03/2018 | 58.9 | 19 |

Source: Queensland Government Department of Natural Resources and Mines, Aeon.

## 7.3 History

The permits lie within the Etheridge Goldfield, which was discovered in 1867 and has subsequently produced some 1.1 Moz of gold from over 50 workings.

The Forsayth area has been the subject of gold mining dating back to the late 1870s when the Caledonian, Just in Time, Ropewalk and other mines were opened up. The surface outcrop of the gold-bearing veins provided for easy access and mining with a number of treatment plants in operation.

Historic grades were commonly above 1 oz/t, but most veins were only worked in the oxide zone above the water table to avoid refractory sulphides. Cyanidation of tailings continued intermittently until 1939.

The first systematic modern exploration of the area was conducted by Howard-Smith exploration in the 1980s (later to become Queensland Metal Corp and then Australian Magnesium Corporation. A number of high-grade gold occurrences were located at this time; however, drill testing of several targets demonstrated to poor continuity of the high-grade gold mineralisation.

Numerous companies have explored of the Forsayth area and greater Georgetown area principally targeting gold, base metals, uranium and associated metals. Activities conducted include prospecting, geological and structural mapping, airborne and ground geophysical surveying, geochemical sampling and limited RC and diamond drilling.

## 7.4 Geology

### 7.4.1 Regional Setting

The permit lies within the Croydon Province, in the western part of the Precambrian Georgetown Inlier. The Georgetown Inlier consists largely of variably metamorphosed and deformed sedimentary and volcanic rocks of Proterozoic, Silurian-Devonian and Carboniferous-Permian granitoids.

The Croydon Province is a sequence of metamorphosed Proterozoic S-type volcanic rocks and related granites. Much of this sequence is variably overlain by scatter remnants of Mesozoic sedimentary rocks.

Exposed rocks of the Croydon Province are the rhyolitic to dacitic ignimbrite, rhyolite and rare andesite of the Croydon Volcanic Group, granites of the Esmeralda Supersuite and shallow-water quartzose, mainly arenaceous sedimentary rocks of the Inorunie Group which unconformably overlie the Croydon Volcanic Group. The Croydon Volcanic Group and Esmeralda Supersuite are contained within a cauldron subsidence structure and are interpreted to have been emplaced at about 1550 Ma, probably at the close of the main deformation event in the Forsayth Subprovince.

Metamorphism associated with the Precambrian granitic intrusions of the Forsayth Batholith has resulted in the development of high-grade metamorphic units along the contacts with the granites, with lower grade metamorphic units extending out from the contacts.

The Forsayth Batholith runs in a zone from south of the town of Forsayth to northwest of Georgetown and comprises granites, adamellite and granodiorite, commonly outcropping as a grey, even grained to porphyritic, muscovite-biotite granite.

Five main fault trends are present across the area, namely, north-south, east-west, northwest-southeast, north-northeast-south-southwest and north-northwest-south-southeast, with the first two being the more prominent. While gold mineralisation is often located within minor localised structures, it does not appear to be spatially associated with the first three structural trends.

Significant mesothermal gold deposits occur in the Croydon Goldfield. Historic production of approximately 60,000 kg of gold bullion is reported from rocks of the Croydon Province.

### 7.4.2 Exploration and adjacent projects

Aeon considers the Forsayth project prospective for deep porphyry-related hydrothermal gold, base metals and molybdenum mineralisation.

The old Einasleigh Copper Mine (1901 to 1921) is located on the northern edge of the Einasleigh township, 50 km east of Aeon's Forsayth permit. Copper Strike acquired an exploration license in the area in 2004. Subsequently, exploration has identified a new sulphide body that has not been

exploited by previous mining. Copper Strike undertook a feasibility study in June 2009.

In the same area lies the Kaiser Bill mine and 40 km south is the old Kidston Gold Mine.

There has been minimal on-ground exploration conducted by Aeon. In the 2016 reporting period, Aeon collected several grab geochemical samples from the known mining areas to allow a determination of alteration patterns for rocks exploited for gold in narrow veins within the altered granites.

### 7.4.3 Environmental and social considerations

SRK has accessed the DNRM website and determined that the permit is not located within unavailable and constrained land such as State Forests and Strategic Cropping Land that could potentially restrict exploration.

In addition, SRK notes that the Ewamian People have a Small-Scale Miners Indigenous Land Use Agreement that over lies this permit area.

# 8 Other Considerations

## 8.1 Market Conditions

### 8.1.1 Mining sector overview

Australia's mining boom is often described in terms of three phases: the price phase, the investment (or construction) phase and the production phase. Prior to 2004, Australia had not seen a sustained period of commodity price growth for several decades. Higher commodity prices drove massive growth in Australia's resources and energy sectors between 2004 and late 2011 – with the notable exception of the global financial crisis in 2009. This was the price phase of the boom.

The investment phase saw record spending on new mines, infrastructure and capacity, with the bulk of the investment ending in 2015. As capacity expanded, production volumes surged; however, the mining sector faced extremely challenging trading conditions as commodity prices softened and operating and capital costs soared, resulting in squeezed margins. In addition, economic uncertainty created volatility and risk aversion amongst investors limited capital raising options for mid-tier and junior resource companies.

Export values are now projected to decline over the production phase of the boom with this phase expected to peak around late 2019, with limited prospects for significant production growth thereafter. At this point, there are few major mining developments remaining in the investment pipeline. As a result, mining capital expenditure is expected to soften further in the short term, but should bottom out in the next few years.

As a result, mining companies are exercising more caution as evident in business expectations for mining capital investment, which suggest further declines into 2017 and 2018.

Exploration expenditure declined by 2.5 percent in the December quarter 2016, a 15 percent lower year on year. The decline in exploration expenditures continues to be driven by petroleum exploration with minerals exploration relatively stable over the past two years. Exploration expenditures by commodity are mixed with increases in exploration for gold, nickel, cobalt, copper and silver, lead and zinc. Coal, uranium and iron ore exploration declined. The generally subdued medium-term outlook for commodity prices makes it unlikely there will be substantial increases in exploration expenditure over the near to medium term conditions.

### 8.1.2 Copper market

World copper supply and consumption are expected to rise over the next five years, with the market forecast to tighten significantly over the medium term. Copper prices (London Metals Exchange, LME)) continued to rise into the March quarter 2017 to be at their highest level in almost two years (Figure 8-1). This rise is driven by expectations of broadly improve economic conditions and supply disruptions at three of the world's largest mines; Escondida in Chile, Grasberg in Indonesia and Cerro Verde in Peru.

Going forward, prices are forecast to average US$5,879 per tonne in 2017, before drifting lower to US$5,565 per tonne in 2018. Thereafter, copper price is expected to move higher from 2019 onwards as consumption growth outpaces supply. Copper prices are projected to increase to US$6,431 per tonne in 2022.

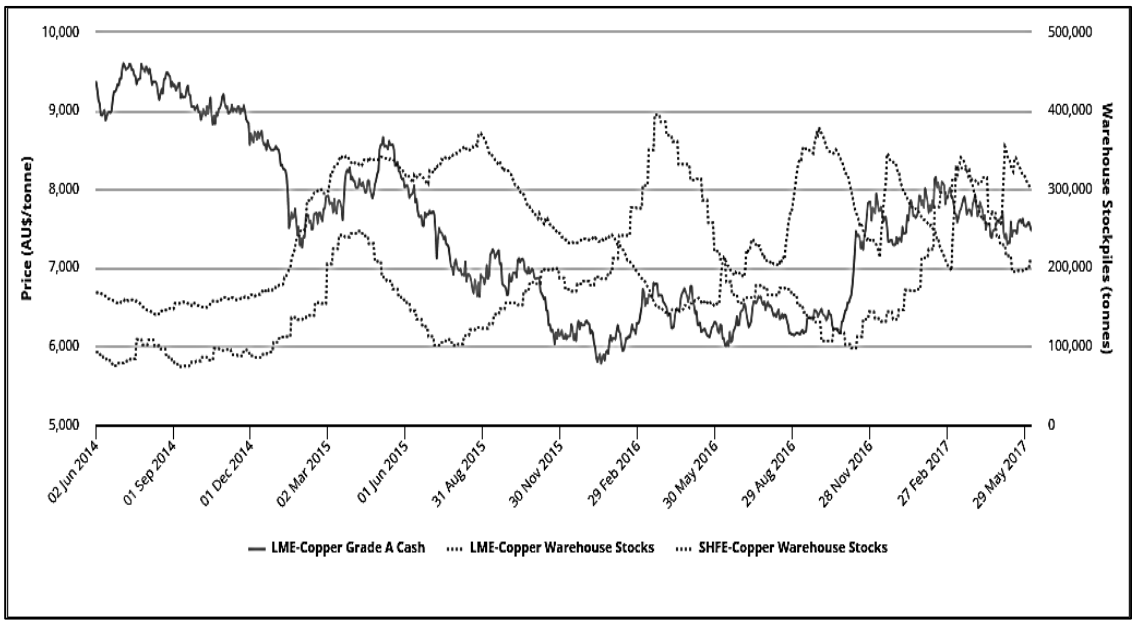



**Figure 8-1: LME copper cathode price (A$/t) and Inventory levels for past three years**

Source: SNL (accessed June 2017).

Australia's coper exploration expenditure increased by 12% year-on-year in 2016, to over A$135 M, the first yearly rise since the peak in 2012. The increase was largely due to the increased expenditure in Western Australia, which rose 71% to A$47 M. In 2016, copper accounted for 60% of the total exploration expenditure in base metals and 9.5% of total exploration expenditure on minerals. Despite improving in 2016, copper exploration remains at historically low levels; expenditure is around 60% lower than 2012 levels. Expenditure is expected to rise in 2017 as higher prices encourage new exploration.

### 8.1.3 Lead/ zinc market

The price for zinc and lead has risen 53% and 9% respectively in 2016 touching on 5-year highs with the LME zinc price averaging US$2,091 a tonne in 2006. The relative rise in zinc pricing through 2016 (reaching over $US2,700 a tonne by the end of 2016) is attributed to a combination of dwindling mine supply and resurgent demand largely driven by China's increased steel sector. According to the Office of the Chief Economist at the Australian Department of Industry, Innovation and Science (OCE), zinc production fell by 31% in 2015-16 on the back of ceased production from MMG's Century mine and decreased production from CBH's Endeavor mine (44% decrease) and Glencore's Mount Isa mine (23% decrease).

In 2016-17, Australia's zinc exports are forecast to decline 39% as a result of supply constraints which on the back of increased global consumption has contributed to a forecast continuance of zinc's price rally in the short term. Uncertainty prevails regarding the magnitude of zinc stocks being held outside of exchange warehouses. The zinc price is expected to rise over the rest of 2017, in line with changes to global fundamentals, averaging over US$2,700 a tonne for the year.

The lead market is similarly expected to tighten going forward on the basis of lower production.

This is likely to underpin positive market sentiments around new or existing zinc projects. Indeed, renewed activity from explorers in the base metals sector has seen expenditure on silver, lead and zinc exploration increase in 2017 thus far. However, with a short-term focus on market conditions,

current positive market sentiment does not appear to be as prominent in the base metal/silver exploration sector with markets remaining unmoved on positive exploration results in recent months.

In 2018, prices will be supported by constrained production and modest consumption growth in the automobile and infrastructure sectors.

The responsiveness of producers to recent high prices presents a significant risk to the outlook. If prices stay strong, production at existing operations, particularly in China, will increase substantially.

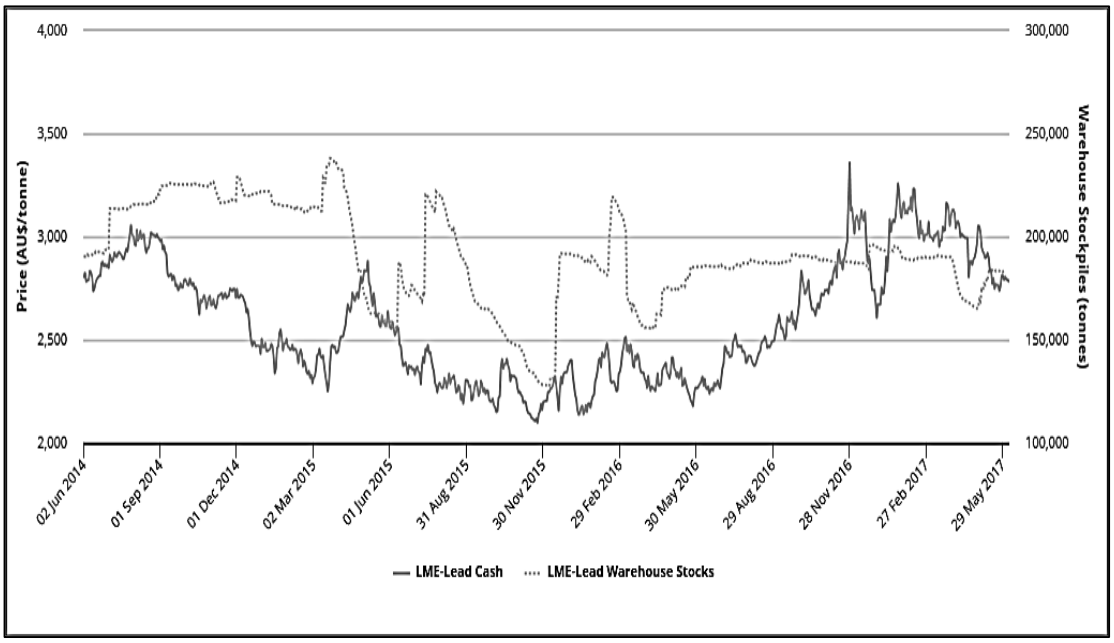



**Figure 8-2: Lead price (A$/tonne) and stockpile volume history**

Source: SNL (accessed June 2017).

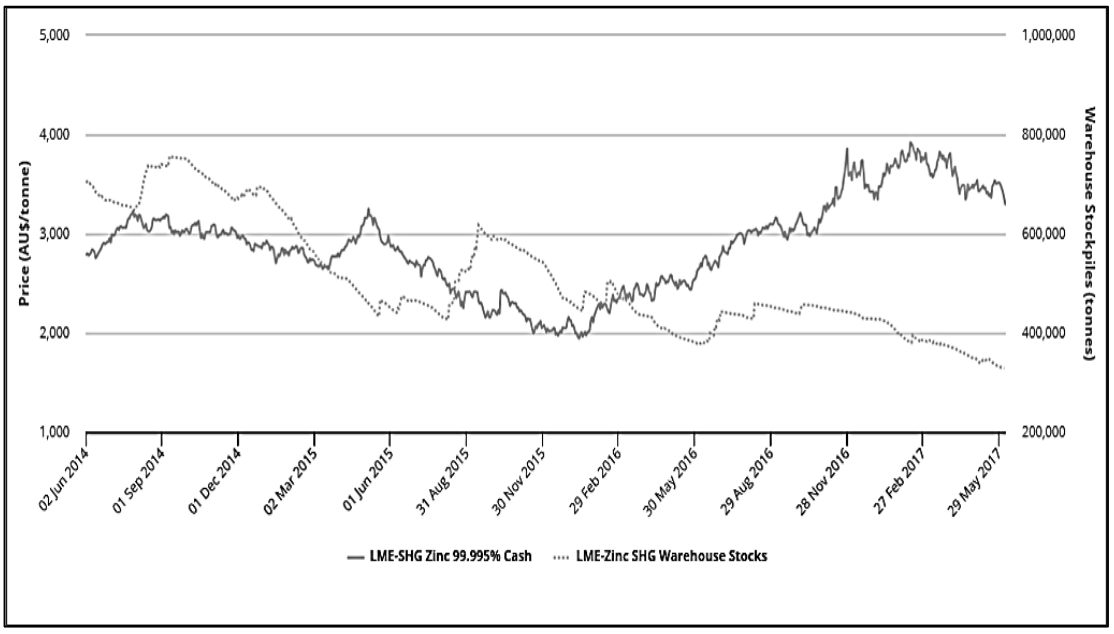



**Figure 8-3: Zinc price (A$/tonne) and stockpile volume history**

Source: SNL (accessed June 2017).

### 8.1.4 Cobalt Market

The price of cobalt has made a steady year-on-year recovery since 2011 but in has recently surged around 40% since February 2017 to more than US$55,000 a tonne. The relative rise in cobalt pricing is attributed to increased demand (driven by the electronics and battery markets and projections) and relatively stagnant supply growth. Recent marked surges in cobalt pricing appear more related to concerns over the current global supply chains security of supply.

Possible factors in the recent price surge include the ongoing human rights concerns around cobalt production from the Democratic Republic of Congo (DRC). Currently, more than half of the world's supply of cobalt comes from the DRC. Geopolitical risk may also be influencing with presidential elections scheduled for 2018. The race to secure supply is complicated by the possibility that major technology companies may source cobalt from alternative, and possibly yet to be established, supply chains.

China Molybdenum's recent acquisitions in the DRC to secure 15% of the global cobalt market further tightened the market supply and hinted that security of supply will impact commodity prices in the short term.

This opening in the market has fuelled speculation around cobalt supply in a market which appears to be in transition. This transition has seen explorers and producers alike reposition themselves to enter the cobalt market to take advantage of the supply weaknesses. Whilst there are a number of projects that could potentially produce cobalt, many are still in the early stages of assessment and development and several years away from potential production.

On the back of these basic fundamentals, strong cobalt pricing is anticipated to continue a medium-term supply constrained market and a significant uptick in demand due to increased development of power storage devices which covers products from electronic tablets to electric vehicles.

With respect to the current cobalt spot price, the outlook remains cautious around investment decisions based on spot prices alone.

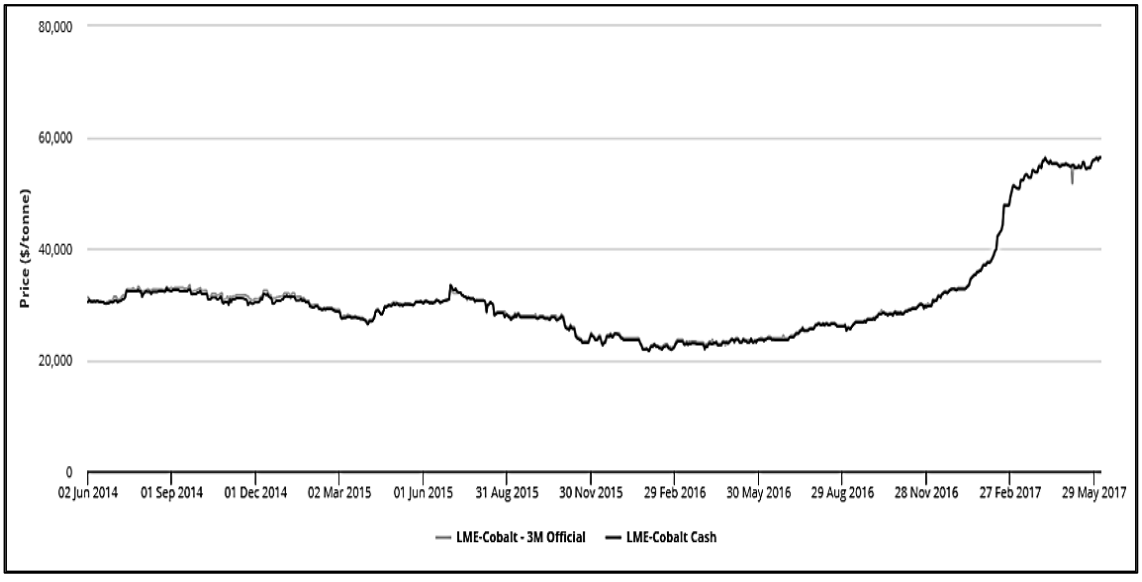



**Figure 8-4: Cobalt price (A$/tonne)**

Source: SNL (accessed June 2017).

### 8.1.5 Exchange rates

In the Australian base metals industry, revenue and profit generally reflect trends in metal production, US$ commodity prices and the US$/A$ exchange rate. Expectations that US$ denominated commodity prices will rise moderately and the A$ exchange rate will depreciate moderately, support higher base metals prices in A$ terms over the medium term. During this period, fluctuations in commodity prices are expected to cause some volatility in sector revenue.

## 8.2 Previous Valuations

The VALMIN Code requires that an Independent Valuation report should refer to other recent valuations or Expert Reports undertaken on the mineral properties being assessed.

Between November 2010 and May 2011, Mining One prepared two valuation of Copper Strike's entire mineral asset portfolio, including the Walford Creek Project. Using a combination of market transaction and in situ multiples, Mining One estimated the value of the Walford Creek Resource at that time, which consisted of an Inferred Resource totalling 6.5 Mt grading 0.6% Cu, 2.1% Zn, 1.6% Pb, 0.07% Co and 21 g/t Ag. SRK notes that this resource is considerably smaller than that currently outlined at Walford Creek.

Mining One's estimated value range for the Inferred Resource and associated exploration potential at Walford Creek resides between A$2.83 M and A$4.67 M with a preferred value of A$3.75 M.

SRK notes that the value derived by Mining One in November 2010 and May 2011 (which are the same), are considerably lower than SRK's currently estimated value for the Walford Creek Project. Furthermore, SRK notes that the valuation methodologies were consistent between both valuations. However, SRK considers this reasonable given the significantly larger Mineral Resource base currently outlined at Walford Creek, relative to that in 2010/11.

On 25 March 2015, Aeon issued a Notice of Meeting for approval to permit OCP Asia (Hong Kong) Limited, Centar SP3 Limited and OL Master Limited to increase their voting power in the Company's shares to more than 20% through the exercise of certain warrants. Xstract, as the independent technical specialist to the Grant Thornton IER, valued Aeon's mineral assets between A$35.6 M and A$75.1 M, with a preferred value of A$52.4 M. This Notice of Meeting was withdrawn from shareholder approval on 16 June 2015. A subsequent Notice of Meeting was issued on 29 September 2015, by which Xstract updated its valuation to A$37.9 M to A$75.6 M with a preferred value of A$54.6 M. A summary of market value of Aeon mineral assets is presented below:

**Table 8-1: Summary of Xstract's 2015 market value of Aeon's mineral assets**

| Project | Low (A$ M) | High (A$ M) | Preferred (A$M) |
|---|---|---|---|
| Walford Creek | 24.0 | 42.3 | 33.1 |
| Gladstone | 10.8 | 24.3 | 17.1 |
| Constance Range | 0.5 | 1.5 | 0.7 |
| Isa North | 1.2 | 3.4 | 1.7 |
| Isa West | 0.5 | 1.5 | 0.7 |
| Isa South | 0.8 | 2.3 | 1.2 |
| Forsayth | 0.1 | 0.3 | 0.1 |
| **Total Market Value** | **37.9** | **75.6** | **54.6** |

Having made due enquiries of Aeon, SRK is not aware of any other publicly available valuations pertaining to the Company's current permit areas.

# 9 Valuation

## 9.1 Valuation Approaches

While the VALMIN Code (2015) states that the selection of the valuation approach and methodology is the responsibility of the Practitioner, where possible, SRK considers a number of methods.

The aim of this approach is to compare the results achieved using different methods to select a preferred value within a valuation range. This reflects the uncertainty in the data and interaction of the various assumptions inherent in the valuation.

The VALMIN Code (2015) outlines three generally accepted Valuation approaches:

1 Income Approach;

2 Market Approach; and

3 Cost Approach.

The *Income Approach* is based on the principle of anticipation of benefits and includes all methods that are based on the income or cash flow generation potential of the Mineral Property (VALMIN, 2015). Valuation methods that follow this approach include Discounted Cash Flow (DCF) modelling, Monte Carlo Analysis, Option Pricing and Probabilistic methods.

The *Market Approach* is based primarily on the principle of substitution and is also called the Sales Comparison Approach. The Mineral Property being valued is compared with the transaction value of similar Mineral Properties, transacted in an open market (CIMVAL, 2003). Methods include comparable transactions, metal transaction ratio (MTR) and option or farm-in agreement terms analysis.

The *Cost Approach* is based on the principle of contribution to value (CIMVAL, 2003). Methods include the appraised value method and multiples of exploration expenditure, where expenditures are analysed for their contribution to the exploration potential of the Mineral Property.

The applicability of the various valuation approaches and methods vary depending on the stage of exploration or development of the property, and hence the amount and quality of the information available on the mineral potential of the property. Table 9-1 presents the various valuation approaches for the valuation of mineral properties at the various stages of exploration and development.

**Table 9-1: Suggested valuation approaches according to Development status**

| Valuation Approach | Exploration Projects | Pre-Development Projects | Development Projects | Production Projects |
|---|---|---|---|---|
| Market | Yes | Yes | Yes | Yes |
| Income | No | In some cases | Yes | Yes |
| Cost | Yes | In some cases | No | No |

Source: VALMIN Code (2015).

The Market approach to valuation is generally accepted as the most suitable approach for valuation of a pre-development or exploration project.

An income-based method, such as a Discounted Cash Flow (DCF) model is commonly adopted for assessing the Value of a Tenure containing a deposit where an Ore Reserve has been produced following appropriate level of technical studies and to accepted technical guidelines such as the JORC Code (2012). However, an income-based method is not considered an appropriate method for projects that are less advanced, (i.e. where there is not a declared Ore Reserve and supporting mining and related technical studies). As this Valuation only considers exploration results, income-based

methods of valuation are not considered within the context of this Valuation. In SRK's opinion, an estimate of NPV based upon 77% of Inferred Resources cannot be relied on for the Vardy Resource or Global Resource. SRK therefore prefers to use Comparative Transactions and the Yardstick method as the primary methods of valuation.

The use of cost-based methods, such as considering suitable multiples of exploration expenditure is best suited to exploration properties, before Mineral Resources are reliably estimated. As current Mineral Resources have not been declared, cost-based methods of valuation are one of the methods considered albeit deemed to be less suitable than market-based methods of valuation for these properties.

In general, these methods are accepted analytical valuation approaches that are in common use for determining Market Value (defined below) of mineral assets, using market derived data.

The **"Market Value"** is defined in the VALMIN Code (2015) as, in respect of a mineral asset, the amount of money (or the cash equivalent of some other consideration) for which the Mineral Asset should change hands on the Valuation date between a willing buyer and a willing seller in an arm's length transaction after appropriate marketing wherein the parties each acted knowledgeably, prudently and without compulsion. The term Market Value has the same intended meaning and context as the International Valuation Standards Committee ("IVSC") term of the same name. This has the same meaning as Fair Value in RG111. In the 2005 edition of the VALMIN Code this was known as Fair Market Value.

The **"Technical Value"** is defined in the VALMIN Code (2015) as an assessment of a Mineral Asset's future net economic benefit at the Valuation Date under a set of assumptions deemed most appropriate by a Practitioner, excluding any premium or discount to account for market considerations. The term Technical Value has an intended meaning that is similar to the IVSC term Investment Value.

Valuation methods are, in general, subsets of valuation approaches and for example the Income Based Approach comprises several methods. Furthermore, some methods can be considered to be primary methods for valuation, while others are secondary methods or rules of thumb considered suitable only to benchmark valuations completed using primary methods.

An overview of a number of methods traditionally used to value exploration properties includes:

- Multiples of Exploration Expenditure (MEE);
- Joint Venture Terms Method (expenditure-based);
- Geoscience Ratings Methods (e.g. Kilburn – area-based);
- Comparable Market Value Method (real estate based);
- Metal Transaction Ratio (MTR) Analysis (ratio of the transaction value to the gross dollar metal content, expressed as a percentage - real estate based);
- Yardstick/Rule of Thumb Method (e.g. A$/Resource or production unit, percentage of an in situ value); and
- The geological risk method.

In summary, however, the recognised valuation methods are designed to provide an estimate of the mineral asset or property value in each of the various categories of development. In some instances, a particular mineral asset or property or project may comprise assets which logically fall under more than one of the previously discussed development categories.

## 9.2 Valuation Basis

SRK has considered Aeon's Queensland landholdings and the areal extent and exploration potential of the granted tenure (Table 9-2).

**Table 9-2: Valuation Basis of Aeon's Assets**

| Mineral Asset | Tenements | Development Stage | Valuation basis |
|---|---|---|---|
| Walford Creek | EPM's 18552, 14220 | Early to Advanced stage exploration | Exploration Potential |
| | EPM14854 | Advanced stage exploration | Resources & Exploration Potential |
| Gladstone | EPMs 17002, 17001, 15922, 15921, 15920, 14628, 17060, 19029, 14627 | Early stage Exploration | Exploration Potential |
| | EPM15921 | Early to Advanced stage exploration | Exploration Potential |
| | MDL462, EPM14628 | Advanced stage exploration | Resources & Exploration Potential |
| Isa South | EPMs 12653, 13412, 13413, 13682, 14040, 14233, 14821, 15156, 15911, 17297 | Early stage Exploration | Exploration Potential |
| Isa West | EPMs 11897, 11898, 15212, 18395, 18769 | Early stage Exploration | Exploration Potential |
| Isa North | EPMs 14694, 16921, 17300, 17511, 17513, 17514, 17519 | Early stage Exploration | Exploration Potential |
| Constance Range | EPMs 14712, 14713, 14935, 15186 | Early stage Exploration | Exploration Potential |
| Forsayth | EPM18359 | Early stage Exploration | Exploration Potential |

## 9.3 SRK's Valuation Technique

In estimating the value of Aeon's assets as at the valuation date, SRK has considered various valuation methods within the context of the 2015 VALMIN Code.

The valuation method applied depends on the relative maturity of assessment for each asset, as well as the amount of available data supporting the project. In preparing its valuation of Aeon's assets, SRK has considered the three main approaches (income, market, and cost) as well as the available methodologies under each approach. Aeon's assets range from early to advanced stage exploration.

SRK's approach has been to use a sum of parts valuation that relies upon the following key assets and valuation methodologies:

- Resources within the Walford Creek and Gladstone Projects – using metal transactions ratio (MTR) multiples implied by recent and relevant transactions involving similar properties to Walford Creek and/or Gladstone. The implied value using MTR was then validated by the Yard Stick method.
- Early stage exploration projects at Constance Range, Isa North, Isa West, Isa South, Gladstone and Forsayth – using the Geoscientific Rating method with support from transaction multiples.

This valuation is on an equity basis with an effective date as of 19 June 2017. Aeon's assets range from early to advanced stage exploration.

### 9.3.1 Comparable transactions and company multiples

## Mineral Resources

In SRK's view, Aeon's Walford Creek Project, and the Greater Whitewash and Ben Hur projects within the Gladstone Project represent advanced stage exploration projects as defined in the VALMIN Code, with activities to date resulting in the estimation of Mineral Resources prepared in accordance to either the 2004 or 2012 editions of the JORC Code.

SRK has used MTR transaction and company multiples, as well as the Yardstick method to value the defined polymetallic Mineral Resources at Walford Creek, Greater Whitewash and Ben Hur.

While evaluating these transactions, SRK has considered the MTR in order to compare projects with more than one predominant metal or potential for future metal credits. The MTR was calculated using the stated metal grades of the defined resources and prevailing commodity prices as at the time of the transaction. SRK has also considered each transaction in terms of the commodity price at the time of the transaction and used the ratio of that price to normalise each transaction to current commodity prices.

The MTR is the property value (on a 100% equity basis) divided by the gross dollar metal content of the defined resources. Note that the gross dollar metal content cannot be considered a value and is only used here for the purpose of deriving the MTR. SRK notes that it has not attempted to disclose JORC Code Compliant Mineral Resources using metal equivalents in this report.

Importantly, SRK's calculation is for the purposes of our valuation and does not attempt to estimate or reflect the metal tonnes likely to be recovered as required under JORC Code 2012. In our opinion, the above approach is consistent with valuation methodology that would be adopted by potential purchasers under the fair market concept.

SRK notes that the MTR method uses the same data as would be considered to derive the implied metric of the A$/t of metal equivalent (i.e. Cu metal ratio as was considered in Xstract's 2015 Valuation of Aeon), however in the MTR, the purchase price is expressed as a percentage of the in situ metal value, as opposed to a A$/t basis. SRK notes that Xstract also used MTRs in its 2015 Valuation.

## Transaction Multiples

#### Polymetallic Projects

Walford Creek is a polymetallic project that has traditionally been evaluated by the market for its base metals content. However, SRK is cognisant that with the rising cobalt price, the market may now be considering the Walford Creek Project as a potential cobalt play as it has been used as a peer comparable by a number of analysts evaluating Australian cobalt companies (i.e. Canaccord Genuity, "Speciality Minerals and Metals" dated 25 May 2017).

In considering the inclusion of recent cobalt transactions to inform its transaction dataset, SRK notes the following:

- Projects hosting cobalt include both base metal sulphide projects and lateritic nickel projects. In SRK's opinion, only base metal sulphide projects should be considered in terms of comparability with Walford Creek as the ultimate processing route for nickel laterites is markedly different (both in terms of extractive metallurgy, equipment, capital and operating costings and technical risk). As such only projects involving sulphide style mineralisation have been considered.
- The comparable transaction method is based on the concept of substitution and as such the two assets should be as close as possible in terms of comparability. In considering the recent transaction market for cobalt projects, SRK notes that many transactions involved projects located in jurisdictions outside of Australia. In SRK's opinion, consideration should only be given to cobalt-

bearing projects in Australia as the geopolitical profile of other jurisdictions is markedly different to the prevailing conditions in Australia. For example, in SRK's opinion the same pre-development project would likely transact a lower price in the DRC than if it were in Australia due to the higher perceived risks associated with project development in the DRC.

Using the Intierra and SNL subscription databases, SRK compiled transactions involving Australian polymetallic projects involving JORC Code Compliant Mineral Resources which transacted during the period August 2009 to the present (i.e. the post Global Financial Crisis) to assist in establishing the likely market value of the Walford Creek Project. A total of 20 transactions were identified and analysed according to the stated total transaction values. All values and implied values are in A$.

The projects considered ranged from Advanced Exploration (Resource delineation) to Pre-Development and Mining projects. The analysis included stated Resources classified as Inferred or higher. Further details relating to these transactions are provided in

The implied multiples from SRK's analysis are presented in Table 9-3.

**Table 9-3: Typical transaction factors of polymetallic projects**

| Factor | MTR (%) | Normalised MTR (%)* |
|---|---|---|
| With Outliers considered | | |
| Median | 0.645% | 0.575% |
| Average | 1.295% | 1.303% |
| Weighted Average | 2.591% | 2.592% |
| Without Outliers | | |
| Median | 0.545% | 0.531% |
| Average | 0.544% | 0.536% |
| Weighted Average | 0.410% | 0.401% |

*Transactions have been normalised using the Copper Price.

Based on its review of the relevant transaction data, SRK considers the transactions that are most comparative are those which contain cobalt as part of their Resource mix. These transactions are the Mount Gunson (2017), Walford Creek (2010), Millenium (2017) and Barbara (2017) (refer to Appendix A). On this basis, SRK has elected to assign an implied MTR value range of 0.40% to 0.60% to the Walford Creek Resource.

**Copper Molybdenum Projects**

Using the Intierra and SNL subscription databases, SRK compiled 17 transactions involving Australian resource-stage copper and molybdenum projects transacting during the period June 2006 to the present to assist in establishing the likely market value of the Whitewash and Ben Hur Projects. A total of nine transactions were considered suitable for the comparative analysis according to the stated total transaction values. All values and implied values are in A$.

The projects considered ranged from Advanced Exploration (Resource delineation) to Pre-Development and Mining projects. The analysis included stated Resources classified as Inferred or higher. Further details relating to these transactions are provided in Appendix B

The implied multiples from SRK's analysis are presented in Table 9-4.

**Table 9-4: Typical transaction factors of copper molybdenum projects**

| Factor | MTR (%) | Normalised MTR (%)* |
|---|---|---|
| With Outliers considered | | |
| Median | 0.126% | 0.098% |
| Average | 0.547% | 0.481% |
| Weighted Average | 0.212% | 0.183% |
| Without Outliers | | |
| Median | 0.112% | 0.098% |
| Average | 0.223% | 0.206% |
| Weighted Average | 0.128% | 0.114% |

*Transactions have been normalised using the Copper Price.

Based on its review of the relevant transaction data, SRK considers the transactions that are most comparative to those at Whitewash and Ben Hur are those which contain copper and molybdenum as part of their resource mix. These transactions are the Spinifex Ridge (2006), Yeoval (2011), Unicorn (2013), Calingiri (2015) Temora & Currumburrama (2015) and Pelican (2013) (refer to Appendix B). On this basis, SRK has elected to assign an implied MTR value range of 0.15% to 0.30% to the Whitewash and Ben Hur resources.

### Exploration potential

SRK also considered market transactions involving Australian early stage exploration projects, which transpired between December 2008 and present to assist in determining the likely market value of Aeon's early stage and regional exploration holdings.

Based on the SNL subscription database, SRK identified 23 early stage exploration market transactions and selected 16 transaction and joint venture terms of projects that were considered prospective for polymetallic mineralisation. These 16 transactions are listed in Appendix A.

The implied value (on an A$/km$^2$ basis) was then normalised by multiplying the copper price at the time of the transaction and dividing by the copper price at the valuation date. This effectively expresses all transactions between 2008 and 2017 in the value of the copper price as at the valuation date.

Based on its analysis, SRK notes that the implied multiples of these early stage exploration transactions largely reside between A$50/km$^2$ and A$2,500/km$^2$, depending on their prospectivity and stage of exploration completed. The average of this data set is approximately A$500/km$^2$.

## 9.3.2 Yardstick method

In order to verify its valuation of Aeon's JORC Code Compliant Mineral Resources using MTR multiples, SRK has also considered the Yardstick method. In the Yardstick method of valuation, specified percentages of the spot price of the metal are applied to the defined Mineral Resources, as listed in Table 9-5.

**Table 9-5: Typical Yardstick factors**

| Resource | Percentage of the spot price |
|---|---|
| Measured | 2% to 5% |
| Indicated | 1% to 2% |
| Inferred | 0.5% to 1% |
| Target | <0.5% |

### 9.3.3 Geoscientific Rating Method

The Geoscientific Rating method attempts to assess the relevant technical aspects of a property through the use and ranking of appropriate factors applied to a Base Acquisition Cost (BAC). The BAC represents the average cost incurred by a Tenement Holder or Explorer to identify, apply for and then retain a unit area of the exploration licence of title (Goulevitch and Eupene, 1994), including statutory expenditure costs. The BAC forms the starting value from which a technical valuation range is then estimated.

The factors used for the technical rating include Off-property, On-property, Geology and Anomaly aspects. The ranking of these key factors will either enhance or reduce the intrinsic value of a property. A further factor, the Market factor, may then be considered in order to derive a Fair Market Value.

Table 9-6 summarises the modified property rating criteria.

Having reviewed the technical aspects of the mineral assets in relation to the Chillagoe and Mount Morgan projects, SRK considers the Geoscientific Rating approach appropriate for valuation of the Exploration Potential.

The Geoscientific Rating approach requires the Practitioner to assess and grade the relevant factors. The BAC is then sequentially multiplied by these factors to produce a Technical Value range. A Market factor is then applied to arrive at a Market Value range.

**Limits of the Method**

The Geoscientific Rating method has some limitations, such as the Technical Valuation may not include all relevant factors such as the accuracy of the BAC, the size of the property (small areas may be undervalued), other geological factors (depth of target mineralisation) or other non-geological technical factors such as environmental and cultural heritage considerations.

For the purpose of this valuation, SRK has not undertaken an assessment of factors such as environmental, cultural heritage and also does not review sovereign risk liabilities in the Geoscientific Rating method.

## Base Acquisition Cost (BAC) estimate adopted for this Valuation

A BAC of A$500/km$^2$ has been estimated for an average Queensland EPM. The rating criteria used for assessing the modifying factors are provided in Table 9-6. These criteria have been modified by SRK.

**Table 9-6: Geoscientific ratings table (after Xstract, 2010)**

| Rating | Off-Property Factor | On-Property Factor | Anomaly Factor | Geological Factor |
|---|---|---|---|---|
| 0.1 | | | | Unfavourable geological setting |
| 0.5 | | | Extensive previous exploration gave poor results | Poor geological setting |
| 0.9 | | | Poor results to date | Generally favourable geological setting, undercover |
| 1 | No known mineralisation in district | No known mineralisation on lease | No targets outlined | Generally favourable geological setting |
| 1.5 | Minor workings | Minor working or mineralised zones exposed | Target identified, initial indications positive | |
| 2 | | | | |

| Rating | Off-Property Factor | On-Property Factor | Anomaly Factor | Geological Factor |
|---|---|---|---|---|
| 2.5 | Several old workings in district | Several old workings or exploration targets identified | Significant grade intercepts evident, but not linked on cross or long sections | Favourable geological setting, with structures or mineralised zones |
| 3 | Mine or abundant workings with significant previous production | Mine or abundant workings with significant previous production | | Significant mineralised zones exposed in prospective host rock |
| 3.5 | | | Several economic grade intercepts on adjacent sections | |
| 4 | Along strike from a major deposit(s) | Major mine with significant historical production | | |
| 5 | Along strike from a world class deposit | | | |
| 10 | | World class mine | | |

## 9.4 Value of Mineral Resources and Exploration Target

### Walford Creek

### Mineral Resource

In SRK's view, the Walford Creek pre-development resource represents an advanced exploration project. The defined resource consists of a total of 73.3 Mt at 0.4% Cu, 0.85% Pb, 0.85% Zn, 23.5 g/t Ag and 813 ppm Co for 296,000 t Cu. Of the stated Resource, some 22% is at an Indicated level of confidence (on a contained metal basis) and the remainder at an Inferred level of confidence. Comparable transactions and joint venture terms on a MTR basis have been used to derive an implied value for the stated resources.

For valuing Aeon's defined Mineral Resources, SRK has calculated MTR using the pricing assumptions listed in Table 9-7.

**Table 9-7: Metal price assumptions**

| Metal | Unit | Total |
|---|---|---|
| Gold | A$/troy oz | 1681.82 |
| Copper | A$/t | 7,545.52 |
| Lead | A$/t | 2,947.92 |
| Zinc | A$/t | 3,471.37 |
| Silver | A$/troy oz | 23.94 |
| Cobalt | A$/t | 74,383.08 |
| Molybdenum | A$/t | 22,874.69 |
| Exchange rate* | A$:US$ | 0.74 |

Note: Metal prices based May 2017 average prices.

*Assumed A$:US$ exchange rate.

Application of these assumed prices to Table 4-3 implies the gross dollar metal content for the Walford Creek Resource as outlined in Table 9-8.

**Table 9-8: Walford Creek Resource**

| Metal | Unit | Indicated | Inferred | Total |
|---|---|---|---|---|
| Copper | kt | 75 | 221 | 296 |
| Lead | kt | 135 | 491 | 626 |
| Zinc | kt | 166 | 457 | 623 |
| Silver | Moz | 10.5 | 44.9 | 55.4 |
| Cobalt | kt | 14.8 | 44.8 | 59.6 |
| Gross dollar metal content | A$ M | 2,879.5 | 9,145.7 | 11,954.1 |
| Gross dollar metal content^ | A$ M | 1,532.3 | 4,713.6 | 6,211.9 |

Gross dollar metal content = (Contained metal x metal prices).

^Scenario if credits from silver and cobalt are excluded.

Errors due to rounding.

Application of the implied MTR % range (0.4% to 0.6% as derived through our analysis of recent Comparable Transactions) yields a value of A$47.82 M to A$71.72M for the Walford Creek Resource. SRK note the valuation using this method is highly sensitive to the cobalt metal content and cobalt commodity price. Excluding Cobalt and Silver from the MTR analysis yields a value of range of A$24.9 M to A$37.3 M. Given the recent spike in the cobalt price and SRK's opinion regarding the likely sustainability of such a price increase, we have considered both cases in determining our overall opinion on value.

As a cross-check on the implied value as determined using MTR, SRK has also considered the Yardstick method. The Yardstick Factors of 0.5% to 2% of the Metal Price Assumptions applied to the Walford Creek Inferred and Indicated Resource yields a range of A$73.9 M to A$147.7 M. If Cobalt and Silver are excluded from the methodology than the Inferred and Indicated Resource yields a range of A$38.4 M to A$76.9 M.

In considering the likely value of the Walford Creek Mineral Resource, SRK suggests a preferred value towards the lower end of the implied value range, in recognition of: (a) the isolated location of the project; (b) the predominantly Inferred classification of the Walford Creek Resource; (c) potential difficulties in converting the resources to reserves; (d) SRK's opinion regarding the ultimate metallurgical recoveries for both silver and cobalt; and (e) the project's likely appeal in the market, given it is unlikely to be attractive to major base metals producers and junior/mid-tier companies who are currently struggling to secure project funding. As such, SRK has placed greater weight on the values implied by the MTR and Yardstick methods (without consideration of silver and cobalt credits).

In light of the above, SRK considers that using a combination of MTR and Yardstick valuation methods, the market value for Aeon's 100% interest in the Walford Creek Mineral Resource lies in the range **A$55.0 M** to **A$70.0 M**, with a preferred value of **A$60.0 M**.

## Previous transactions

There have been three previous but relatively recent transactions involving the current Walford Creek Project.

- In 2008, Copper Strike (CSE) signed an agreement with Walford Consolidated Pty Ltd (WCPL), whereby WCPL could earn a 25% interest in CSE's Walford Creek properties by expenditure of A$1 M over one year. The deposit contained a previously reported Inferred Resource of 6.5 Mt containing 0.6% Cu, 1.6% Pb, 2.1% Zn, 25g/t Ag and 0.07% Co.
- In 2010, CSE entered a Joint Venture Agreement with unlisted explorer MM Mining Ltd (MMM) whereby MMM could earn up to a 70% interest in the Walford Creek EPMs through expenditure of A$4 M in two stages. The Inferred Resource had not increased from the transaction in 2008.

- In May 2011, CSE entered into an agreement for the sale of the entire Walford Creek Project to Aston Copper Pty Ltd (Aston), for a cash sum of A$2.5 M. The Agreement with MMM was novated to Aston.

Importantly, the currently stated Mineral Resource is significantly larger than that defined at the time of any of the previous transactions. Further, the Resources have since been subjected to preliminary mining studies providing information on the potential economic viability of the asset.

### 9.4.1 Gladstone Project

In SRK's view, the Greater Whitewash and Ben Hur Sub-projects are advanced exploration projects.

The Greater Whitewash resource consists of a total of 242 Mt at 0.12% Cu, 1.54 g/t Ag and 258 ppm Mo for approximately 283,000 t of Cu only. Of the stated Resource, some 78% is at an Indicated level of confidence (on a contained metal basis) and the remainder at an Inferred level.

Similarly, the Ben Hur resource consists of an Inferred Resource of 62 Mt at 0.30% Cu, 1.30 g/t Ag and 120 ppm Mo for total of approximately 186,000 t of Cu. The entire Resource is classified as Inferred.

Application of commodity prices outlined in Table 4-3 to the contained metal contents implies the gross dollar metal content for the Greater Whitewash and Ben Hur Resources as outlined in Table 9-9.

**Table 9-9: Gladstone Project Resources**

| Tonnes / Metal | Unit | Greater Whitewash | | Ben Hur |
|---|---|---|---|---|
| | | Indicated | Inferred | Inferred |
| Tonnes | Mt | 185 | 56 | 62 |
| Copper | % | 0.12 | 0.11 | 0.30 |
| Silver | g/t | 1.55 | 1.54 | 1.30 |
| Molybdenum | ppm | 263 | 239 | 120 |
| Copper | kt | 222 | 62 | 186 |
| Silver | Moz | 9.2 | 2.8 | 2.6 |
| Molybdenum | kt | 49 | 13 | 7 |
| **Gross dollar metal content** | **A$ M** | **3,008.8** | **837.34** | **3,906.3** |

Gross dollar metal content = (Contained metal x metal prices).

Errors due to rounding.

## Greater Whitewash Resource

Application of the implied MTR % range (0.4% to 0.6% as derived through our analysis of recent Comparable Transactions) yields a value of A$5.9 M to A$11.7 M for the Greater Whitewash Resource.

To verify these results, SRK also considered the Yardstick method. The Yardstick Factors of 0.5% to 2% of the June average copper spot price applied to the Greater Whitewash Resource yields a range of A$34.5 M to A$69.0 M.

In considering the likely value of the Greater Whitewash Mineral Resource, SRK suggests a preferred value towards the lower end of the implied value range, in recognition of (a) the very low grade (0.21% Cu metal ratio) relative to a number of other transactions and resources held by similar companies; (b) impact of low grade on potential economic viability; and (c) the appeal of these defined resources to the market which is constrained by a lack of capital and risk aversion. As such, SRK has placed greater weight on the values implied by the transaction and company data.

Using a combination of the MTR and Yardstick methods, SRK considers the market value of Aeon's 100% interest in the Greater Whitewash Resource resides in the range **A$5.0 M** to **A$12.0 M**, with a preferred value of **A$8.5 M**. In selecting this range, SRK has placed greater weight on the values implied by the MTR method, given our perception of the likely value to be placed on these assets by the market given their development status, risk profile and the current constrained financial capacity of likely purchasers.

### Ben Hur Resource

Application of the implied MTR % range (0.4% to 0.6% as derived through our analysis of recent Comparable Transactions) yields a value of A$2.5 M to A$4.9 M for the Ben Hur Resource.

To verify these results, SRK also considered the Yardstick method. The Yardstick Factors of 0.5% to 2% of the June average copper spot price applied to the Ben Hur Resource yields a range of A$8.4 M to A$16.8 M.

In considering the likely value of the Ben Hur Mineral Resource, SRK suggests a preferred value towards the lower end of the implied value range, in recognition of (a) the Inferred classification of the defined resources; (b) the very low grade (0.35% Cu metal ratio) relative to a number of other transactions and resources held by similar companies; and (c) the likely attractiveness of this asset to the market in light of current capital constraints and focus on low risk assets. As such, SRK has placed greater weight on the values implied by the transaction and company data.

SRK recommends that Aeon's 100% interest in the Ben Hur Resource be valued in the range **A$2.0 M to A$5.0 M**, with a preferred value of **A$3.5 M**. In selecting this range, SRK has placed greater weight on the values implied by the MTR method, given our perception of the likely value to be placed on these assets by the market given their development status, risk profile and the current constrained financial capacity of likely purchasers.

## 9.5 Exploration Potential

### 9.5.1 Geoscientific Rating method

SRK has used the Geoscientific Rating method as its primary method to estimate the market value of Aeon's Queensland exploration permits, outside of the defined Mineral Resources.

The Geoscientific rating method systematically assesses and grade four key technical attributes to arrive at a series of multiplier factors. The multipliers are then applied consecutively to the base holding cost of each tenement with the values being multiplied together to establish the overall technical value of the mineral tenement. The fifth factor is the market factor which is then applied to the technical value to derive an estimate of the market value.

In considering the value of the exploration potential, SRK notes that the value associated with the defined Mineral Resources has previously been assessed. However, recent drilling to the northeast of the Vardy Zones offers the potential for a material expansion in the currently stated Mineral Resource. These drilling results are captured in SRK's valuation of the exploration potential.

In converting its implied technical values to a market value, SRK considers that market participants would discount the technical value by up to 40% to account for the currently depressed (albeit showing signs of recovery) commodity prices and malaise in the Australian minerals industry.

In addition, EPM14628 and 17060 (Gladstone Project), EPM13412, 13413 and 13682 (Isa South Project) and 18769 (Isa West Project) are in the process of being renewed. Given the uncertainty associated with the timing of grant and any further imposed conditions, SRK has elected to discount the valuation of these permits by 10%.

In applying a market Value to the Technical value SRK has adopted to apply no discount to the Walford Creek tenements to reflect the positive market sentiment around cobalt. SRK has applied a market discount to all other permits of 40% to reflect the market sentiment around those respective commodities, access to finance and stage of exploration.

Using the geoscientific rating method, SRK estimates the current market is likely to pay between **A$4.1 M** and **A$14.1 M** for Aeon's attributable interest in these permits, as summarised in Table 9-10. For further details relating to the method refer to Appendix D.

**Table 9-10: Valuation of Aeon's exploration assets – Geoscientific rating**

| Project | Area ($km^2$) | Equity | Lower (A$) | Upper (A$) |
|---|---|---|---|---|
| Walford Creek | 166.01 | 100% | 2,000,000 | 7,500,000 |
| Constance Range | 336.22 | 100% | 409,000 | 1,280,000 |
| Isa North | 889.28 | 20% - 80% | 418,000 | 1,228,000 |
| Isa South | 561.90 | 72% - 100% | 664,000 | 1,945,000 |
| Isa West | 374.63 | 80% - 100% | 317,000 | 874,000 |
| Gladstone | 528.00 | 60% -100% | 262,000 | 1,080,000 |
| Forsayth | 58.9 | 100% | 53,000 | 199,000 |
| | | **Total** | **4.1** | **14.1** |

Errors due to rounding.

## 9.5.2 Comparable transactions

To verify the results implied by the Geoscientific Rating method, SRK has also considered recent market transactions involving early stage base metals projects in Queensland (Appendix A).

Based on its analysis, SRK has elected to apply a value of between A$500 to A$2,000/$km^2$ to Aeon's early stage exploration assets. For permits where Aeon has established defined targets for near term assessment, SRK has elected to assign a value of A$1,500 to A$2,500/$km^2$.

SRK has applied a premium of A$4,000 to A$5,000/$km^2$ to the exploration potential associated with Aeon's Walford Creek tenements outside of the defined Mineral Resources.

Based on application of these metrics, SRK considers the market is likely to pay between **A$1.6 M** and **A$3.9 M** for Aeon's attributable interests in its Queensland exploration assets, as summarised in Table 9-11.

**Table 9-11: Value of Aeon's Queensland exploration permits – Comparable Transactions**

| Tenement | Share (%) | Area ($km^2$) | Implied Value Low (A$/$km^2$) | Implied Value High (A$/$km^2$) | Market Value Low (A$/$km^2$) | Market Value High (A$/$km^2$) |
|---|---|---|---|---|---|---|
| **Walford Creek** | | | | | | |
| EPM18552 | 100% | 21 | 4,000 | 5,000 | 84,000 | 105,000 |
| EPM14854 | 100% | 18 | 4,000 | 5,000 | 72,000 | 90,000 |
| EPM14220 | 100% | 127 | 4,000 | 5,000 | 508,000 | 635,000 |
| **Total** | | | | | **664,000** | **830,000** |
| **Constance Range** | | | | | | |
| EPM14712 | 80% | 73.65 | 500 | 2000 | 29,460 | 117,840 |
| EPM14713 | 80% | 60.84 | 750 | 2000 | 36,504 | 97,344 |
| EPM14935 | 80% | 64.04 | 750 | 2000 | 38,424 | 102,464 |

| Tenement | Share (%) | Area (km²) | Implied Value Low (A$/km²) | Implied Value High (A$/km²) | Market Value Low (A$/km²) | Market Value High (A$/km²) |
|---|---|---|---|---|---|---|
| EPM15186 | 80% | 137.69 | 750 | 2000 | 82,614 | 220,304 |
| **Total** | | | | | **187,002** | **537,952** |
| **Isa North** | | | | | | |
| EPM14694 | 80% | 12.4 | 750 | 2000 | 7,440 | 19,840 |
| EPM16921 | 20% | 65.1 | 750 | 2000 | 9,765 | 26,040 |
| EPM17511 | 20% | 46.5 | 750 | 2000 | 6,975 | 18,600 |
| EPM17513 | 20% | 160.1 | 750 | 2000 | 24,015 | 64,040 |
| EPM17514 | 20% | 352.22 | 750 | 2000 | 52,833 | 140,888 |
| EPM17519 | 20% | 252.96 | 750 | 2000 | 37,944 | 101,184 |
| **Total** | | | | | **138,972** | **370,592** |
| **Isa South** | | | | | | |
| EPM13412 | 20% | 64.04 | 750 | 2000 | 9,606 | 25,616 |
| EPM13413 | 20% | 28.82 | 750 | 2000 | 4,323 | 11,528 |
| EPM13682 | 20% | 137.69 | 750 | 2000 | 20,654 | 55,076 |
| EPM14040 | 80% | 22.41 | 750 | 2000 | 13,446 | 35,856 |
| EPM14233 | 72% | 54.43 | 750 | 2000 | 29,392 | 78,379 |
| EPM14821 | 80% | 77.5 | 750 | 2000 | 46,500 | 124,000 |
| EPM15156 | 80% | 117.8 | 750 | 2000 | 70,680 | 188,480 |
| EPM15911 | 100% | 49.6 | 750 | 2000 | 37,200 | 99,200 |
| EPM17297 | 100% | 9.61 | 750 | 2000 | 7,208 | 19,220 |
| **Total** | | | | | **239,008** | **637,355** |
| **Isa West** | | | | | | |
| EPM11897 | 80% | 51.23 | 750 | 2000 | 30,738 | 81,968 |
| EPM11898 | 80% | 57.64 | 750 | 2000 | 34,584 | 92,224 |
| EPM18395 | 100% | 105.67 | 750 | 2000 | 79,252 | 211,340 |
| EPM18769 | 100% | 160.1 | 500 | 1500 | 80,050 | 240,150 |
| **Total** | | | | | **224,624** | **625,682** |
| **Gladstone** | | | | | | |
| EPM17002 | 100% | 96 | 250 | 1500 | 24,000 | 144,000 |
| EPM15921 | 100% | 16 | 750 | 2500 | 12,000 | 40,000 |
| EPM17001 | 100% | 109 | 250 | 1500 | 27,250 | 163,500 |
| EPM14628 | 100% | 99 | 500 | 2000 | 49,500 | 198,000 |
| EPM17060 | 100% | 56 | 250 | 1500 | 14,000 | 84,000 |
| EPM19029 | 60% | 152 | 250 | 1500 | 22,800 | 136,800 |
| **Total** | | | | | **149,550** | **766,300** |
| **Forsayth** | | | | | | |
| EPM18359 | 100% | 58.9 | 250 | 1500 | 14,725 | 88,350 |
| **Total** | | | | | **14,725** | **88,350** |

Errors due to rounding.

### 9.5.3 Summary

Table 9-12 summarises the current attributable market value of the exploration assets associated with the Walford Creek, Gladstone, Constance Range, Isa North, Isa West, Isa South and Forsayth projects, net of the Mineral Resources evaluated in Section 8.2. SRK has used the Geoscientific Rating and Comparable Transactions methods to select an overall value range. In selecting its preferred value, SRK considers the market is likely to pay towards the high end of the range given the difficulty in financing early stage exploration projects and on-going malaise in commodity markets.

On this basis, SRK estimates the market value of Aeon's Queensland exploration assets resides in the range of **A$4.54 M** to **A$11.34 M**, with a preferred value of **A$7.94 M** (Table 9-12).

**Table 9-12: Summary Valuation of Aeon's Queensland exploration assets**

| Project | Comparative Transactions Market Value | | Geoscientific (Market) Value | | Selected | | Preferred (A$ M) |
|---|---|---|---|---|---|---|---|
| | Low (A$ M) | High (A$ M) | Low (A$ M) | High (A$ M) | Low (A$ M) | High (A$ M) | |
| Walford Creek | 0.66 | 0.83 | 2.00 | 7.5 | 3.0 | 7.0 | 5.0 |
| Constance Range | 0.19 | 0.54 | 0.41 | 1.07 | 0.30 | 0.80 | 0.55 |
| Isa North | 0.14 | 0.37 | 0.42 | 1.02 | 0.28 | 0.70 | 0.49 |
| Isa South | 0.24 | 0.64 | 0.66 | 1.62 | 0.45 | 1.13 | 0.79 |
| Isa West | 0.22 | 0.63 | 0.32 | 0.87 | 0.27 | 0.75 | 0.51 |
| Gladstone | 0.15 | 0.77 | 0.26 | 0.90 | 0.21 | 0.83 | 0.52 |
| Forsayth | 0.01 | 0.09 | 0.05 | 0.17 | 0.03 | 0.13 | 0.08 |
| **Total** | 1.61 | 3.87 | 4.12 | 13.15 | 4.54 | 11.34 | 7.94 |

Errors due to rounding.

## 9.6 Valuation Summary

Table 9-13 summarises SRK's estimate of the market value of Aeon's interests in its Queensland base metals exploration assets. In SRK's opinion, the market is likely to pay between **A$66.54 M** and **A$98.34 M**, with a preferred value of **A$84.89 M** for Aeon's attributable share in these assets as at the effective valuation date.

**Table 9-13: Valuation Summary of Aeons Exploration assets in Queensland**

| Project | Resource / Exploration Potential | Low (A$ M) | High (A$ M) | Preferred (A$ M) |
|---|---|---|---|---|
| Walford Creek | Mineral Resource | 55.0 | 70.0 | 65.0 |
| | Exploration Potential | 3.0 | 7.00 | 5.0 |
| Gladstone | Whitewash Mineral Resource | 5.0 | 12.0 | 8.5 |
| | Ben Hur Mineral Resource | 2.0 | 5.0 | 3.5 |
| | Exploration Potential | 0.21 | 0.83 | 0.52 |
| Constance Range | | 0.30 | 0.80 | 0.55 |
| Isa North | | 0.28 | 0.70 | 0.49 |
| Isa South | | 0.45 | 1.13 | 0.79 |
| Isa West | | 0.27 | 0.75 | 0.51 |
| Forsayth | | 0.03 | 0.13 | 0.08 |
| **Total Market Value** | | **66.54** | **98.34** | **84.89** |

Errors due to rounding.

## 9.7 Discussion on SRK's Valuation Range

In assigning its valuation range and preferred value, SRK is mindful that the valuation range is also indicative of the uncertainty associated with early stage to advanced stage exploration assets.

The wide range in value is driven by the confidence limits placed around the size and quality of the base metals occurrences assumed to occur within each project area. Typically, this means that as exploration progresses and a prospect moves from an early to advanced stage prospect, through Inferred, Indicated or Measured Resource categories to Reserve status, there is greater confidence around the likely size and quality of the contained base metals and its potential to be extracted profitably. Table 9-14 presents a general guide of the confidence in targets, resource and reserve estimates, and hence value, referred to in the mining industry (Bouchard, 2001; Snowden et al., 2002; Mackenzie et al., 2007 and Macfarlane, 2007).

**Table 9-14: General guide regarding confidence for target and Resource/Reserve Estimates**

| Classification | Estimate range (90% Confidence Limit) |
|---|---|
| Proven/ Probable Reserves | ±5 to 10% |
| Measured Resources | ±10 to 20% |
| Indicated Resources | ±30 to 50% |
| Inferred Resources | ±50 to 100% |
| Exploration Target | +100% |

This level of uncertainty with advancing project stages is shown graphically in Figure 9-1.

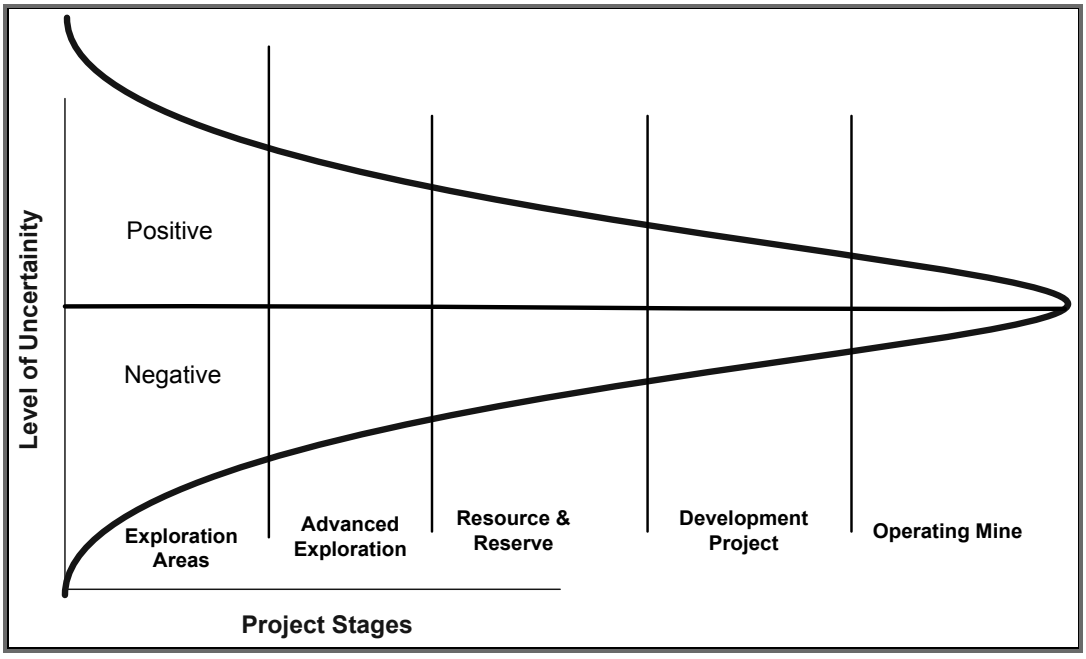



**Figure 9-1: Uncertainty by advancing exploration stage**

Estimated confidence of plus or minus 60% to 100% or more are not uncommon for exploration areas and are within acceptable bounds given the level of uncertainty associated with early stage exploration assets. By applying narrower confidence ranges, one is actually implying a greater degree of certainty regarding these assets than may be the case in reality.

Most of Aeon's tenements are exploration assets in the early stages of assessment. Therefore, there are significant uncertainties around their attributes. This results in a wide valuation range. Where possible, SRK has endeavoured to narrow its valuation range. In recognising this wide range, SRK has also indicated a preferred value for each project.

## 9.8 Valuation Risks

SRK is conscious of the risks associated with valuing early stage assets, which impacts on the valuation range. In defining its valuation range, SRK notes that there are always inherent risks involved when deriving any arm's length valuation for exploration properties given the level of uncertainty present for each of the variables that impact on prospects and their valuation. These factors can ultimately result in significant differences in valuations over time. The key risks include but are not limited to the following.

### 9.8.1 Exploration and resource risk

The business of base metals exploration, project development and production is by nature high risk. The exploration potential of tenements where resources are not yet defined may vary considerably as further exploration is undertaken.

The exploration for and production of base metals deposits involves various operating hazards including, but not limited to, adverse weather conditions, shortages or delays in the availability of drilling rigs, or other critical equipment or personnel.

Mineral Resources prepared under the 2012 edition of the JORC Code are best estimates based on individual judgement and reliance upon knowledge and experience using industry standards and the available database. No current estimates are available at this time. However, this may change over time as more information comes to hand.

### 9.8.2 Mining and production risk

The projects discussed in this report are at a relatively early stage of evaluation and none of Aeon's base metals assets have a defined Ore Reserve. Forecasting cash flows for these assets are less certain and therefore riskier than for base metals projects in production, development or with a feasibility study completed.

The successful development of a mining operation is dependent upon geological interpretation to define mineable blocks and an appropriate schedule to meet expected sales volumes. Actual base metals mined may be different in quality and tonnage that estimates and the overburden ratios and geological mining conditions anticipated may prove to be different. Operating costs can be adversely affected by disruptions due to geological conditions, equipment failure or industrial disputes. Development of a new mining operation is dependent upon the provision of rail for transport and port facilities for international shipping while an adequate supply of water is also important.

### 9.8.3 Environmental risk

Environmental conditions will be attached to future mining and exploration tenements which if not deemed compliant by the relevant authorities could result in the forfeiture of these rights. Substantial costs can be encountered for environmental rehabilitation, damage, control and losses, which can vary over the life of the mining operation. Conditions attached to the mining and exploration rights may also vary over the life of the project and in response to any change in the size or type of operation that cannot be anticipated at this time.

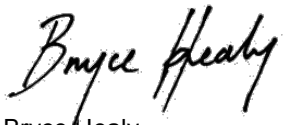
### 9.8.4 Financing

Further funds may be required to further explore and develop the projects. Failure to obtain sufficient financing for the projects may result in a delay or indefinite postponement of exploration and development on the properties or even a loss of a property interest. Additional financing may not be available when needed or, if available, the terms of such financing might not be favourable to the Company.

### 9.8.5 Native Title and land access

Mining title has not been granted on any of the tenements discussed in this report. Native title claims and heritage issues may arise in the future and thus delay the development of any future mining operation and/or production from areas where freehold land or mining leases have not been obtained. These issues are likely to be addressed in future should the future exploration be successful and warrant the conversion of exploration permits to mining leases.

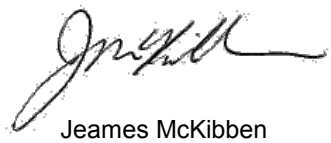
**Compiled by**



Bryce Healy

Principal Consultant

**Peer Reviewed by**



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# Appendices

# Appendix A: Polymetallic Transactions

**Table A-1: Comparable market transactions of polymetallic projects with resources**

| Announce. Date | Project/ Company Name | Buyer | Seller | Price Paid (A$ M) | % Equity Acquired | Deal Value implied at 100% basis (A$ M) | All commodities | Resource at 100% (Mt) | Total In situ metal value (A$ M) | MTR (%) | Cu Normalised MTR (%) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Mar-14 | TriAusMin | Heron Resources | TriAusMin | 14.03 | 0% | 14.03 | Zn, Ag, Au, Cu, Pb, Zn | 27.90 | 8,596.34 | 0.16% | 0.17% |
| Jun-11 | Belara | Global Mineral Resources Ltd | Ironbark Zinc Ltd | 1.06 | 100% | 1.41 | Copper, Gold, Lead, Silver, Zinc | 2.55 | 490.42 | 0.29% | 0.25% |
| Mar-11 | Lennons Find | Laconia Resources Ltd | Jabiru Metals Ltd | 0.71 | 75% | 0.75 | Ag, Au, Cu, Ob, Zn | 0.85 | 360.57 | 0.21% | 0.17% |
| Dec-16 | Golden Grove Mine | EMR Capital Pty Ltd. | MMG Ltd | 290.41 | 95% | 290.41 | Copper, Gold, Lead, Silver, Zinc | 17.81 | 9,028.87 | 3.22% | 3.16% |
| Dec-11 | Mineral Hill | Guangdong Guangxin Mining | KBL Mining Ltd | 80.00 | 100% | 533.33 | Copper, Gold, Lead, Silver, Zinc | 54.30 | 5,157.42 | 10.34% | 10.44% |
| Dec-12 | Kagara Central Region Project | Snow Peak Mining Pty Ltd | Kagara Ltd | 40.00 | 15% | 40.00 | Copper, Gold, Lead, Molybdenum, Silver, Zinc | 25.20 | 3,144.57 | 1.27% | 1.26% |
| Jan-11 | Panorama Project | Venturex Resources Ltd | CBH Resources Ltd | 26.20 | 100% | 26.20 | Cu, Zn | 19.30 | 4,036.94 | 0.65% | 0.51% |
| Dec-13 | Peelwood | CEB Resources | Balamara Resources Ltd | 1.20 | 100% | 2.45 | Pb, Zn, Cu, Ag | 0.90 | 160.65 | 1.52% | 1.43% |
| Aug-09 | Salt Creek | Venturex Resources Ltd | Straits Resources Ltd | 11.00 | 49% | 11.00 | Au, Ag, Pb, Zn, Cu | 10.90 | 1,223.09 | 0.90% | 0.92% |
| Sep-16 | Develin Creek property | Zenith Minerals Limited | 4DS Memory Ltd | 0.06 | 100% | 0.12 | Copper, Gold, Silver, Zinc | 2.57 | 492.42 | 0.02% | 0.03% |

| Announce. Date | Project/ Company Name | Buyer | Seller | Price Paid (A$ M) | % Equity Acquired | Deal Value implied at 100% basis (A$ M) | All commodities | Resource at 100% (Mt) | Total In situ metal value (A$ M) | MTR (%) | Cu Normalised MTR (%) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Jun-14 | Rookwood property | Zenith Minerals Ltd | Fitzroy Resources Ltd | 0.25 | 49% | 0.49 | Copper, Gold, Silver, Zinc | 1.75 | 328.08 | 0.15% | 0.15% |
| Feb-16 | Mt Boppy Royalty | Peel Mining Limited | Golden Cross Resources Ltd | 0.04 | 51% | 0.20 | Au, Ag, Cu, Pb, Zn | 1.25 | 322.01 | 0.06% | 0.07% |
| Mar-14 | Aston Metals | Aeon Minerals | Aston Receivers | 27.00 | 20% | 27.00 | Cobalt, Copper, Lead, Silver, Zinc | 48.30 | 5,447.18 | 0.50% | 0.51% |
| Jun-14 | Rookwood property | Zenith Minerals Ltd | Fitzroy Resources Ltd | 0.25 | 100% | 0.49 | Copper, Gold, Silver, Zinc | 1.76 | 325.58 | 0.15% | 0.16% |
| Dec-13 | PeelWood Project | CEB Resources | Balamara Resources Ltd | 0.40 | 51% | 2.00 | Copper, Lead, Silver, Zinc | 0.90 | 160.65 | 1.24% | 1.17% |
| Mar-17 | Mount Gunson Project | Gindalbie Metals Limited | Torrens Mining Ltd | 1.37 | 20% | 5.48 | Cobalt, Copper, Gold, Iron Ore, Silver, U3O8 | 20.30 | 2,311.85 | 0.24% | 0.23% |
| Jan-10 | Walford Creek | MM Mining | Copper Strike Ltd | 4.00 | 25% | 5.71 | Cobalt, Copper, Lead, Silver, Zinc | 6.50 | 1,179.84 | 0.45% | 0.42% |
| May-17 | Millennium Project | Global Energy Metals Corporation | Hammer Metals Ltd | 2.70 | 70% | 3.60 | Cobalt, Copper, Gold, Lead, Silver, Zinc | 3.07 | 423.28 | 0.85% | 0.85% |
| Apr-17 | Barbara Copper project | Washington H Soul Pattinson and Company Limited | Syndicated Metals Ltd | 2.30 | 75% | 4.60 | Cobalt, Copper, Gold, Silver | 4.75 | 718.74 | 0.64% | 0.64% |
| Dec-15 | Mt Gunson project | Torrens Mining Limited | Strandline Resources Ltd | 1.40 | 50% | 2.86 | Cobalt, Copper, Silver | 1.60 | 164.47 | 1.74% | 2.05% |

**Table A-2: Comparable market transactions of polymetallic exploration stage projects**

| Announce. Date | Project/ Company Name | Buyer | Seller | Region/ State | All commodities | Project Area 100% (km²) | Area multiple (A$/km²) | Cu Normalised Area multiple (A$/km²) |
|---|---|---|---|---|---|---|---|---|
| Apr-15 | Yambah tenements | KGL Resources Ltd | Mithril Resources Ltd | Northern Territory | Copper, Gold, Lead, Silver, Zinc | 392.11 | 19,605.60 | 21,279.69 |
| Dec-16 | Paroo Station Mine | Riva Resources Ltd | LeadFX Inc | Western Australia | Cobalt, Copper, Gold | 45.90 | 5.74 | 6.14 |
| Mar-16 | Great Sandy Copper - Gold Project | Sipa Resources Limited | Ming Gold Ltd | | Copper, Gold | 320.60 | 163.51 | 186.09 |
| Jun-16 | Mount Gilmore Project | Corazon Mining Limited | Providence Gold & Minerals Pty | New South Wales | Cobalt, Copper, Gold | 375.00 | 1,071.43 | 1,043.84 |
| Dec-14 | Spinifex Ridge East Project | Undisclosed buyer | Metal Bank Limited | Western Australia | Copper, Gold, Iron Ore, Molybdenum, Palladium, Platinum, Rhodium, Silver | 60.50 | 645.33 | 746.16 |
| Jun-14 | Tennant Creek Project | Evolution Mining Ltd | Emmerson Resources Ltd | Northern Territory | Copper, Gold | 2,200.00 | 75.78 | 93.32 |
| Jan-14 | Walker Gossan Project | GPM Metals Inc | Rio Tinto plc | Northern Territory | Pb, Zn, Ag | 1,660.00 | 282.20 | 338.36 |
| Nov-14 | Captains Flat | Ironbark Zinc Limited JV with Glencore | Rutila Resources Ltd | New South Wales | Zn, Pb, Cu, Au, Ag | 125.11 | 306.52 | 379.90 |
| Jun-16 | NT Zinc Project | TNG Ltd | Imperial Granite & Minerals | Northern Territory | Copper, Lead, Zinc, Silver | 50.45 | 2,522.50 | 2,457.55 |
| Mar-14 | Browns Reef Project | Kidman Resources Limited | Comet Resources Ltd | New South Wales | Pb, Zn, Cu, Ag | 28.69 | 57.38 | 65.52 |

| Announce. Date | Project/ Company Name | Buyer | Seller | Region/ State | All commodities | Project Area 100% (km²) | Area multiple (A$/km²) | Cu Normalised Area multiple (A$/km²) |
|---|---|---|---|---|---|---|---|---|
| Dec-08 | Louth | JOGMEC | Minotaur Exploration Ltd | New South Wales | Pb, Zn, Ag, Cu-Au | 1,085.00 | 325.50 | 447.90 |
| Dec-16 | White Range Tenements | Teck Resources Limited | Queensland Mining Corp Ltd | Queensland | Cobalt, Copper, Gold, Molybdenum, Rhenium, Silver | 550.18 | 89.56 | 95.79 |
| Feb-16 | Moonmera Project | GBM Resources Limited | Rio Tinto | Queensland | Copper, Gold, Molybdenum | 15.70 | 448.60 | 448.22 |
| Dec-15 | Mount Isa Project | Newmont Mining Corp | Hammer Metals Limited | Queensland | Cobalt, Copper, Gold, Molybdenum, Rhenium, Silver | 250.00 | 40.98 | 46.77 |
| Apr-15 | Millennium Zinc Project | Hampton Hill Mining NL | Encounter Resources Ltd | Western Australia | Cobalt, Copper, Gold, Silver, Zinc | 290.05 | 58.01 | 62.96 |
| Mar-17 | Unca Creek Project | KGL Resources Limited | Natural Resources Exploration | Northern Territory | Copper, Gold, Lead, Silver, Zinc | 72.90 | 145.80 | 151.89 |

# Appendix B: Copper Molybdenum Transaction

**Table B-1: Comparable market transactions of polymetallic projects with resources**

| Announce. Date | Project/ Company Name | Buyer | Seller | Price Paid (A$ M) | % Equity Acquired | Deal Value implied at 100% basis (A$ M) | All commodities | Resource at 100% (Mt) | Total In situ metal value (A$ M) | MTR (%) | Cu Normalised MTR (%) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Sep-13 | Kalman | Midas Resources Ltd | Mount Dockerall Mining (Santana Minerals Ltd) | 1.24 | 14% | 1.24 | Copper, Gold, Molybdenum, Silver | 61.00 | 2,633.08 | 0.05% | 0.05% |
| Jul-11 | Kalkaroo | Havilah Resources NL | Glencore International AG | 7.00 | 100% | 57.38 | Copper, Gold, Molybdenum | 95.21 | 8,912.50 | 0.62% | 0.52% |
| Jun-08 | Greenvale | Kagara Zinc Ltd | Glengarry Resources Ltd | 6.30 | 12% | 6.30 | Copper, Molybdenum | 1.74 | 199.66 | 2.92% | 2.52% |
| Jun-06 | Spinifex Ridge | Moly Mines Ltd | Kallenia Mines Pty Ltd | 3.00 | 100% | 30.00 | Copper, Molybdenum, Silver | 480.72 | 12,104.00 | 0.13% | 0.10% |
| Apr-11 | Yeoval | Zodiac Resources Pty Ltd | Augur Resources Ltd | 2.45 | 10% | 3.27 | Copper, Gold, Molybdenum, Silver | 12.88 | 613.65 | 0.53% | 0.45% |
| Mar-13 | Unicorn | RK Mine Finance (Master) Fund | Dart Mining NL | 0.80 | 75% | 17.13 | Copper, Molybdenum, Silver | 203.00 | 3,199.63 | 0.54% | 0.55% |
| Jun-15 | Calingiri Project | First Quantum Minerals Ltd | Caravel Minerals Limited | 3.60 | 5% | 7.19 | Copper, Gold, Molybdenum, Silver | 251.00 | 7,307.04 | 0.10% | 0.10% |
| Oct-15 | Temora & Currumburrama | Sandfire Resources NL | Straits Resources Limited | 2.82 | 50% | 2.82 | Copper, Gold, Molybdenum, Silver | 302.80 | 10,881.17 | 0.03% | 0.03% |
| Sep-13 | Pelican Prospect | Midas Resources | Hammer Resources and Mt Dockerell | 0.17 | 100% | 0.34 | Copper, Gold, Molybdenum | - | 1,497.75 | 0.02% | 0.02% |

# Appendix C: Geoscientific Rating Valuation of Early Stage Exploration Tenements

**Table C-1: Geoscientific Valuation**

| Tenement | Area ($km^2$) | BHC (A$) | On Property | | Off Property | | Geology | | Anomaly | | Technical Value (A$) | | Factored Market Value (A$) (permit status/equity) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Low | High | Low | High | Low | High | Low | High | Low | High | Low | High |
| **Walford Creek** | | | | | | | | | | | | | | |
| EPM18552 | 21 | 10,500.00 | 3 | 4 | 2 | 2.5 | 2 | 3 | 2 | 3 | 252,000.00 | 945,000 | 52,000.00 | 945,000 |
| EPM14854 | 18 | 9,000.00 | 3 | 4 | 2 | 2.5 | 2 | 3 | 2 | 3 | 216,000.00 | 810,000 | 216,000.00 | 810,000 |
| EPM14220 | 127 | 63,500.00 | 3 | 4 | 2 | 2.5 | 2 | 3 | 2 | 3 | 1,524,000 | 5,715,000 | 1,524,000 | 5,715,000 |
| **Total** | | | | | | | | | | | **1,992,000** | **7,470,000** | **1,992,000** | **7,470,000** |
| **Constance Range** | | | | | | | | | | | | | | |
| EPM14712 | 73.65 | 36,825.00 | 2.5 | 3 | 1.2 | 1.7 | 2 | 2.5 | 2 | 2.5 | 441,900.00 | 1,173,796.88 | 265,140.00 | 586,898.44 |
| EPM14713 | 60.84 | 30,420.00 | 2 | 2.5 | 1.2 | 1.7 | 1 | 1.5 | 1 | 1.5 | 73,008.00 | 290,891.25 | 43,804.80 | 145,445.63 |
| EPM14935 | 64.04 | 32,020.00 | 2 | 2.5 | 1.2 | 1.7 | 1.5 | 2 | 1.5 | 2 | 172,908.00 | 544,340.00 | 103,744.80 | 272,170.00 |
| EPM15186 | 137.69 | 68,845.00 | 2 | 2.5 | 1.2 | 1.7 | 1 | 1.5 | 1 | 1.5 | 165,228.00 | 658,330.31 | 99,136.80 | 329,165.16 |
| **Total** | | | | | | | | | | | **853,044.00** | **2,667,358.44** | **511,826.40** | **1,333,679.22** |
| **Isa North** | | | | | | | | | | | | | | |
| EPM14694 | 12.4 | 6,200.00 | 1.5 | 2 | 1 | 1.5 | 1 | 1.5 | 1 | 1.5 | 9,300.00 | 41,850.00 | 5,580.00 | 20,925.00 |
| EPM16921 | 65.1 | 32,550.00 | 2 | 2.5 | 1 | 1.5 | 1.5 | 2 | 1 | 1.5 | 97,650.00 | 366,187.50 | 58,590.00 | 183,093.75 |
| EPM17511 | 46.5 | 23,250.00 | 2 | 2.5 | 1.2 | 1.7 | 1.5 | 2 | 1 | 1.5 | 83,700.00 | 296,437.50 | 50,220.00 | 148,218.75 |
| EPM17513 | 160.1 | 80,050.00 | 2 | 2.5 | 1 | 1.5 | 1.5 | 2 | 1 | 1.5 | 240,150.00 | 900,562.50 | 144,090.00 | 450,281.25 |
| EPM17514 | 352.22 | 176,110.00 | 2.5 | 3 | 1 | 1.5 | 2 | 2.5 | 2 | 2.5 | 1,761,100.00 | 4,953,093.75 | 1,056,660.00 | 2,476,546.88 |
| EPM17519 | 252.96 | 126,480.00 | 2.5 | 3 | 1 | 1.5 | 2 | 2.5 | 2 | 2.5 | 1,264,800.00 | 3,557,250.00 | 758,880.00 | 1,778,625.00 |
| **Total** | | | | | | | | | | | **3,456,700.00** | **10,115,381.25** | **2,074,020.00** | **5,057,690.63** |
| **Isa South** | | | | | | | | | | | | | | |
| EPM13412 | 64.04 | 32,020.00 | 2.5 | 3 | 1.2 | 1.7 | 2 | 2.5 | 1 | 1.5 | 192,120.00 | 612,382.50 | 115,272.00 | 306,191.25 |
| EPM13413 | 28.82 | 14,410.00 | 2 | 2.5 | 1 | 1.5 | 2 | 2.5 | 1 | 1.5 | 57,640.00 | 202,640.63 | 34,584.00 | 101,320.31 |
| EPM13682 | 137.69 | 68,845.00 | 1.5 | 2 | 1.2 | 1.7 | 1.5 | 2 | 1 | 1.5 | 185,881.50 | 702,219.00 | 111,528.90 | 351,109.50 |

| Tenement | Area ($km^2$) | BHC (A$) | On Property | | Off Property | | Geology | | Anomaly | | Technical Value (A$) | | Factored Market Value (A$) (permit status/equity) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Low | High | Low | High | Low | High | Low | High | Low | High | Low | High |
| EPM14040 | 22.41 | 11,205.00 | 2 | 2.5 | 1.2 | 1.7 | 2 | 2.5 | 1.2 | 1.7 | 64,540.80 | 202,390.31 | 38,724.48 | 101,195.16 |
| EPM14233 | 54.43 | 27,215.00 | 2.5 | 3 | 1.5 | 2 | 2 | 2.5 | 2 | 2.5 | 408,225.00 | 1,020,562.50 | 244,935.00 | 510,281.25 |
| EPM14821 | 77.5 | 38,750.00 | 2 | 2.5 | 1.2 | 1.7 | 2 | 2.5 | 2 | 2.5 | 372,000.00 | 1,029,296.88 | 223,200.00 | 514,648.44 |
| EPM15156 | 117.8 | 58,900.00 | 2 | 2.5 | 1 | 1.5 | 2 | 2.5 | 1.5 | 2 | 353,400.00 | 1,104,375.00 | 212,040.00 | 552,187.50 |
| EPM15911 | 49.6 | 24,800.00 | 1.5 | 2 | 1 | 1.5 | 1.5 | 2 | 1.5 | 2 | 83,700.00 | 297,600.00 | 50,220.00 | 148,800.00 |
| EPM17297 | 9.61 | 4,805.00 | 2 | 2.5 | 1 | 1.5 | 2 | 2.5 | 1 | 1.5 | 19,220.00 | 67,570.31 | 11,532.00 | 33,785.16 |
| **Total** | | | | | | | | | | | **1,736,727.30** | **5,239,037.13** | **1,042,036.38** | **2,619,518.56** |
| **Isa West** | | | | | | | | | | | | | | |
| EPM11897 | 51.23 | 25,615.00 | 1.5 | 2 | 1 | 1.5 | 2 | 2.5 | 1.5 | 2 | 115,267.50 | 384,225.00 | 80,687.25 | 192,112.50 |
| EPM11898 | 57.64 | 28,820.00 | 1.5 | 2 | 1 | 1.5 | 2 | 2.5 | 1.2 | 1.7 | 103,752.00 | 367,455.00 | 72,626.40 | 183,727.50 |
| EPM18395 | 105.67 | 52,835.00 | 1.5 | 2 | 1 | 1.5 | 2 | 2.5 | 1 | 1.5 | 158,505.00 | 594,393.75 | 110,953.50 | 297,196.88 |
| EPM18769 | 160.1 | 80,050.00 | 1 | 1.5 | 1 | 1.5 | 1 | 1.5 | 1.5 | 2 | 120,075.00 | 540,337.50 | 84,052.50 | 270,168.75 |
| **Total** | | | | | | | | | | | **497,599.50** | **1,886,411.25** | **348,319.65** | **943,205.63** |
| **Gladstone** | | | | | | | | | | | | | | |
| EPM17002 | 96 | 48,000.00 | 1 | 1.5 | 1 | 1.5 | 1.5 | 2 | 1 | 1.5 | 72,000.00 | 324,000.00 | 43,200.00 | 162,000.00 |
| EPM15921 | 16 | 8,000.00 | 1 | 1.5 | 1.5 | 2 | 1.5 | 2 | 1.5 | 2 | 27,000.00 | 96,000.00 | 16,200.00 | 48,000.00 |
| EPM17001 | 109 | 54,500.00 | 1 | 1.5 | 1 | 1.5 | 1.5 | 2 | 1 | 1.5 | 81,750.00 | 367,875.00 | 49,050.00 | 183,937.50 |
| EPM14628 | 99 | 49,500.00 | 1 | 1.5 | 1.5 | 2 | 1.5 | 2 | 1.5 | 2 | 167,062.50 | 594,000.00 | 100,237.50 | 297,000.00 |
| EPM17060 | 56 | 28,000.00 | 1 | 1.5 | 1 | 1.5 | 1.5 | 2 | 1 | 1.5 | 42,000.00 | 189,000.00 | 25,200.00 | 94,500.00 |
| EPM19029 | 152 | 76,000.00 | 1 | 1.5 | 1 | 1.5 | 1.5 | 2 | 1 | 1.5 | 114,000.00 | 513,000.00 | 68,400.00 | 256,500.00 |
| **Total** | | | | | | | | | | | **503,812.50** | **2,083,875.00** | **302,287.50** | **1,041,937.50** |
| **Forsayth** | | | | | | | | | | | | | | |
| EPM18359 | 58.9 | 29,450.00 | 2 | 2.5 | 1 | 1.5 | 1 | 1.5 | 1.5 | 2 | 88,350.00 | 331,312.50 | 53,010.00 | 165,656.00 |
| **Total** | | | | | | | | | | | **88,350.00** | **331,312.50** | **53,010.00** | **165,656.00** |

# Appendix D: Valuation approaches and methods

## Valuation considerations

This valuation has been prepared in accordance with the VALMIN code, in order to ensure compliance with the Australian Stock Exchange's listing rules and Australian Corporations Law. The VALMIN Code classifies mineral assets according to their maturity. The term *mineral asset* refers to all property held for the purpose of near term or eventual mineral extraction, including but not limited to:

- Real property;
- Intellectual property; and
- Tenements, plant, equipment and associated infrastructure.

Most mineral assets can be classified as outlined in the table below.

**Mineral asset classification**

| Project development stage | Criterion |
|---|---|
| Exploration areas | Mineralisation may or may not have been defined, but where a Mineral Resource has not been identified. |
| Advanced exploration areas | Considerable exploration has been undertaken and specific targets identified. Sufficient work has been completed on at least one prospect to provide a good geological understanding and encouragement that further work is likely to result in the determination of a Mineral Resource. |
| Pre-development/ resource | Mineral Resources and/or Ore Reserves have been identified estimated. A positive development decision has not been made. This includes properties where a development decision has been negative and properties are either on care and maintenance or held on retention titles. |
| Development | Committed to production but not yet commissioned or not initially operating at design levels. |
| Operating | Mineral properties, in particular mines and processing plants, which have been fully commissioned and are in production. |

Source: (VALMIN, 2005).

The VALMIN Code defines *value* as the FMV of a mineral asset (2005). FMV is the amount of money or the cash equivalent that a willing buyer and seller would exchange on the valuation date in an arm's length transaction (VALMIN, 2005). Each party is assumed to have acted knowledgeably, and without compulsion. In essence, FMV is comprised of:

- **Underlying or 'technical value',** which is an assessment of a mineral asset's future economic benefit under a set of assumptions, excluding any premium or discount for market, strategic, or other considerations; and
- **Market component,** which is a premium relating to market, strategic or other considerations, which can be either positive, negative, or zero.

The market value should include all material information to the asset. For projects with extensive technical detail, the valuer determines materiality of information based on whether its inclusion would result in the valuation reaching a different conclusion.

Mineral assets are generally valued based on approaches that assess income, cost, and the open market. As the VALMIN Code is not prescriptive in this regard, the 2008 Edition of The South African Code for the Reporting of Mineral Asset Valuation ("SAMVAL") and the Canadian 2003 Edition of the Standards and Guidelines for Valuation of Mineral Properties ("CIMVAL") provide insight into applicable approaches, as shown in the table below.

**Valuation approaches for different types of mineral assets**

| Approach | Project development stage | | | |
|---|---|---|---|---|
| | Exploration | Resource | Development | Operating |
| **Income** | No | Rarely | Yes | Yes |
| **Cost** | Yes | Rarely | No | No |
| **Market** | Yes | Yes | Yes | Yes |

Source: (CIMVAL, 2003).

## Income-based approach

The income-based approach assumes that a valuer can model the future economic returns of a mineral asset based on the information available at the valuation date (SAMVAL, 2008). The income-based approach is best suited for the valuation of individual assets for which a large amount of technical data has already been collected or can be estimated. This approach generally involves the construction of a DCF model based on a project development concept and may include sophisticated risk analysis and simulation.

Despite its sophistication, the income-based approach has limitations in that it:

- May not fully reflect the market value;
- Relies on a number of subjective inputs (e.g. the appropriate discount rate); and
- Excludes assets without considerable technical detail, such as in scoping and pre-feasibility studies.

## Market-based approach

The market-based approach uses the transaction prices of projects in similar geographical, geopolitical, and geological environments to derive a market value using a process similar to that in the real estate industry (CIMVAL, 2003). The market-based approach may use the assumption either of joint venture terms or outright acquisitions, and can be presented in range of unitised values including on a dollar per ounce or tonne of contained metal/mineral; dollar per square kilometre; or as a percentage of the prevailing commodity price.

In SRK's opinion, a market-based approach is well suited to establishing a likely value for base metals deposits and exploration projects, as it inherently takes into account all value drivers.

By undertaking a qualitative analysis of comparable transactions, it is possible to develop a 'gut feel' for likely market price responses to varying levels of equity interest. Further its simplicity provides an in-built 'reality check', which helps to ensure that the science of the methodology does not dominate the assessment (O'Connor & McMahon 1994).

Notwithstanding this, the market-based approach relies on a number of assumptions and often lack true comparability with the assets being valued. Indeed, the intuitive approach is limited by the variability of values obtained across a range of investments, which makes it difficult to consistently decipher the value of control premia or any other aspect that

contributes to the value of a project. Furthermore, these approaches are often weakened by their reliance on heuristics – the 'gut feel' mental short-cuts that a valuer undertakes during qualitative analysis of incomplete datasets (Tversky & Kahneman, 1974). Heuristics can introduce serious bias. However, in despite its well-documented shortcomings, there is significant merit in using market-based benchmarks for valuations (Grant, 1994).

## Comparable transactions method

The comparable market value approach is an adaptation of the common real estate method to valuation. For the purposes of mineral asset valuation, a valuer compiles and analyses 100% equity acquisitions of projects of similar nature, time and circumstance with a view to establishing a range of values that the market is likely to pay for a project. The comparable transactions method:

- Implies a market premium or discount for the prevailing sovereign risk;
- Captures market sentiment for specific commodities or locations; and
- Accounts for intangible aspects of a transaction (i.e. intellectual property).

The transactions deemed to be analogous to the mineral asset being valued are used to determine a unit price (e.g. $/km$^2$ or $/copper equivalent tonnes) for the asset being valued.

While this method is used widely in the minerals industry, it contains a number of weaknesses that may undermine the accuracy of this method. Firstly, there is an intricate value dynamic between the quantity (size) and quality (grade or prospectivity) of deposits that may result in the exclusion of a large number of comparable transactions. Further, the disclosed price of an asset may not necessarily equate to the value of the tenement, as the calculated value may have been influenced by factors such as the arrangement of debt financing, marketing rights, contingent payments, and future royalties. Finally, this method is largely retrospective and may not take into account anticipated or recent commodity or other variable value drivers.

## Mineral Transaction Ratio analysis

Metal transaction ratios are a useful method of evaluating mineral resources that contain more than one metal. The gross dollar content of the metals contained in the mineral resource is calculated using metal prices as of the date of the market transaction. The MTR is the transaction value divided by the gross dollar content and is analogous to the ratio of unit metal value to metal price.

The transaction dataset is analysed to derive an appropriate value of range of values to apply to the mineral resources of the subject property in terms of value per unit metal, unit value as a percent of metal price and/or MTR. Considerations in choosing an appropriate range of market values include (i) evaluation of the mean and median values as well as overall variability and range; (ii) consider eliminating outliers at the high and low end of the range; (iii) examine possible relation of values to transaction date, size or grade of mineral resource, size of transaction, jurisdiction or other factors; and (iv) consider which properties are more similar to the subject property.

## Joint venture terms method

The joint venture terms method, a variation of the comparable market value method, attempts to account for the ownership premium attributed by the market. This technique involves transactions where only partial ownership of a project is acquired. It is widely recognised that the market will attribute a sliding-scale premium in accordance with the level of ownership acquired. For example, a joint venture agreement for a 51% interest in a project may attract a market value significantly above that for an identical project in which a 49% interest is acquired. The joint venture terms method provides the valuer with a larger acquisitions dataset than the comparable market value method, and consequently these approaches are often used simultaneously in mineral asset valuations.

## Yardstick method

The yardstick method typically entails expressing the unitised sales price as a percentage of the prevailing commodity price (e.g. copper price/$/t Cu). Proponents of the yardstick method believe that it is a better reflection of the market dynamics, which are assumed to be reflected entirely by the commodity price. SRK consider that the use of a commodity price as a reference point implies it is a

principal value driver, which is not necessarily true. This position is taken as gold is often used as a store of value when the markets are risk averse, and like exploration projects, a high-risk gold project may have a price behaviour disproportionate to the rest of the market. Furthermore, commodity prices are highly volatile and therefore the yardstick method does not reflect the notion that deposit values change over time. As such, the Yardstick method is generally not considered suitable as a primary valuation method but is considered acceptable as a secondary methodology.

## Cost-based approach

The cost-based approach is based on the notion that a return is expected from an investment. This approach can be both retrospective and forward looking. By taking the position of the vendor who is likely to seek re-imbursement of sunk costs with a risk premium, a possible market position may be determined. By analysing the future costs associated with a project, and the anticipated risk-adjusted returns, the acquiring party's view of value may be quantified.

## Geoscientific rating

The geoscientific rating or Kilburn method, is an attempt by the valuer to quantify the various technical aspects of a property through applying multipliers to a base or intrinsic value (Goulevitch & Eupene, 1994) (Kilburn, 1990). This intrinsic value is known as the base holding cost ("BHC"), which represents "the average cost to identify, apply for, and retain a base unit of area of title."

To arrive at a value for each property, the valuer considers four key attributes, which either enhance or downgrade the BHC of each property. The technical factors considered are the:

- **Off-property factor** – nearby properties containing physical indications of favourable mining conditions such as old workings and/or mines
- **On-property factor** – the property hosts favourable mining indications such as historic workings or mines. Importantly any mineralisation capable of supporting a Mineral Resource estimate, compliant according to the guidelines of the JORC Code, will be assessed using other valuation methods
- **Anomaly factor** – assesses the degree of exploration completed over the property and the number of resultant mineralised targets identified
- **The Geological factor** – assesses the area covered by and degree of exposure of favourable rock types and/or structures (if this is related to the mineralisation style being assessed) within the property.

These attributes are given incremental, fractional, or integer ratings to arrive at a series of multiplier factors. These multipliers are then applied sequentially to the BHC to estimate the technical value of the mineral property. This is adjusted for local market conditions to determine the fair market value of the project as at the effective valuation date. Xstract's multipliers or ratings and the criteria for rating selection are summarised in the table below.

**Geoscience rating criteria**

| Rating | Off-Property Factor | On-Property Factor | Anomaly Factor | Geological Factor |
|---|---|---|---|---|
| 0.1 | | | | Unfavourable geological setting |
| 0.5 | | | Extensive previous exploration gave poor results | Poor geological setting |
| 0.9 | | | Poor results to date | Generally favourable geological setting, undercover |
| 1 | No known mineralisation in district | No known mineralisation on lease | No targets outlined | Generally favourable geological setting |
| 1.5 | Minor workings | Minor working or mineralised zones exposed | Target identified, initial indications positive | |
| 2 | Several old workings in district | Several old workings or exploration targets identified | | Favourable geological setting, with structures or mineralised zones |
| 2.5 | | | Significant grade intercepts evident, but not linked on cross or long sections | |
| 3 | Mine or abundant workings with significant previous production | Mine or abundant workings with significant previous production | | Significant mineralised zones exposed in prospective host rock |
| 3.5 | | | Several economic grade intercepts on adjacent sections | |
| 4 | Along strike from a major deposit(s) | Major mine with significant historical production | | |
| 5 | Along strike from a world class deposit | | | |
| 10 | | World class mine | | |

The strength of the geoscientific method is that it makes an attempt to implement a systematic system. While it does require a subjective assessment of the various multipliers, it also demands a degree of detached rigor to account for the key factors that can be reasonably considered to impact on the exploration potential of a property.

# SRK Report Client Distribution Record

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| Name/Title | Company |
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| Rev No. | Date | Revised By | Revision Details |
|---|---|---|---|
| 0 | 14/06/2017 | Bryce Healy | Draft Report |
| 1 | 20/06/2017 | Bryce Healy | Final Report |
| 2 | 22/06/2017 | Bryce Healy | Final Report (revised) |
| 3 | 30/06/2017 | Bryce Healy | Final Report (revised) |


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