



Queensland Mining Corporation Limited

ABN: 61 109 962 469

ASX Code: QMN

Phone: +61(2) 9267 8932

Fax: +61(2) 9269 0076

Web: www.qmcl.com.au

Address: Suite 2004, Level 20, 201 Elizabeth Street, Sydney, NSW 2000

ASX Market Announcement

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SALE OF WHITE RANGE PROJECT

Key Highlights

- **Binding agreement signed to sell White Range Project to Moly Mines Limited (MML)**
- **Total consideration is \$53m, comprising \$45m cash and \$8m MML Convertible Notes**
- **Convertible Notes give QMN the right to take a 10% interest in the White Range Project**
- **Sale allows QMN shareholders to realise value through a shareholder distribution or return, while QMN intends to fund further exploration and evaluation of its remaining tenements**

Queensland Mining Corporation Limited (ASX: QMN) (**QMN** or the **Company**) is pleased to announce that it has signed a binding share sale agreement (**SSA**) with Moly Mines Limited (**Moly Mines** or **MML**) to sell its White Range Project to MML.

The White Range Project is centred approximately 40km south of Cloncurry in northwest Queensland, and consists of three main deposits (Greenmount, Kuridala and Young Australian), several smaller deposits (Mt McCabe, Vulcan and Desolation) and numerous advanced exploration prospects (including Copper Canyon, Chopper Ridge and Black Fort).

The tenements that comprise the White Range Project, which are listed in the schedule to this announcement (**White Range Tenements**), are held by five wholly-owned subsidiaries of the Company (**Target Companies**). Accordingly, under the SSA, the Company will sell the total issued share capital of the Target Companies and other assets held by the Company that relate to the White Range Project (**Transaction**).

Rationale for the Transaction

The Company bought the White Range Project in July 2010. Since then, the Company has carried out extensive exploration over many areas of the White Range Tenements in terms of geological

mapping, geochemical sampling and RC/diamond drilling (including a total of 26,533m RC and 2,077m diamond drilling). Accordingly, the Company has incurred substantial expenditure in relation to the White Range Project. In addition, the Company has conducted several drilling programs in Young Australian since 2008, which returned encouraging results. Both drilling programs completed by QMN in the Young Australian and Desolation tenements have successfully defined two more JORC resources, which provide strong support to the overall development of the White Range Project. As a highlight of the exploration successes, the Company recently discovered significant new copper mineralisation in Tank Hill near the Young Australian deposit. The assay results were announced to ASX on 26 September 2017 and 3 October 2017.

The purpose of these exploration activities was to increase the resource base of the White Range Project to make its development more economically viable.

As shareholders are aware, QMN has been actively looking for a partner that can assist to develop the White Range Project since 2015.

While it was the Company's intention to develop the White Range Project with a partner, the directors of the Company believe that MML's offer is attractive and, in the current environment, is preferable to the Company attempting to develop the White Range Project for production on its own. The Transaction will enable QMN shareholders to realise value through a shareholder distribution or return (subject to taxation advice), whilst QMN intends to fund further exploration and evaluation of its remaining tenements.

Share Sale Agreement

The consideration for the Transaction is:

- A\$45 million in cash, payable upon completion of the SSA (**Cash Consideration**); and
- convertible notes in MML with a total face value of A\$8 million (**Convertible Note**), issuable to QMN upon completion of the SSA.

Accordingly, the total consideration payable by MML to QMN under the SSA is cash and securities with a combined value of A\$53 million.

Completion of the Transaction under the SSA is subject to certain conditions precedent, including:

- FIRB approval;
- QMN obtaining all shareholder approvals necessary to effect the Transaction and the related transactions contemplated by the SSA;
- obtaining all necessary government approvals; and
- no breach of warranty has occurred on or before the completion of the Transaction under the SSA where the amount the subject of the claims for such breach exceeds \$5,300,000.

Completion of the Transaction is not subject to MML raising the necessary funds to pay the Cash Consideration.

The material terms of the Convertible Note are as follows:

- **Underlying Shares:** if converted into shares, the convertible notes will convert into fully paid ordinary shares in MML or, if MML or a related body corporate of MML lists on a securities exchange, the listed entity;
- **Security:** first ranking security over the White Range Project;
- **Coupon:** 8% per annum, payable semi-annually in arrears;
- **Maturity Date:** the earlier of –
 - 6 months after MML (or its related body corporate) is admitted on either the Hong Kong Stock Exchange or another securities exchange; and
 - 3 years after the issue date (**Fixed Maturity Date**);
- **Repayment:** repayable in cash:
 - at the election of MML, 3 months after MML (or its parent) is admitted on a securities exchange;
 - (if not converted prior)_at the election of the noteholder on the Fixed Maturity Date, with six months prior notice; or
 - on the first drawdown under a debt or equity funding facility made available to MML by a bank, lending institution or other financier;
- **Conversion Right:** convertible into Underlying Shares at the election of the noteholder at any time MML (or its related body corporate) is admitted to a securities exchange and up to 10 business days before the Fixed Maturity Date; and
- **Project Interest Conversion Right:** if the noteholder has not elected repayment and MML (or its related body corporate) is not admitted to a securities exchange prior to the date that is 30 business days before the Fixed Maturity Date, convertible (at the election of QMN) into a 10% interest in the White Range Project on the Fixed Maturity Date;
- **Mandatory Conversion:** convertible into Underlying Shares on the Maturity Date if the Convertible Note has not been repaid and the Project Interest Conversion Right has not been exercised.

Moly Mines Limited

Moly Mines is an Australian unlisted public company with a focus on identifying near-term mining opportunities. Moly Mines was incorporated in 2004 and quickly focussed on developing projects on the Spinifex Ridge tenements in the Pilbara region of Western Australia. The Spinifex Ridge Molybdenum-copper project was progressed to full permitting and DFS (Definitive Feasibility Study) in 2008 prior to the GFC (Global Financial Crisis) where commodity price changes adversely impacted the economics of the project. The project currently remains on care and maintenance.

In 2010, Moly Mines developed the Spinifex Ridge Iron Ore Mine which operated successfully until 2014, producing direct ship ore exported through Port Hedland. The latter part of the mining operation was undertaken by a third party under a Mine Gate Sale agreement which de-risked the project against iron ore price fluctuations, whilst retaining the tenements under Moly Mines ownership. The money generated from the mining operation and the Mine Gate Sale has been preserved to invest in future mining opportunities.

Moly Mines has a cash balance of approximately A\$57 million.

Shareholder Approval

As noted above, MML is considering listing on HKSE or another securities exchange.

On this basis, ASX Listing Rule 11.4 applies to the Transaction. The Company intends to seek shareholder approval for the Transaction under ASX Listing Rule 11.4.1(b).

ASX has determined that shareholder approval for the Transaction is not required under ASX Listing Rule 11.1.2 or 11.2.

QMN's two largest shareholders are Great Tang Brothers Resource Investment Pty Ltd, which holds approximately 23.66% of the issued shares of QMN (**GTB**) and Perfect Nation Global Limited, which holds approximately 38.02% (**PNG**). Both GTB and PNG have:

- (a) provided to MML certain written undertakings in respect of a total of 20% of the issued shares of QMN, including:
 - to vote in favour of all shareholder resolutions required to approve the Transaction; and
 - not to accept any other offer made in competition with the Transaction, or approve any other proposal, arrangement or transaction which is proposed in competition with the Transaction; and
- (b) provided to QMN irrevocable proxies to vote in favour of any shareholder resolution required to approve the Transaction in respect of the balance of their shares.

Each of the Company's directors intends to recommend that the shareholders of the Company approve the Transaction, in the absence of a superior proposal.

Likely Effect of the Transaction on the Company

The likely effect of the Transaction on the Company and its subsidiaries (**Group**) is as follows:

Particulars (‘000)	Before Transaction	Increase/Decrease due to Transaction	After Transaction	Percentage change due to Transaction
Method of Calculation	<i>From latest audited figures¹</i>	<i>Actual Increase/Decrease due to Transaction</i>	B +/- C	C/B
Total Consolidated Assets	25,250,952	36,991,243	62,242,195	146%
Total Equity Interests	24,478,364	36,991,243	61,469,607	151%
Total Securities on Issue	85,681,492	Nil	85,681,492	0%
Annual Profit (before tax)	(7,751,293)	36,991,243	29,329,950 ²	477%
EBITDA	(7,751,293)	36,991,243	29,329,950 ³	477%
Annual Expenditure	2,566,958	(1,140,000) ⁴	1,426,958 ⁵	- 44%

The Company is not proposing to issue securities as a part of, or in connection with, the Transaction.

There are no board or senior management changes of the Company as a part or, or in connection with, the Transaction.

The Group after the Transaction

After completion of the SSA, the Company will continue to be a mining exploration company. It currently holds 36 tenements that are not subject to the Transaction.

¹ Latest audit figures refer to 30 June 2017 and the 12 month period ending on 30 June 2017.

² Pro forma for the 12 month period ending on 30 June 2017.

³ Pro forma for the 12 month period ending on 30 June 2017.

⁴ Amount spent by the Company on the White Range Project during the 12 month period ending on 30 June 2017.

⁵ Pro-forma annual expenditure (less the amount specified in footnote 4) for the 12 month period ending on 30 June 2017.

The Company intends to use its existing cash reserves and part of the Cash Consideration to fund further exploration and evaluation of its remaining tenements.

Subject to taxation advice, the Company also intends to return part of the Cash Consideration to its shareholders by way of a dividend, capital return or share buy-back.

Indicative Timetable

The Company intends to hold an extraordinary general meeting of its shareholders (**EGM**) in order for its shareholders to consider and, if thought fit, approve the Transaction and related transactions in late November or early December 2017.

On this basis, and subject to satisfaction or waiver of the other conditions precedent under the SSA, completion under the SSA will occur in December 2017.

Dr Lakshman Jayaweera, non-executive Chairman of QMN, said "I believe this transaction is in the best interest of all shareholders as it provides a quick, superior and secure return on our investment in the White Range Project. Subject to taxation advice, QMN intends to distribute most of the Cash Consideration to shareholders by way of a dividend, capital return or share buy-back. The remaining part of the Cash Consideration will be used to fund further exploration of its remaining tenements and also to explore other potential opportunities with the objective of creating shareholder value and ultimately giving further return to shareholders. I would like to express my appreciation to our shareholders for their continuous support during the prolonged downturn of the mining industry. I would also like to thank the QMN team for the great efforts they've made. In the meantime, we congratulate Moly Mines as the new owner and developer of the high grade and low cost White Range copper project. We look forward to sharing the success with Moly Mines and potentially being part of the next producing copper mine in Australia."

For further details, please contact:

Eddy Wu (CEO)

Tel: (+61 2) 9267 8932

Email: admin@qmcl.com.au

or visit our website at: www.qmcl.com.au

Schedule – White Range Tenements

Held by White Range Mines Pty Ltd:

- ML 2519
- ML90081
- ML 90082
- ML 90134
- ML 90161
- MDL 204
- MDL 205

Held by North Queensland Mines Pty Ltd:

- ML 2788
- ML 7511
- ML7512
- ML 90084
- ML 90099
- ML 90149

Held by Sierra Line Pty Ltd:

- EPM 14148
- EPM 15897
- EPM 25849

Held by Iron Ridge - Black Fort Pty Ltd:

- 85% interest in EPM 17602