



14 July 2017

## TOP END MINERALS CORPORATE UPDATE

As previously announced, a complete Board change was completed at **Top End Minerals Limited** (ASX: TND) ("TND" or "the Company") on 19 June 2017. The new Board has the committed support of the Company's financiers.

The new Board comprises Mr John Lamb as Non-Executive Chairman, Mr Jeffrey Moore as Non-Executive Director and Mr Rowan Caren as Non-Executive Director and Company Secretary. Collectively, the new Board has considerable technical, financial and operational experience in the resources sector.

### Myanmar Update

#### **Development Strategy**

The recent, sustained increase in the international price for zinc metal and strong underlying demand for zinc supply reinforces the Board's positive outlook for zinc production. The Company therefore seeks to establish itself as a **significant regional metals producer based in Myanmar** with a focus on base metals and accompanying silver, copper and other by-products.

As previously announced, the Company has identified and secured Options over two opportunities that, in combination, could establish Top End Minerals as an immediate producer of zinc metal in Myanmar. This can be achieved via immediate metal production from the Lashio refinery, in the short-medium-term by producing metals concentrates (principally lead/zinc/silver) from a potential open pit at Bawdwin and in the longer term by producing metals concentrates from the Great Bawdwin Mine if successful modern exploration shows that Bawdwin can be reopened as a safe, modern, high-productivity underground mine.

Accordingly, as previously announced, the Board remains focused on progressing both the "Cornerstone Option" to acquire 60% ownership of Cornerstone Resources (Myanmar) Limited (CRML) from current shareholders (principal assets being the Lashio refinery and Longh Keng mine) and the "Bawdwin Option" for an 85% participating interest in the Bawdwin zinc/lead/silver/copper polymetallic mine lease held by Win Myint Mo Industries Co Ltd.

The Chairman has written to senior representatives of the parties involved in both Options and has visited them in Myanmar to properly communicate the changes within TND and TND's continuing interest and focus on both Options.

#### **Project Due Diligence Update – Cornerstone Option**

Technical due diligence on the Lashio refinery was conducted by Mining & Process Solutions Pty Ltd and is now complete. No fatal flaws were identified.

Financial due diligence, which was completed by Walker Wayland WA Audit Pty Ltd, found no evidence that financial statements provided by CRML are materially incorrect.

Due diligence is now focused on the readily available Namtu Smelter Slags that could provide many years of zinc-rich feed to the Lashio refinery. The slag was deposited over many decades following lead smelting and is enriched in zinc which can be collected as an oxide by fuming the slag in a simple rotary kiln. A

local company is presently fuming slag to produce zinc oxide at Namtu for sale into China, using such a process.

There are two stages in the due diligence programme:

- 1) To demonstrate that zinc fume from Namtu slag can be treated at the Lashio refinery – this will be achieved, subject to CRML's assistance, by testing oxide material from the current Namtu fumer in a trial-scale plant at the on-site laboratory at Lashio, under observation from a suitably qualified Australian metallurgist; and
- 2) To demonstrate that the slag is of suitable grade for long-term supply – this will be achieved by trenching the large and readily-accessible No. 1 slag dump with an excavator and assaying samples from the trench to produce a grade profile for zinc, other metals and deleterious elements, if any.

Following satisfactory completion of both of these steps, financial analysis will be updated based on the cost and revenues associated with processing material from Namtu.

This is essential for the Board to consider whether or not to exercise the CRML Option. Under the terms as presently negotiated TND has until 23 August 2017 to make a decision on exercising the CRML Option.

The Option entitles TND to acquire 60% of the shares in Cornerstone by payment of;

- US\$10 million as a "control premium";
- US\$45.35 per share, which is equivalent to US\$33m based on 60% of the current issued capital of CRML; and
- the agreed value of Inventory at a future date. Inventory is defined in the Option Agreement to include zinc ore stockpiled at the plant, all zinc ore at the mine site, zinc metal finished goods, and zinc in solution, including but not limited to all consumables and all plant and equipment and spares.

### **Project Due Diligence Update – Bawdwin Option**

While the Board considers the most compelling opportunity at Bawdwin to be the potential for a long-term underground mine, initial technical due diligence is focused on the lower-grade near-surface "halo" mineralisation that has potential to host an open pit mine in the short-medium term.

Approximately 3,000 metres of diamond drilling has been completed on this zone in recent weeks by Valentis, an in-country technical firm that operates under Australian guidelines with suitably qualified and experienced Australian-trained geologists.

The aim of this work is to produce a JORC 2012 compliant resource encompassing potentially open-pittable material at Bawdwin within two months. This data will be used to underpin a Scoping Study covering key aspects of the deposit for consideration by the Board. The study will include mine optimisation and preliminary design, metallurgical assessment and preliminary plant specifications, preliminary site layout, scoping-level assessment of capital and operating costs and an assessment of project risks.

On the basis of that study and subject to the approval of the Union Ministry of Natural Resources and Environmental Conservation, Republic of the Union of Myanmar and Myanmar Investment Commission the Board will consider whether to exercise the Bawdwin Option or to extend the Option Period.

### **Corporate Due Diligence**

As announced on 21 June 2017 when the Company requested a voluntary suspension of trading in its securities, in order to complete the capital raising as planned the new Board has been required to

complete a due diligence process and prepare a prospectus in accordance with section 713 of the Corporations Act.

As part of the due diligence several matters have been identified. These matters are set out below.

### **Cash Position**

At the time that the new directors were appointed to the Company, the balance of all funds in TND's bank accounts amounted to \$17,955.

Previously TND had raised a total of \$2.7 million before costs, in November 2016. Of this, the Company - under the control of the former Board - had either expended or advanced to Axis Consulting Pty Limited (see below) a total of \$2.683 million up to 19 June 2017.

Furthermore, it has also become apparent that at 19 June 2017 the Company had creditors of approximately \$250,000. These creditors are being assessed and verified by the new Board and the intention is that those creditors that are determined to have a valid claim will be paid out of the proceeds of the capital raising proposed to be completed in August 2017.

This weak financial position forced the new Board to procure the Pig Equity bridging loan of \$100,000 (refer to TND's announcement dated 3 July 2017) for short term working capital and the Yandal convertible loan of US\$1.5 million (refer to TND's announcement dated 3 July 2017) in order to pay the Bawdwin Project Option fee.

The Company is undertaking negotiations to raise a total of \$3 million. It is proposed that this raising will be completed immediately following a general meeting planned for August 2017. The funds raised will enable the Company to advance the due diligence process with the necessary financial resources.

### **Axis Consultants Pty Limited Advance**

Axis Consultants Pty Limited ("Axis") is a proprietary company. Based on ASIC records as at 15 June 2017, the sole director of Axis is Mr David Tyrwhitt and the Company Secretary is Mr Peter Lee. Mr Tyrwhitt and Mr Lee were directors of TND, along with Mr Mordechai Gutnick, until 19 June 2017. Axis provided management and administrative services to TND until 16 June 2017, when the arrangement was terminated.

As at 30 June 2016, the Company – under the control of the former Board – had advanced a total of \$3.875 million to Axis Consultants Pty Limited. Recovery of the amount advanced had been fully provided for in the Company's accounts as at 30 June 2016, by way of an impairment provision. Therefore, as at 30 June 2016, there existed significant doubt as to the recoverability of the Axis advance. The Axis advance is not secured.

Notwithstanding the provisions made for non-recovery of the Axis advance, TND – under the control of the former Board - continued to advance funds to Axis in FY2017. By 19 June 2017, the Company had advanced Axis a total of \$5.089 million. Recovery of this entire Axis advance had been fully provided for as at 19 June 2017.

TND is not aware of any shareholder approval having been obtained for the Axis advance. The new Board is of the view that TND funds totalling \$5.089 million have been advanced to a proprietary company controlled by a former director of TND, on an unsecured basis without shareholder approval or commercial purpose.

The new Board has contacted Axis to request immediate repayment of all amounts owing. To date, no repayment has been received.

The new Board intends to pursue all legal avenues to secure repayment as soon as possible.

## **Shares Issued Without Shareholder Approval**

It has come to the new Board's attention that on 1 December 2016, the Company - under the control of the former Board - issued 100 million shares by way of a placement at \$0.022 per share (Placement Shares). The issue of the Placement Shares was purportedly pursuant to shareholder approval obtained at the TND Annual General Meeting held on 30 November 2016 ("Meeting").

Pursuant to resolution 5 at the Meeting, shareholders approved the issue of up to 100 million shares at an issue price of at least 80% of the average market price for the ordinary shares.

The average market price for the purposes of the approval and issue was \$0.031. Accordingly, the lowest approved issue price for the Placement Shares was \$0.027. Therefore, the Placement Shares were not issued within the scope of the shareholder approval.

The new Board brought this matter to the attention of ASX. As a result, ASX has imposed a prohibition on the Company issuing any shares pursuant to the ASX Listing Rule 7.1 (15% rule) or ASX Listing Rule 7.1A (Additional 10%) capacity at any time up to 24 October 2018.

The new Board is disappointed with the length of the prohibition imposed by ASX, particularly given that the new Board elected to voluntarily disclose the breach to ASX in the interests of good corporate governance and full transparency, but accepts the decision of ASX.

The practical implication of this prohibition is that the Company will be required to obtain prior shareholder approval for all issues of securities, other than those issued pursuant to an exception in Listing Rule 7.2 for the next 15 months.

This has delayed the timing of the proposed capital raising until after all necessary shareholder approvals are obtained. The Company intends to convene a shareholders meeting soon, to be held in August 2017.

## **Summary and Plan Ahead**

Notwithstanding the financial position inherited when the new Board took over control of the Company on 19 June, TND has a very bright future given the quality of the projects under consideration in Myanmar and the strong support of its financiers.

I and my fellow directors are confident that the Company will be able to successfully negotiate the challenges that lie ahead and emerge as a significantly superior listed company to that which was presented at 19 June 2017.

Yours sincerely

A handwritten signature in black ink, appearing to read 'J Lamb', with a stylized flourish at the end.

**JOHN LAMB**  
Non-Executive Chairman

**This announcement is not intended to lift the Company's voluntary suspension.**