



# Aeon Metals Ltd

ABN 91 121 964 725

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**ASX Code - AQR**

28 September 2015

Dear Shareholder,

Enclosed is a Notice of Meeting to consider two resolutions which will, if approved, secure an additional \$4.85 million of debt through the issue of new, limited recourse, interest bearing notes to advance the Walford Creek project. This additional funding will position Aeon strongly for the future, in an environment where funding for pre-development resources companies is increasingly difficult.

When we acquired Walford Creek in 2014, consideration was paid to companies in the OCP Group (a hedge fund based in Hong Kong and Singapore) in Aeon Metals shares, warrants and limited recourse notes. During July, the notes were rolled over on substantially the same terms and conditions as the prior notes but the borrowed amount was increased by \$2.83 million with a 6 month extension of the repayment date and with other changes explained in the enclosed Notice. In addition, the OCP Group sub underwrote Aeon's pro rata rights Issue and subscribed some \$2 million for additional Aeon shares and the Company also issued some 52 million new warrants (exercisable at 9.35 cents and expiring on 17 December 2017) to the OCP Group ("New Warrants").

As a last step in this financing process, the Company will be entitled to draw an additional \$4.85 million through the issue of new limited recourse notes if shareholders approve

- a. the issue of additional New Warrants to the OCP Group bringing the total of New Warrants issued to OCP Group to 73 million; and
- b. the OCP Group to increase its voting power in Aeon beyond its current 21.83% through the exercise of any of its 2014 warrants or New Warrants.

The Directors **unanimously recommend** shareholders **vote in favour** of these resolutions. We have engaged an Independent Expert, Grant Thornton Corporate Finance Pty Ltd which has concluded that to allow the OCP Group to increase its voting power beyond 20% is **not fair but reasonable** to the shareholders not associated with the OCP Group.

Full details of the resolutions and explanatory information are set out in the enclosed Notice.

## FULLY FINANCED FOR THE NEXT PHASE OF DEVELOPMENT

Walford Creek is a world class project with a significant base metals resource and extensive tenements package, which is well progressed down the development path. Developing Walford Creek is the primary focus of the Aeon Board.

Importantly, with the full new funding in place we will have adequate cash that will allow us to advance the Walford Creek Project to preliminary Feasibility Study stage.

The availability of an additional \$4.85 million will be critically important to the Company. Combined with the \$3.26 million we raised in the recent Rights Issue, the additional facility will mean Aeon will have approximately \$8 million cash on hand. It will be used to support feasibility work including our drilling program, studies in metallurgical processing, pit optimisation, and our environmental and infrastructure planning in the coming months.



## A BRIGHT FUTURE

The OCP Group has been the largest shareholder in Aeon since 2014 and is a highly supportive partner. Through this last step in the recent financing, OCP Group will extend that support. It is worth noting that the strike price of the new warrants - 9.35 cents - is significantly higher than the recent trading price of Aeon shares. I think this reflects the confidence our major shareholder has in the Company and its prospects. The Board and management share this confidence.

Through Walford Creek, Aeon is one of the very few emerging players with real potential to become a producer for Australian investors.

Recent markets have not been kind to junior resource companies. Along with our peers, we have suffered from declining base metal prices and a fall in investor sentiment. The Company is still valued as an uncertain exploration stock, despite the progress we are making at Walford Creek Project as we move methodically towards production.

But markets will turn one day. When they do, I am confident Aeon will be recognised for the progress we are making and shareholders will be rewarded for their patience. Aeon is a long term prospect and will be a feature of Australian base metals for many years to come.

I hope you are able to join us on 29 October 2015 for the Meeting. If you are not able to come, please use the attached proxy form to lodge your vote.

I look forward to a profitable future for Aeon and I commend these resolutions for your approval.

Sincerely,

**Tom Mann**  
Chairman



# **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 **Thursday,  
29 October 2015** at **2.00 pm** 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.

[aeonmetals.com.au](http://aeonmetals.com.au)

# 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 **Thursday, 29 October 2015 commencing at 2.00 pm Sydney time.**

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 27 October 2015.

# Ordinary Business

## Resolution 1:

### **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 certain 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*
- c) Centar SP3 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:*

- a) issued by the Company on 17 June 2014 each expiring on 17 June 2017;*
- b) issued by the Company on 6 August 2015 each expiring on 17 December 2017; and*
- c) to be issued by the Company in consequence of approval of Resolution 2 on the Notice for this meeting each expiring on 17 December 2017,*

*in each case, 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 OCP Asia (Hong Kong ) Limited, Centar SP3 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 2:  
Approval of the issue to OL Master Limited and/or OL Master (Singapore)  
Pte Limited of 20,825,106 warrants each expiring on 17 December 2017  
and exercisable at 9.35 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 and/or to its related body corporate (as that term is given its meaning in the Corporations Act) OL Master (Singapore) Pte. Limited of an aggregate of 20,825,106 warrants each expiring on 17 December 2017 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 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, Centar SP3 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.

**BY ORDER OF THE BOARD**



**Stephen J Lonergan**

*Company Secretary*

Date: 28 September 2015

# 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 2.00 pm Sydney time on 27 October 2015. Any proxy form received after that time will not be valid for the scheduled meeting.

### Hand Delivery

**Boardroom Pty Limited**  
Level 12, Grosvenor Place  
225 George St  
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 Thursday, 29 October 2015.

## **Resolution 1: 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 certain warrants.**

### **Background**

- 1 On 17 June 2014 the Company acquired from receivers of the failed Aston Metals Group (associated with Nathan Tinkler) Aston Metals (Qld) Limited (now renamed Aeon Walford Creek Limited)(AWCL) which holds the Walford Creek Base Metals Project in northwest Queensland and interests in four exploration Joint Ventures in the Mt Isa area.
- 2 The consideration for the acquisition was the issue by the Company of shares, warrants and notes to Centar SP3 Limited and OL Master Limited as detailed below. These companies are controlled by OCP Asia (Hong Kong) Limited ('OCP Asia') which, through members of the OCP Group, had been a lender to the Aston Metals Group prior to the acquisition of AWCL by the Company. OCP Asia and OCP Asia (Singapore) Pte. Limited manage private investment funds with current total assets under management of approximately \$1 billion, from their offices in Hong Kong and Singapore. Further details of OCP Asia are available on its website [www.ocpasia.com](http://www.ocpasia.com).
- 3 The consideration for the acquisition was as follows
  - Shares**
  - 41,517,241 shares to Centaur SP3 Limited
  - 6,758,621 shares to OL Master Limited
  - Warrants (each an option expiring on 17 June 2017 exercisable by the holder at any time on payment of 15.81 (now 15.79) cents per share) ('2014 Warrants')**
  - 54,395,952 warrants to Centar SP3 Limited
  - 8,855,155 warrants to OL Master Limited
  - Notes (aggregate of \$20 million, 3 year, 12% notes secured against AWCL and its assets) ('2014 Facility')**
  - \$17,200,000 notes to Centar SP3 Limited
  - \$2,800,000 notes to OL Master Limited
- 4 After completion of the acquisition, OCP Asia advised the Company that the OCP Parties had funded certain costs on behalf of AWCL prior to completion and the Company provided Centar SP3 Limited and OL Master Limited with a credit note for \$275,000 to be applied automatically in payment of the warrant exercise price for exercises of the 2014 Warrants by either of the warrant holders by cash payment until the credit is exhausted.
- 5 As part of the acquisition arrangements, it was agreed that the Company would seek shareholder approval under Section 611, Item 7 of the Corporations Act 2001 to the respective warrant holders being permitted to acquire voting power in the Company in excess of 20% by the exercise of their warrants and that the Directors of the Company would unanimously recommend that shareholders vote in favour of this approval.
- 6 On 25 May 2015 the Company issued a notice of a General Meeting to give effect to the above commitment. On 16 June 2015 Aeon announced that it would not be appropriate to proceed with seeking the approval under Section 611, Item 7 of the Corporations Act 2001 as the Company was considering further opportunities which may, in due course, lead to changes in the Company's capital structure given that the Notice for the Meeting was premised on the Company's then existing capital structure.



## Rights Issue and Refinancing

- 7 On 1 July 2015 Aeon announced a fully underwritten Rights Issue and a refinancing of its debt facility with funds managed by OCP Asia.
- 8 Consistent with that announcement:
- the Company completed a 1 for 7 Rights Issue on 4 August 2015 raising some \$3.26 million before costs. This Rights Issue was sub underwritten by OL Master Limited which subscribed for and was allotted 26,788,507 Aeon shares pursuant to its sub underwriting commitment; and
  - the Company has borrowed \$22,830,000 under a new note facility provided through OCP Asia ('New Facility') to repay the 2014 Facility with accrued interest and transaction costs ('Tranche 1 Notes'). The New Facility is materially on the same terms and conditions of the 2014 Facility except that interest will capitalise on a quarterly basis, the repayment date is extended by 6 months to 17 December 2017 and there is a mechanism whereby in the event of early repayment, the noteholder will be assured of an amount which will give the noteholder an internal rate of return of 12% up to the early repayment date. The New Facility is secured over AWCL's assets and Aeon's shares in AWCL in a manner identical to the 2014 Facility and there is no other recourse to Aeon in respect of the moneys outstanding; and
  - the Company has issued 52,174,894 warrants to OL Master Limited ('New Warrants') on the same terms and conditions as the warrants already issued to funds managed by OCP Asia ('2014 Warrants') except that the exercise price is 9.35 cents per warrant and the warrants will expire on 17 December 2017. The 2014 Warrants remain on issue.

## Additional Debt Available on Approvals

- 9 Under the New Facility the Company is entitled to draw an additional \$4.85 million through the issue of notes ('Tranche 2 Notes') for further work at the Walford Creek Project conditional upon Aeon Shareholders
- providing approval pursuant to Section 611(7) of the Corporations Act in respect of the 2014 Warrants and the New Warrants to allow the relevant warrant holders to increase their voting power in the Company to more than 20% through the exercise of these warrants. ('Section 611 Approval'); and
  - approving the issue of an additional 20,825,106 New Warrants pursuant to ASX Listing Rule 7.1 to bring the total number of New Warrants issued to 73,000,000.
- 10 Currently OL Master Limited holds all the 2014 Warrants (63,251,107 warrants) and all the issued New Warrants (52,174,894 warrants). The holder of the additional 20,825,106 New Warrants, to be issued subject to shareholder approval, will be either be OL Master Limited or a related body corporate, OL Master (Singapore) Pte Limited, or possibly each of these entities holding some of these warrants.

## Section 611 Approval

- 11 The proposed Section 611 Approval will extend to OCP Asia, OL Master Limited, Centar SP3 Limited and their related bodies corporate (as that term is defined in the Corporations Act) 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. OCP Asia has a relevant interest in Aeon shares held by OL Master Limited, Centar SP3 Limited and their respective bodies corporate. It should also be noted that, to the extent the 2014 Warrants and the New 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.

## Voting Power if Warrants Exercised

- 12 The following Table sets out the current relevant Interests in Aeon shares of Centar SP3 Limited, OL Master Limited and OCP Asia (Hong Kong) Limited ('the OCP Parties') and the relevant interests which will be held if OL Master Limited exercises all of its warrants assuming the OCP Parties maintain their current shareholdings in Aeon.

Entity	Current Shareholding	% Current Voting Power	Current Warrant Holding	Shareholding if Holder exercises its Warrants	% Voting Power if Holder exercises its Warrants
OL Master Limited	33,547,128	9.64%	136,251,107	169,798,235	35.07%
Centar SP3 Limited	42,412,634	12.19%	nil	nil	8.76%
OCP Asia (Hong Kong) Limited	nil	21.83%	nil	nil	43.83%

1 This Table assumes that the issued shares of the Company are the current 347,832,628 shares as would be increased by the exercise of warrants. This may increase before the expiry dates of the warrants and, if so, the relevant interests of the OCP Parties shown above may decrease.

2 The current warrant holding of OL Master Limited includes the additional 20,825,106 New Warrants to be issued if Shareholders approve Resolution 2 on the Notice for this meeting. OL Master currently holds all (63,251,107) the 2014 Warrants. If the additional New Warrants are issued to OL Master (Singapore) Pte Limited that will not alter the 43.83% voting power held by OCP Asia if the warrants are exercised because OCP Asia has a relevant interest in any Aeon shares acquired by OL Master (Singapore) Pte Limited.

- 13 In the absence of the Section 611 Approval, the OCP Group's warrant holding will be exercisable by use of the exemption in Section 611 Item 9 of the Corporations Act to increase its voting power by 3% each 6 months through the exercise of warrants.

## Benefits if Warrants Exercised

- 14 The exercise of the warrants will benefit the Company by receipt of exercise moneys. If all the 2014 Warrants are exercised at 15.79<sup>1</sup> cents per warrant then some \$9.987 million will be received by the Company. If all the New Warrants are exercised at 9.35 cents per warrant approximately \$6.825 million will be received by Aeon. However, exercise moneys may not necessarily be received as cash. The Company will have issued a total of \$27,680,000 of Notes<sup>2</sup> 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 (due 17 December 2017) by it on the Notes instead of cash. Cash will also not be received by the Company for some cash exercises of warrants. The OCP Parties funded certain expenses on behalf of AWCL and the Company has provided OL Master Limited with a credit note for \$275,000 to be applied automatically in payment of the warrant exercise price for warrant exercises by the warrant holder by cash payment until the credit is exhausted.
- 15 The 2014 Warrants can be exercised at any time up to their expiry date on 17 June 2017 and the New Warrants are exercisable up to 17 December 2017. If all the 2014 Warrants and all the New Warrants are exercised entirely by cash payment then \$16.537 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 to \$10.868 million. While any Warrants remain unexercised
- if the Company wants to issue shares at more than a 15% discount to the weighted average market price of the Company's shares over the month before the new shares are issued then it must obtain the prior consent of the warrant holders; and
  - any issue of convertible securities by the Company is capped at 10% (by number and value) of Aeon's fully diluted capital; and
  - 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.
- 16 Although the 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(7) 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.

## Intentions of OCP Parties

- 17 The Company has requested the OCP Parties to advise their intentions with respect to exercise of the warrants and the questions put to the OCP Parties and the relevant responses in italics (as of 27 August 2015) are as follows:
- any material information known to the OCP Parties in relation to exercise of 2014 Warrants and New Warrants following the Section 611(7) Approval.  
**Response:** *Nothing furthering addition to the information set out in our answers below*
  - the intentions of the OCP Parties with respect to exercise of the 2014 Warrants and New Warrants both if the Section 611(7) Approval is given and if the Section 611(7) Approval is not given  
**Response:** *If the Approval is given, it is not our current intention to exercise the warrants immediately. If Approval is not given, we will consider and determine our intentions at that time*
  - a statement of the OCP Parties intentions regarding the future of Aeon if shareholders give the Section 611(7) Approval and the 2014 Warrants and the New Warrants are exercised and, in particular
    - any intention to change the business of Aeon;  
**Response:** *We do not currently intend to change the business of Aeon*
    - any intention to inject further capital into Aeon;  
**Response:** *We do not currently intend to inject further capital into Aeon*
    - 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.*
    - 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*
    - any intention to otherwise redeploy the fixed assets of Aeon;  
**Response:** *We do not currently intend to otherwise redeploy the fixed assets of Aeon*
  - 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.*

<sup>1</sup> Upon issue, the exercise price of these warrants was 15.81 cents but in consequence of a provision in the warrant conditions requiring an adjustment upon the recent Rights Issue, the exercise price is now 15.79 cents.

<sup>2</sup> This assumes that Resolutions 1 and 2 before this Meeting are approved and the Tranche 2 Notes are issued.

- (v) 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 director. We do not currently intend to nominate any additional persons as director.*

- (vi) 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 dated 22 July 2015;

**Response:** *We will determine the manner in which the warrants are exercised at the time of exercise.*

- (vii) information regarding the OCP Parties and their associates which may acquire Aeon shares pursuant to the Section 611(7) Approval. Currently the only information we are able to provide to shareholders is the OCP Asia website [www.ocpasia.com](http://www.ocpasia.com):

**Response:** *The shares may be acquired by OL Master Limited, Centar SP3 Limited and/or their 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 (Hong Kong) Limited (OCPHK) and OCP Asia (Singapore) Pte Limited. Centar SP3 Limited is private investment holding company incorporated as a limited company in the British Virgin Islands and is managed by OCP Asia (Hong Kong) Limited and OCP Asia (Singapore) Pte Limited (OCPS). OCPHK is a limited liability company incorporated in Hong Kong, licensed by the Securities and Futures Commission in Hong Kong to carry out Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 9 (asset management) regulated activities. OCPS is a limited liability company incorporated in Singapore ('OCPS'), holding a capital markets services licence under the SFA for fund management regulated activities.*

- (viii) 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.*

## Independent Expert's Report

- 18 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**.
- 19 None of the Directors is associated with the OCP Parties except that Paul Harris was nominated as a Director by the OCP Parties.

## Directors Recommendation.

- 20 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.
- 21 The Directors unanimously recommend that shareholders not associated with the OCP Parties should vote in favour of approval of Resolution 1 because such approval, together with approval by Shareholders of Resolution 2 before this Meeting, will entitle the Company to borrow an additional \$4,850,000 as Tranche 2 Notes for further work on the Walford Creek Project. The Directors believe that this amount of additional funding will not otherwise be available to the Company. Mr Goody notes that he was not in favour of the issue of 73,000,000 New Warrants pursuant to the New Facility. However, because of the adverse change in market conditions since the New Facility was announced, he believes that it is now unlikely any better funding could be obtained and therefore he has joined the other Directors in recommending shareholders vote in favour of Resolution 1.

**Resolution 2: Approval of the issue to OL Master Limited and/or OL Master (Singapore) Pte Limited of 20,825,106 warrants each expiring on 17 December 2017 and exercisable at 9.35 cents.**

- 22 As noted in paragraph 9 above, the Company will be entitled to draw an additional \$4,850,000 through the issue of notes ('Tranche 2 Notes') to further advance work on the Walford Creek Project if shareholders approve
- (a) the issue to OL Master Limited and /or OL Master (Singapore) Pte Limited of an additional 20,825,106 New Warrants pursuant to ASX Listing Rule 7.1 to bring the total number of New Warrants issued to 73,000,000; and
  - (b) Resolution 1 on the Notice for this Meeting.
- 23 The terms and conditions of the New Warrants are the same as the terms and conditions of the 2014 Warrants already issued to funds managed by OCP Group and now held entirely by OL Master Limited except that the exercise price of the New Warrants is 9.35 cents per warrant and the New Warrants will expire on 17 December 2017.
- 24 The Company does not have any remaining capacity under ASX Listing Rule 7.1 to issue 20,825,106 New Warrants unless the issue is approved by shareholders pursuant to this Resolution.
- 25 In accordance with ASX Listing Rule 7.3 the following information is provided:
- (a) The number of securities to be issued is 20,825,106 New Warrants.
  - (b) The New 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 refinancing provided through the issue of Tranche 2 Notes.
  - (d) The New Warrants will be issued to OL Master Limited and/or and /or OL Master (Singapore) Pte Limited.
  - (e) The terms of the New Warrants are set out above and in Schedule 1 to this Explanatory Memorandum.
  - (f) The funds provided by the Tranche 2 Notes will be used for the Walford Creek Project.
  - (g) The New Warrants will all be issued on the same date and not progressively.
- 26 The Directors unanimously recommend that shareholders not associated with the OCP Parties should vote in favour of approval of Resolution 2 because such approval, together with approval by Shareholders of Resolution 1 before this Meeting, will entitle the Company to borrow an additional \$4,850,000 as Tranche 2 Notes to further advance work on the Walford Creek Project. The Directors believe that this amount of additional funding will not otherwise be available to the Company. As noted above, Mr Goody states that he was not in favour of the issue of 73,000,000 New Warrants pursuant to the New Facility. However, because of the adverse change in market conditions since the New Facility was announced, he believes that it is now unlikely any better funding could be obtained and therefore he has joined the other Directors in recommending shareholders vote in favour of Resolution 2.

## 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:

**2014 Facility** means the notes issued to OL Master Limited and Centar SP3 in June 2014 as explained in paragraph 3;

**2014 Warrants** means the warrants issued to the OL Master Limited and Centar SP3 in June 2014 as explained in paragraph 3;

**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 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 Centar SP3 Limited and their Related Bodies Corporate;

**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;

**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.

## Terms and conditions of new warrants

A summary of the terms and conditions of the New Warrants (which operate in the same manner as options) are as follows:

<b>Status:</b>	Unlisted and exercisable into Shares upon payment of the Exercise Price.
<b>Transfer:</b>	The New Warrants are fully transferable.
<b>Expiry Date:</b>	17 December 2017
<b>Exercise:</b>	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.
<b>New Warrant Exercise Price:</b>	<p>The initial Exercise Price in respect of each New Warrant is 9.35 cents.</p> <p>The initial Exercise Price will be adjusted in the manner prescribed in the Listing Rules to take into account the following:</p> <ul style="list-style-type: none"> <li>▶ 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 (<b>Exercise Period</b>);</li> <li>▶ bonus issue or pro-rata issue to Shareholders during the Exercise Period;</li> <li>▶ If applicable, certain Adjustment Events (detailed in the relevant Deed Poll).</li> </ul>
<b>ASX Waiver:</b>	<p>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 (<b>ASX Waiver</b>).</p> <p>If the ASX grants the ASX Waiver:</p> <ul style="list-style-type: none"> <li>▶ 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 (<b>ASX Waiver Date</b>) until the Expiry Date; and</li> <li>▶ the Restrictions (detailed below) will cease to apply to the Company with effect from the ASX Waiver Date.</li> </ul> <p>If the ASX <b>does not</b> 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 New Warrant Exercise Price.</p>
<b>Restrictions:</b>	<p>The Company will be subject to the restrictions detailed below:</p> <ul style="list-style-type: none"> <li>▶ 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 1 month immediately preceding the proposed date of issuance, then the Company must obtain prior consent from the holders of the New Warrants;</li> <li>▶ 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 New Warrants; and</li> <li>▶ if the Company wants to pay dividends or make distributions, the Company must give the holders of the New 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 New warrants can exercise the New Warrants and participate in any such dividend or distribution should they wish to do so, (together, <b>the Restrictions</b>).</li> </ul>
<b>Restrictions Commencement Date:</b>	The Restrictions will apply from the date of the relevant Deed Poll.
<b>Restrictions Termination Date:</b>	<p>The Restrictions will cease to apply on the earlier of the date:</p> <ul style="list-style-type: none"> <li>▶ that the Issuer obtains the ASX Waiver;</li> <li>▶ that is the Expiry Date;</li> <li>▶ on which all the New Warrants are exercised by the warrant holders; or</li> <li>▶ all New Warrants are transferred by the initial warrant holder.</li> </ul>



**ALL CORRESPONDENCE TO:**

**By Mail:**

Boardroom Pty Limited  
GPO Box 3993  
Sydney NSW 2001 Australia

**By Fax:**

+61 2 9290 9655

**Online:**

[www.boardroomlimited.com.au](http://www.boardroomlimited.com.au)

**By Phone:**

1300 737 760 (within Australia)  
+61 2 9290 9600 (outside Australia)

## YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 2:00 pm Sydney time on Tuesday 27 October 2015.**

### TO VOTE ONLINE

**STEP 1: VISIT** [www.votingonline.com.au/aqrgmact2015](http://www.votingonline.com.au/aqrgmact2015)

**STEP 2: ENTER** your Postcode OR Country of Residence (if outside Australia)

**STEP 3: ENTER** your Voting Access Code (VAC): <



### TO VOTE BY SMARTPHONE

Scan the QR Code using a smartphone QR reader app.

### 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:

- 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.
- 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 **2.00 pm (Sydney time) on 27 October 2015**. 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:**

**ONLINE** [www.votingonline.com.au/aqrgmact2015](http://www.votingonline.com.au/aqrgmact2015)

**BY FAX** + 61 2 9290 9655

**BY MAIL** Boardroom Pty Limited  
GPO Box 3993,  
Sydney NSW 2001 Australia

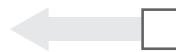
**IN PERSON** Level 12, 225 George Street,  
Sydney NSW 2000 Australia

#### Attending the Meeting

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

# Aeon Metals Ltd

ACN 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. Securityholders 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 and King Streets, 77 York Street, Sydney NSW 2000 on Thursday, 29 October 2015 at 2:00 pm 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.

The Chair of the Meeting intends to vote undirected proxies in favour of each of the items of business.

## 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*
<b>Resolution 1</b>	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 certain warrants.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 2</b>	Approval of the issue to OL Master Limited and/or OL Master (Singapore) Pte Limited of 20,825,106 warrants each expiring on 17 December 2017 and exercisable at 9.35 cents.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## STEP 3: SIGNATURE OF SHAREHOLDERS

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**

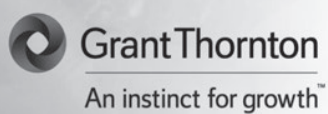
**Director/Company Secretary**

Contact Name: ..... Contact Daytime Telephone: ..... Date: ..... / ..... / 2015





# Independent Expert's Report



[aeonmetals.com.au](http://aeonmetals.com.au)



# Aeon Metals Limited

Independent Expert's Report and Financial Services Guide

4 September 2015

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

4 September 2015

**Grant Thornton Corporate Finance Pty Ltd**  
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Dear Independent Directors

## Introduction

Aeon Metals Limited (“AQR” 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 project located in northwest Queensland (“the Walford Creek Project”). As at 4 September 2015, AQR had a market capitalisation of approximately A\$17.4 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”).

On 1 July 2015, AQR announced a pro rata, non renounceable entitlement issue of 43,479,028 AQR Shares at an issue price of A\$0.075 (“Rights Issue Price”) to raise approximately A\$3.26 million (“the Rights Issue”). The Rights Issue was completed on 30 July 2015 and was fully underwritten by Pitt Capital Partners and sub underwritten by OL Master Limited.

## Proposed Exercise

OCP Funds<sup>1</sup> holds the following securities in AQR:

- 75,959,762 ordinary shares in AQR (“AQR Shares”) which represents approximately 21.8% of the issued capital in AQR.
- 63,251,107 warrants with an exercise price of A\$0.1579 per warrant and expiring on 17 June 2017 (“2014 Warrants”).
- 52,174,894 warrants with an exercise price of A\$0.0935 per warrant and expiring on 17 December 2017 (“New Warrants”).

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<sup>1</sup> OCP Funds includes OCP Asia (Hong Kong) Limited, Centar SP3 Limited and OL Master Limited.

OCP Funds has agreed to provide new debt facilities (“New Facilities”) to AQR including a:

- A\$22.8 million loan note facility to repay existing loan facilities including accrued interest and transaction costs (“Tranche 1 Notes”). On 23 July 2015, the Tranche 1 Notes were issued to OCP Funds and the existing loan facilities were repaid.
- A\$4.85 million loan note facility to provide further funding for the development of the Walford Creek Project (“Tranche 2 Notes”). The drawdown of the Tranche 2 Notes is conditional upon the issue of an additional 20,825,106 New Warrants (“Tranche 2 Warrants”) to OCP and the approval for OCP Funds to exercise the 2014 Warrants and New Warrants<sup>2</sup>.

Upon the exercise of the 2014 Warrants, New Warrants and Tranche 2 Warrants, OCP Funds will be issued 136,251,107 AQR Shares which will increase its equity interest in AQR from 21.8% to 43.8% (“Proposed Exercise”). As a result of the Proposed Exercise, AQR may receive approximately A\$16.8 million in cash or OCP Funds may elect to offset A\$16.8 million against the New Facilities instead of paying cash for the Proposed Exercise.

The independent directors of AQR (“the Directors”) unanimously recommend that the shareholders of AQR not associated with OCP Funds (“Non-Associated Shareholders”) vote in favour of the Proposed Exercise. Each Director intends to vote in favour of the Proposed Exercise.

### **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 Exercise 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, Xstract Mining Consultants Pty Ltd (“Xstract”), was engaged to conduct an independent geological and technical assessment and value the mineral assets held by AQR (“the Xstract Report”). The Xstract Report is attached as Appendix C of this report.

### **Summary of opinion**

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

In forming our opinion, Grant Thornton Corporate Finance has considered whether the Proposed Exercise 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 Exercise to the Non-Associated Shareholders, Grant Thornton Corporate Finance has compared the value per AQR Share before

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<sup>2</sup> Including the additional 20,825,106 New Warrants



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

The following table summarises our assessment:

Fairness assessment	Section Reference	Low	High
A\$ per share			
Fair market value per AQR share before the Proposed Exercise (control basis)	6.3	0.078	0.117
Fair market value per AQR share after the Proposed Exercise (minority basis)	7	0.059	0.087
<i>Increase/ (decrease) in value of AQR Share (cents)</i>		<i>(0.0186)</i>	<i>(0.0299)</i>
<i>Increase/ (decrease) in value of AQR Share (%)</i>		<i>-23.9%</i>	<i>-25.6%</i>

Source: Grant Thornton Corporate Finance Calculations

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

In relation to our valuation assessment of AQR after approval of the Proposed Exercise, we note that the Exercise Price per 2014 Warrant and New Warrant (including the Tranche 2 Warrant) of 15.79 cents and 9.35 cents respectively is materially above recent trading prices of AQR shares on a minority basis which have ranged between 5.5 cents and 7.0 cents<sup>3</sup> (i.e. the 2014 Warrants and New Warrants are out of the money). Accordingly, our valuation assessment of AQR after approval of the Proposed Exercise has not been undertaken on a fully diluted basis as it is unlikely that the OCP Funds would exercise the 2014 Warrants, New Warrants and Tranche 2 Warrants in the short term even if approval for the Proposed Exercise is granted by the Non-Associated Shareholders.

Notwithstanding the above, we note that given the high level of historical volatility observed for the AQR Share price<sup>4</sup> and with the continual development of AQR's mineral assets, the 2014 Warrants, New Warrants and Tranche 2 Warrants may still become in-the-money prior to expiry in June 2017 and December 2017 respectively.

We note that Grant Thornton Corporate Finance was engaged in April 2015 to provide an Independent Expert's Report in relation to the proposed exercise of the 2014 Warrants by OCP Funds. Grant Thornton Corporate Finance assessed the value of AQR in the range of A\$0.077 and A\$0.122 after the proposed exercise of the 2014 Warrants.

Since preparing the Independent Expert's Report in April 2015, AQR has completed a Rights Issue involving the issue of AQR Shares at a price of A\$0.075. In addition, AQR has refinanced its existing loan note facilities and issued New Warrants to AQR. As a result of these recent transactions, the fair market value of AQR Shares following the Proposed Exercise is lower than the previous valuation range set out in the previous report. In addition, we note that the copper price

<sup>3</sup> Based on the 1 month and 6 months VWAP respectively.

<sup>4</sup> Historical share price volatility is approximately 100% over the last 2 years

has decreased from US\$6,240 per tonne as at 30 April 2015 to US\$5,095 per tonne as at 31 August 2015<sup>5</sup>.

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

#### **Advantages**

##### *Additional funding under the New Facilities*

If the Proposed Exercise is approved by Non-Associated Shareholders, the Company will be able to draw on the Tranche 2 Notes of A\$4.85 million to continue to fund the development of the Walford Creek Project. The funding amount is significant and required for advancement of the Walford Creek Project towards feasibility level.

If the Proposed Exercise is not approved, the Company will be required to seek alternative sources of funding, which may be challenging in the current economic climate or may be available at terms that are materially dilutive to Non-Associated Shareholders.

##### *Removal of various fund raising restrictions*

If the Proposed Exercise is approved and OCP Funds fully exercises the 2014 Warrants, New Warrants and Tranche 2 Warrants, AQR will be released from various key fund raising restrictions as outlined below (for further details refer to Section 1.4):

- AQR must obtain consent from OCP Funds prior to the issue of any new AQR 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.
- AQR 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 AQR.

##### *The exercise price of the 2014 Warrant, New Warrants and Tranche 2 Warrants*

- The exercise price of A\$0.0935 per New Warrant and Tranche 2 Warrants are at a premium of 25% to the Rights Issue Price and a premium of 87% to the current AQR share price of A\$0.05.

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<sup>5</sup> [www.infomine.com](http://www.infomine.com)

- The exercise price of A\$0.1579 per 2014 Warrant is at a premium between 51.8% and 143% to our valuation assessment of AQR on a control basis before the Proposed Exercise.

Whilst it is unlikely that OCP Funds will exercise the 2014 Warrants, New Warrants and Tranche 2 Warrants in the short term, OCP will be paying a price which is higher than the 1 month and 6 months VWAP of A\$0.05 and A\$0.07 respectively.

*Valuation assessment of AQR on a full control basis*

Our valuation assessment of AQR before the Proposed Exercise 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 the Proposed Exercise is approved and the 2014 Warrants, New Warrants and Tranche 2 Warrants exercised, OCP Funds will increase its interest in the Company to approximately 43.8%<sup>6</sup> of the enlarged share capital. This represents a significant interest, however 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 AQR or change the strategic direction of the Company, employment level or management team.

*Valuation assessment on a fully diluted basis*

As discussed in our fairness section, given the 2014 Warrants, New Warrants and Tranche 2 Warrants are materially out-of-the-money compared with the latest share price of AQR at A\$0.05 per share, we have assumed that OCP Funds would be unlikely to immediately exercise the 2014 Warrants, New Warrants and Tranche 2 Warrants even if approval for the Proposed Exercise was granted by the Non-Associated Shareholders. As a result, our valuation assessment of AQR after approval of the Proposed Exercise only differs from our valuation assessment before the Proposed Exercise for the value of the Tranche 2 Warrants issued and the application of a minority discount in accordance with the requirements of RG 111<sup>7</sup>.

Had we undertaken our valuation assessment of AQR after approval of the Proposed Exercise on a fully diluted basis (i.e. assuming the immediate exercise of the 2014 Warrants, New Warrants and Tranche 2 Warrants), the Proposed Exercise would still not be fair to the Non-Associated Shareholders as set out below.

Fairness assessment (fully diluted basis)			
A\$ per share	Section Reference	Low	High
Fair market value per AQR share before the Proposed Exercise (control basis)	6.3	0.078	0.117
Fair market value per AQR share after the Proposed Exercise (minority basis)	Note 1	0.072	0.102
Increase/ (decrease) in value of AQR Share (cents)		(0.0061)	(0.0155)
Increase/ (decrease) in value of AQR Share (%)		-7.8%	-13.2%

Source: Grant Thornton Corporate Finance calculations

<sup>6</sup> Assuming OCP Funds does not acquire any further additional shares in AQR prior to the Proposed Exercise.

<sup>7</sup> For the avoidance of doubt, we note that our valuation assessment of AQR before and after approval of the Proposed Exercise include the time value of money of the 2014 Warrants, New Warrants and Tranche Warrants.



*Note 1: Assuming \$16.8 million in cash is received by AQR in return for the full exercise of the 2014 Warrants, New Warrants and Tranche 2 Warrants, the total number of AQR Shares outstanding increases to 484,083,735 and a minority discount of 23% applied.*

#### *Strategic alliance with OCP Funds*

We also note that AQR is likely to be required to source additional funding to further develop its mineral projects in the short to medium term. While the level of additional funding is not known at this stage and may not eventuate, OCP Funds may assist with future capital raisings or provide AQR 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 AQR.

#### *Funding requirements*

The 2014 Warrants are exercisable at A\$0.1579 per share and upon full exercise, will result in A\$10 million in cash paid to the Company. OCP Funds also has the option to offset the A\$10 million against the New Facilities instead of paying AQR in cash<sup>8</sup>. In addition, the New Warrants and Tranche 2 Warrants are exercisable at A\$0.0935 per share and upon full exercise, will result in A\$6.8 million in cash paid to the Company. OCP Funds also has the option to offset the A\$6.8 million against the New Facilities instead of paying AQR in cash.

We note that the exercise price of the 2014 Warrants and the New Warrants (including the Tranche 2 Warrants) are at a premium of 216% and 87% respectively to the AQR closing share price of A\$0.05 as at 31 August 2015.

If the Proposed Exercise is not approved (although the 2014 Warrants, New Warrants and Tranche 2 Warrants are currently out-of-the-money), the number of potential funding opportunities will be reduced and the Company will likely be required to undertake other fund raising transactions which may be more dilutive than the Proposed Exercise in the short to medium term due to the following:

- AQR does not yet and does not expect to generate any operational cash flows in the short to medium term.
- The Company's mineral assets are only at the early to advanced exploration stage and require significant on-going funding for development.
- The New Facilities are due in December 2017. Given the early stage of AQR's assets there is significant uncertainty in relation to whether AQR will be able to commence any significant cash generating operations in time to repay the New Facilities.

#### **Disadvantages**

##### *The Proposed Exercise is not fair*

The Proposed Exercise is not fair as set out above.

<sup>8</sup> Based on discussions with Management, we understand that AQR has also provided a credit note for an amount of A\$275,000 in connection with certain costs and expenses of the receivership of Aeon Walford Creek Limited to OCP Funds. The credit note shall be applied automatically by way of set off solely against the cash payment of the Exercise Price payable on the exercise of the 2014 Warrants until the credit is exhausted.

*Dilution from the shares issued to OCP Funds upon conversion of the 2014 Warrants, New Warrants and Tranche 2 Warrants*

OCP Funds' shareholding in AQR has the potential to increase from 21.8% up to 43.8%<sup>9</sup> if it decides to fully exercise the 2014 Warrants, New Warrants and Tranche 2 Warrants. As a result, the shareholding of the Non-Associated Shareholders will be diluted from 78.2% to circa 56.2%.

However, we note that even if the Proposed Exercise is not approved, OCP Funds may transfer/sell the 2014 Warrants and New Warrants to another party who does not require shareholder approval to exercise the 2014 Warrants and New Warrants and accordingly the Non-Associated Shareholders will suffer the same level of dilution.

*Increased significant influence over the Company*

Whilst OCP Funds will not acquire a full controlling interest in AQR as a result of the Proposed Exercise, OCP Funds will have the ability to significantly increase its influence over the affairs of the Company as the single largest shareholder of AQR after the implementation of the Proposed Exercise. OCP Funds will also have the capacity to block any potential takeover bid of AQR. OCP Funds will consider its own interests in such situations and potentially such considerations will be different to the Non-Associated Shareholders. Further, OCP Funds is the largest creditor of AQR having agreed to provide the New Facilities that are repayable on 17 December 2017. Combined with its interest in the share capital of AQR, OCP Funds will have virtual control over the Company despite owning 43.8%.

*Likelihood of receiving a takeover offer in the future*

In our opinion, if the Proposed Exercise 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 43.8%<sup>9</sup> of the enlarged issued capital of the Company. We note however, that OCP Funds is a financial investor and will seek to exit its investment in AQR at some point in the future as part of its investment objectives.

**Other factors**

*Shareholder approval already obtained in April 2014 to issue the 2014 Warrants*

We note that the Non-Associated Shareholders granted shareholder approval in April 2014 pursuant to Listing Rule 7.1 in relation to the issue of the 2014 Warrants along with the AQR Shares to OCP Funds with circa 97% of votes being in favour of the issue of 2014 Warrants. The 2014 Warrants were granted to OCP Funds as part of the funding package for the acquisition of the Walford Creek Project.

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

If the Proposed Exercise is not approved, it would be the current Directors' intention to continue

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<sup>9</sup> Assuming OCP Funds does not acquire any further additional interest in AQR prior to the Proposed Exercise or any other new AQR Shares are issued.



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 AQR's ongoing business.

#### **Reasonableness conclusion**

In our opinion the advantages outweigh the disadvantages as set out above and on the this basis, it is our opinion that the Proposed Exercise 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 Exercise 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 Exercise is a matter for each AQR Shareholder to decide based on their own views of value of AQR and expectations about future market conditions, AQR's performance, risk profile and investment strategy. If AQR Shareholders are in doubt about the action they should take in relation to the Proposed Exercise, they should seek their own professional advice.

Yours faithfully

GRANT THORNTON CORPORATE FINANCE PTY LTD

ANDREA DE CIAN  
Partner

PHILLIP RUNDLE  
Partner

4 September 2015

**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 AQR to provide general financial product advice in the form of an independent expert's report in relation to the Proposed Exercise. This report is included in AQR'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 AQR a fixed fee of approximately A\$25,000 plus GST, 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 AQR 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 AQR (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 AQR 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:

PO Box 579 – Collins Street West  
Melbourne, VIC 8007  
Telephone: 1800 335 405

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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## **1 Outline of the Proposed Exercise**

### **1.1 Introduction**

On 18 June 2014, AQR announced that it had completed a 100% acquisition of Aston Metals (QLD) Limited (now known as Aeon Walford Creek Limited) (“AWCL”) through a series of arrangements with the secured creditors and Receivers and Managers of its parent, Aston Metals Limited (“AML”) (“the Aston Acquisition”).

As consideration for the Aston Acquisition, AQR paid a mixed consideration consisting of a A\$20 million non-recourse loan (“Aston Loan”), 48.275 million AQR Shares and unlisted options with a face value of A\$10 million.

On 1 July 2015, AQR announced a pro rata, non renounceable entitlement issue of 43,479,028 AQR Shares at an issue price of A\$0.075 to raise approximately A\$3.26 million (“the Rights Issue”). The Rights Issue was fully underwritten by Pitt Capital Partners and sub underwritten by OL Master Limited.

In conjunction with the Rights Issue, the Company announced a refinancing of the Aston Loan with OCP Funds providing New Facilities of A\$27.7 million in total. The provision of the New Facilities was conditional upon the completion of the Rights Issue which was completed on 30 July 2015.

Under the Rights Issue AQR shareholders subscribed for 16,690,924 AQR Shares leaving a shortfall of 26,788,507 shares which were subscribed by OCP Funds under its commitment to sub underwrite the Rights Issue. As a result, OCP Funds increased its interest in the Company from 15.9% to 21.8%.

Following the Rights Issue, AQR issued the Tranche 1 Notes of A\$22.8 million to OCP Funds and used the proceeds to repay existing loan facilities including interest and transaction costs. Under the terms of the New Facilities, the Company is able to draw a further A\$4.85 million (“Tranche 2 Notes”) to continue to fund the development of the Walford Creek Project subject to OCP Funds obtaining approval from Non-Associated Shareholders to:

- Exercise the 2014 Warrants and the New Warrants<sup>10</sup> (“Resolution 1”).
- Issue the additional 20,825,106 New Warrants to OCP Funds (“Resolution 2”).

We note that Resolution 1 and Resolution 2 are interconditional. Accordingly, for the purposes of our report, we have collectively considered both resolutions.

### **1.2 Terms of the New Facilities**

Under the terms of the New Facilities, OCP Funds has agreed to provide the following:

- OCP Funds will provide new loan notes up to a total of A\$27.7 million in two separate tranches as set out below:

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<sup>10</sup> Including the additional New Warrants to be issued to OCP Funds under Resolution 2.



- 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 capital expenditure in relation to the Walford Creek Project.
- Payment in Kind (“PIK”) interest rate of 12% per annum capitalised on a quarterly basis.
- The New Facilities are secured over:
  - A fixed charge over the shares in AWCL.
  - 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.
- AQR may redeem the outstanding notes at any time after the Tranche 1 Notes and Tranche 2 Notes have been issued.
- The Tranche 1 and Tranche 2 Notes are freely transferable and any note may be transferred independently of any other note.
- AQR to grant 73 million New Warrants on the same terms and conditions as the 2014 Warrants other than the exercise price.

### **1.3 Terms of the New Warrants**

The terms of the New Warrants are set out below:

- 73,000,000 New Warrants to be issued in the following:
  - Upon the issue of the Tranche 1 Notes, the Company will issue such a number of New Warrants it is permitted to issue without prior shareholder approval pursuant to ASX Listing Rule 7.1.
  - The balance of the New Warrants to be issued upon the issue of the Tranche 2 Notes.
- The holder of the New Warrants has the right to exchange each warrant for one ordinary share in the Company by paying the exercise price of A\$0.0935.
- The New Warrants may be exercised at any time after issue up to 17 December 2017.
- The New Warrants are freely transferable and any New Warrant may be transferred independently of any other New Warrant.
- Instead of paying the exercise price for the New Warrants in cash, OCP Funds may elect to offset the amount payable against the New Facilities.

As at the date of this Report, the Company has issued 52,174,894 New Warrants and intends to issue an additional 20,825,106 New Warrants subject to the approval of Non-Associated Shareholders.

#### **1.4 Terms of the 2014 Warrants**

AQR issued 63,251,107<sup>11</sup> options to OCP funds on 17 June 2014 (i.e. 2014 Warrants).

The key terms of the 2014 Warrants are:

- Exercise Price of A\$0.1579 per warrant with a maturity date of 17 June 2017.
- Instead of paying the exercise price for the 2014 Warrants in cash, OCP Funds may elect to offset the amount payable against the New Facilities<sup>12</sup>.
- Each 2014 Warrant may be transferred separately and may be exercised at any time after its issue until the 17 June 2017.
- So long as any 2014 Warrants, New Warrants and Tranche 2 Warrants remain unexercised and have not matured, AQR is subject to the following restrictions (“the Option Restrictions”):
  - AQR must obtain consent from OCP Funds prior to the issue of any new AQR Shares at a price which is discounted at more than 15% of the VWAP for the month preceding the issue for the new shares.
  - AQR 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 AQR.
  - AQR must ensure that the record date for any dividends is at least 14 days after the announcement for the dividend to ensure OCP Funds has sufficient time to exercise the Aston Options in order to receive the dividends.

#### **1.5 Effects of the Proposed Exercise**

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

- OCP will be issued an additional 20,825,106 New Warrants (i.e. Tranche 2 Warrants).
- AQR will be able to draw down on the Tranche 2 Notes of A\$4.85 million to fund the development of the Walford Creek Project.
- OCP Funds will be able to fully exercise the 2014 Warrants, New Warrants and Tranche 2 Warrants into a maximum of 136,251,107 AQR Shares representing 28.1% of the diluted issued capital of AQR. Upon full exercise of the 2014 Warrants, New Warrants and Tranche 2

<sup>11</sup> 54,395,952 Aston Options to Centar SP3 Limited and 8,855,155 Aston Options to OL Master Limited.

<sup>12</sup> Based on discussions with Management, we understand that AQR has also provided a credit note for an amount of A\$275,000 in connection with certain costs and expenses of the receivership of AWCL to OCP Funds. The credit note shall be applied automatically by way of set off solely against the cash payment of the Exercise Price payable on the exercise of the Aston Options until the credit is exhausted.

Warrants, OCP Funds' interest in AQR will increase up to approximately 43.8% on a diluted basis<sup>13</sup>.

- If OCP Funds elects to exercise the 2014 Warrants, the Company may receive approximately A\$10 million in cash or may reduce the amount of the outstanding New Facilities (at the election of OCP Funds).
- If OCP Funds elects to exercise the New Warrants and Tranche 2 Warrants, the Company will receive A\$6.8 million in cash or may reduce the amount of the outstanding New Facilities (at the election of OCP Funds).
- If OCP Funds elects to fully exercise the 2014 Warrants, New Warrants and Tranche 2 Warrants all the Option Restrictions will be removed.

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<sup>13</sup> Assuming no other options issued to any other party are converted and OCP Funds does not acquire any further additional interest in AQR prior to the Proposed Exercise.

## **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 Exercise is approved, OCP Funds may increase its current shareholding interest in the Company from 21.8% to 43.8% (assuming OCP Funds does not acquire any further additional interest in AQR prior to the Proposed Exercise<sup>14</sup> and no other new AQR 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 Exercise 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

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<sup>14</sup> 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.

assuming 100% ownership of the target company irrespective of whether the consideration offered is scrip or cash 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 Exercise is fair to the Non-Associated Shareholders by comparing the fair market value of AQR Shares before the Proposed Exercise on a 100% control basis with the fair market value of AQR Shares after approval of the Proposed Exercise on a minority basis.

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

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

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

### **2.3 Independence**

Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to the Proposed Exercise 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 AQR, 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 Exercise 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 Exercise to the Non-Associated Shareholders as a whole. We have not considered the potential impact of the Proposed Exercise 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 Exercise on individual shareholders.

The decision of whether or not to approve the Proposed Exercise is a matter for each Non-Associated Shareholder based on their own views of value of AQR and expectations about future market conditions, AQR’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.

### **3 Profile of the industry**

AQR is an ASX listed junior base metal exploration company which holds 39 granted exploration permits for minerals (“EPMs”) and a mining development license (“ML”) in northwest and southeast Queensland, Australia. The Company is currently predominately focused on the development of its flagship polymetallic Walford Creek Project, a copper-zinc-lead project. Copper, zinc and lead are the key metals constituting AQR’s existing resource base.

#### **3.1 Overview**

In terms of volume, copper is the third highest traded metal commodity in the world and experiences daily price fluctuations as determined by global demand and supply factors. 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.

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 copper, zinc and lead exploration and development**

The key drivers affecting copper, zinc and lead exploration and development include:

- Demand for copper, zinc and lead – the demand for copper, zinc and lead is derived mainly from construction and manufacturing activities 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<sup>15</sup>, 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.
- 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.

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<sup>15</sup> We note that high-grade copper is also traded on the London Metal Exchange in pounds.

### 3.3 Consumption and production

In Australia, the production of copper, zinc and lead are heavily concentrated in Queensland, followed by New South Wales and Western Australia. In 2013, Queensland was estimated to account for circa 33% of copper, 64% of zinc and 70% of lead produced in Australia<sup>16</sup>.

#### *Copper*

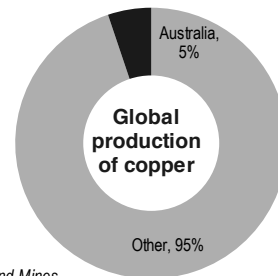
The global production of refined copper has increased by a compounded annual growth rate (“CAGR”) of 3.9%, slightly ahead of demand growth by 0.3%. In 2013, Australia accounted for approximately 5% of total global production and exported A\$8.7 billion in copper concentrates<sup>17</sup>.

The increase in copper production over the last few years has mainly been due to new mines starting or ramping up production across Asia, Africa, Oceania and Latin America. In 2014 and through 2015, the growth rate in the level of estimated global copper production is expected to decline in response to decreasing copper prices with reduced demand from the construction industry in China as well as a temporary ban of mineral ore exports by the Indonesian Government in January 2014. In particular, we note China accounts for over 45% of global copper consumption.

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

Global supply / demand for refined copper					
	2011	2012	2013	2014 (e)	2015 (f)
<b>Production</b>	<b>19.6</b>	<b>20.1</b>	<b>21.1</b>	<b>22.0</b>	<b>22.8</b>
Growth %		2.7%	4.6%	4.5%	3.4%
<b>Consumption</b>	<b>19.7</b>	<b>20.4</b>	<b>21.3</b>	<b>21.9</b>	<b>22.6</b>
Growth %		3.5%	4.6%	2.7%	3.0%
<b>Balance</b>	<b>- 0.10</b>	<b>- 0.26</b>	<b>- 0.27</b>	<b>0.10</b>	<b>0.20</b>

Source: S&P Global Financial Quarterly Metals Report January 2015, & Department of Natural Resources and Mines



#### *Zinc*

The global production of refined zinc has increased by a CAGR of 1.1%, below demand growth by 1.2%. In 2013, Australia accounted for approximately 11% of total global production and exported A\$2.4 billion in zinc concentrates<sup>17</sup>.

The growth rate of global zinc production has increased over 2012 to 2014, though it is forecast to be moderately lower in 2015 with the closure of several large zinc/lead mines, including MMG Limited's Century mine in Australia (capacity of 500 ktpa) which is reaching the end of its mine life. Growth in consumption in 2015 is expected to be supported by stronger demand for galvanised steel in China with the government planning to spend over US\$1 trillion on infrastructure projects over the next few years, and limited by slowing auto sales growth in Europe and China.

<sup>16</sup> Department of Natural Resources and Mines and IBIS World industry reports

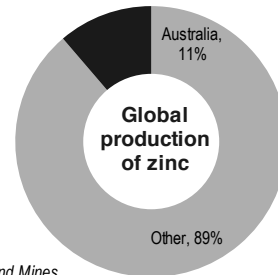
<sup>17</sup> Australia Government Department of Industry and Science, Resources and Energy Quarterly March 2015



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

Global supply / demand for refined zinc					
	2011	2012	2013	2014 (e)	2015 (f)
<b>Production</b>	<b>13.1</b>	<b>12.6</b>	<b>12.9</b>	<b>13.5</b>	<b>14.0</b>
Growth %		-3.7%	2.4%	4.7%	3.7%
<b>Consumption</b>	<b>12.7</b>	<b>12.3</b>	<b>12.9</b>	<b>13.6</b>	<b>14.2</b>
Growth %		-2.9%	4.4%	5.5%	4.0%
<b>Balance</b>	<b>0.37</b>	<b>0.25</b>	<b>0.01</b>	<b>0.10</b>	<b>0.15</b>

Source: Sudden Financial Quarterly Metals Report January 2015, & Department of Natural Resources and Mines



### Lead

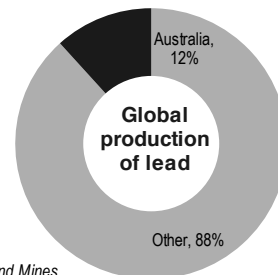
The global production of refined lead has increased by a CAGR of 2.9%, below demand growth by 0.5%. In 2013, Australia accounted for approximately 12% of total global production and exported approximately A\$2.0 billion of lead concentrates<sup>18</sup>.

The global lead market is expected to be relatively balanced in 2014 with the emergence of a supply deficit in 2015 as a result of several large zinc/lead mines reaching the end of their productive lives. The growth in consumption in 2015 is expected to be supported mainly by automobile demand in the US, and limited by slowing automobile demand in Europe and China, and increasing substitution of lead-acid batteries with lithium-ion batteries.

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

Global supply / demand for refined lead					
	2011	2012	2013	2014 (e)	2015 (f)
<b>Production</b>	<b>10.6</b>	<b>10.5</b>	<b>11.2</b>	<b>11.6</b>	<b>11.9</b>
Growth %		-0.5%	6.5%	2.9%	2.6%
<b>Consumption</b>	<b>10.4</b>	<b>10.5</b>	<b>11.2</b>	<b>11.6</b>	<b>12.0</b>
Growth %		0.4%	7.1%	2.9%	3.5%
<b>Balance</b>	<b>0.16</b>	<b>0.06</b>	<b>0.00</b>	<b>-</b>	<b>0.10</b>

Source: Sudden Financial Quarterly Metals Report January 2015, & Department of Natural Resources and Mines



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

Since 2007, volatility in global financial markets (resulting from the Global Financial Crisis ("GFC")) and concerns in relation to European sovereign debt levels ("European Debt Crisis") adversely impacted global economic growth, decreasing the demand for copper, zinc and lead. As a result, the average price of copper decreased by circa 25%, zinc decreased by circa 6% and lead decrease by circa 11% from 2008 to 2009<sup>19</sup>.

Subsequent to 2009, continual expansion of large developing economies such as China and India has supported an increase in the copper, zinc and lead prices. However, sovereign debt issues

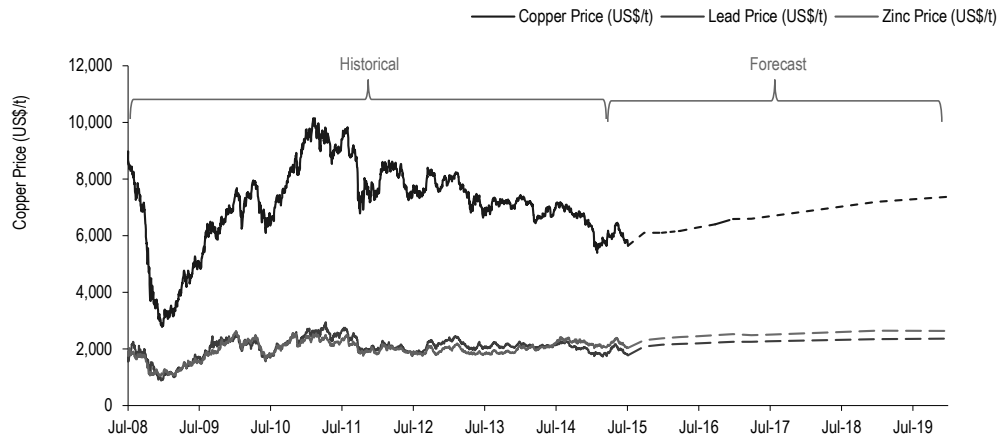
<sup>18</sup> Australia Government Department of Industry and Science, Resources and Energy Quarterly March 2015

<sup>19</sup> S&P Capital IQ

constraining growth in Japan, US and the European Union (“EU”), slower growth in China and India, and increase in production levels, resulted in a declining trend in the copper price and limited growth in zinc and lead prices since 2012.

Set out below is the historical and forecast price of copper, zinc and lead since July 2008:

#### Historical and forecast metal prices - July 2008 to July 2015



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

Over the short term (in 2015), the price of copper and lead are forecast to decline by circa 14% and 9% respectively, while the price of zinc is forecast to increase by 0.4%. The forecast decrease in the copper price is mainly driven by slowing growth of the construction sectors in China, economic stagnation of many developed countries and increasing supply surplus. Similarly, the forecast decrease in lead prices and limited growth in zinc prices is mainly due to slowing demand from China and other emerging markets. However, due to the expected closure of several large zinc/lead mines in 2015, the emergence of a supply deficit is expected to provide some support to zinc and lead prices.

The price of copper, zinc and lead are forecast to increase moderately over the next five years at a CAGR of 0.8% (copper), 4.0% (zinc) and 2.4% (lead), respectively. World demand for copper, zinc and lead is forecast to increase over the next five years in line with global economic recovery from the GFC and easing of the European Debt Crisis. In addition, growing wealth in developing countries such as China and India is expected to result in increased demand for higher quality public infrastructure, and battery powered products such as cars. However, we note that a persistent supply surplus for copper over the next five years is forecast to limit price growth.

## 4 Profile of AQR

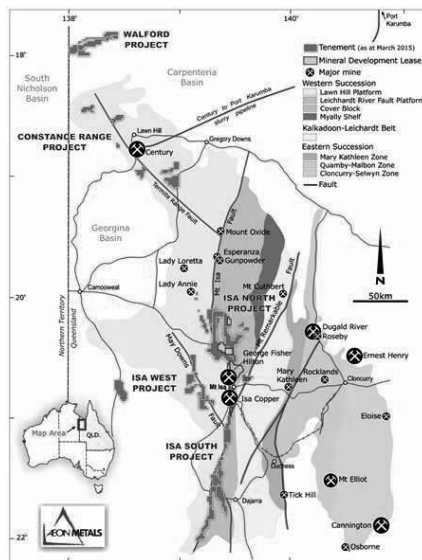
### 4.1 Overview

AQR is a junior base metal exploration company listed on the ASX with a market capitalisation of approximately A\$17.4 million as at 28 August 2015. AQR'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 AQR's key projects:

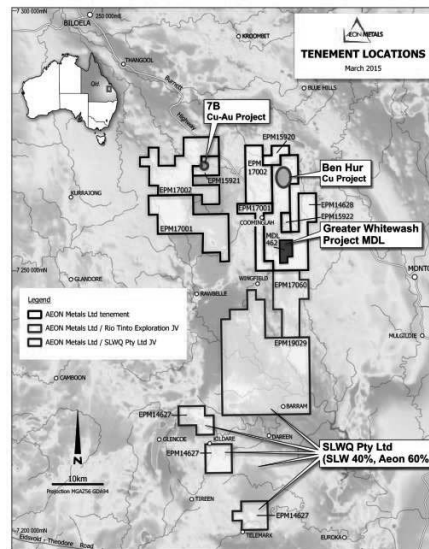
- *Walford Creek Project* – 100% owned flagship project located in North West Queensland and prospective for copper, zinc, lead, silver and cobalt.
- *Gladstone Projects* – consist of the 100% owned Ben Hur and Greater Whitewash copper projects.
- *Isa Projects* – consist of the early exploration stage Isa North, Isa West, Isa South and Constance Range Projects located in North West Queensland and linked by significantly geological fault architecture.

Walford Creek Project (Mount Isa)



Source: Management

Ben Hur and Greater Whitewash Projects (Gladstone)



The following table provides a summary of AQR's key projects and total attributable Mineral Resources reported in accordance with the JORC Code<sup>20</sup> ("Mineral Resources"):

<sup>20</sup>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.

Project	Tenements holder	Ownership %	Category	Million tonnes (Mt)	Cu (%)	Pb (%)	Zn (%)	Ag (g/t)	Co (p/m)	Mo (p/m)
Walford Creek	Aeon Walford Creek Ltd	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	-
			<b>Total</b>	<b>73.3</b>	<b>0.40</b>	<b>0.85</b>	<b>0.85</b>	<b>23.5</b>	<b>813</b>	<b>-</b>
Ben Hur	Aeon Metals Ltd	100%	Inferred	62.0	0.30	-	-	1.3	-	120
Greater Whitewash	Aeon Metals Ltd	100%	Indicated	185.0	0.12	-	-	1.55	-	263
			Inferred	56.0	0.11	-	-	1.54	-	239
			<b>Total</b>	<b>241.0</b>	<b>0.12</b>	<b>n/a</b>	<b>n/a</b>	<b>1.55</b>	<b>-</b>	<b>257</b>
<b>Total</b>		100%	Indicated	201.2	0.15	0.07	0.08	3.04	73	242
			Inferred	175.1	0.27	0.28	0.26	8.94	256	119
			<b>Total<sup>1</sup></b>	<b>376.3</b>	<b>0.20</b>	<b>0.17</b>	<b>0.17</b>	<b>5.79</b>	<b>158</b>	<b>185</b>

Note (1): Total grades based on weighted average.

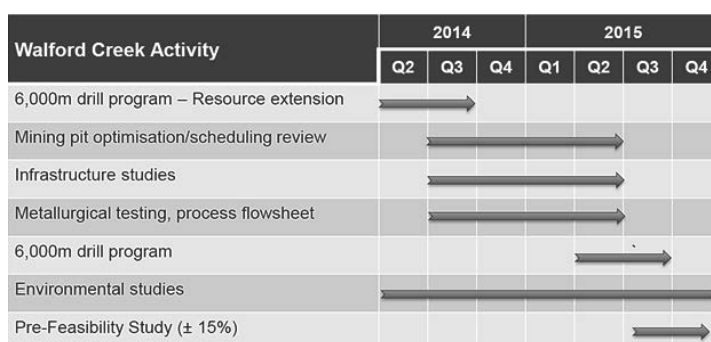
Source: AQR's ASX announcements, investor presentations and financial reports

Set out below is a brief description of the above key projects. Further details on the projects can be found in the Xstract 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 AQR's 100% owned flagship mining asset. AQR 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 AWCL through a series of arrangements with AWCL's secured creditors, and receivers and managers (for further details refer to Section 1.1).

Prior to AQR's acquisition of the project (i.e. 2010 to 2013), the Walford Creek Project had 14,992m of drilling undertaken along a 5 km zone with JORC defined Indicated and Inferred Resources of circa 48 Mt. To date, the Company has completed the first phase of a two-phase 12,000 m drill program ("the 2014 Drilling Program") at the Walford Creek Project in line with its plan to expand its JORC defined resources by 50% (completed), and complete a Pre-Feasibility Study ("PFS") by December 2015 as illustrated in the graph below:



Source: AQR's company presentation dated November 2014

Results of the first phase (6,021m of drilling) of the 2014 Drilling Program have confirmed the previous geological and resource model, and increased the Mineral Resource base at the Walford Project by more than 52% to 73 Mt. This has resulted in AQR reaching its resource expansion target for the 2014 Drilling Program prior to completion of phase 2.

Additionally, in August 2014, The Walford Creek Project qualified for a government grant under Round 8 of 'Future Resources Program – Collaborative Drilling Initiative', administered by the Queensland Department of Natural Resources and Mines<sup>21</sup>. Under the terms of the grant, AQR received A\$107,250 from the Queensland State Government, which was used to fund specific drill holes within the 2014 Drilling Program.

Furthermore, in November 2014, AQR announced that it had entered into a Memorandum of understanding ("MoU") with Armour Energy Limited for the potential future supply of gas for its Walford Creek Project.

#### **4.3 Ben Hur Project**

AQR's 100% owned Ben Hur Project is located approximately 150 km from Gladstone port. AQR 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<sup>22</sup>. The Company expects that further drilling has the potential to add to the current interpretation of mineralised volume, both laterally and at depth<sup>23</sup>.

#### **4.4 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.

AQR have combined the Ben Hur and the Greater Whitewash Projects under the 'South East Queensland Portfolio' and is seeking joint venture partners for the combined projects to allow the Company to focus on the development of the Walford Creek Project.

#### **4.5 Other projects**

Aside from the abovementioned projects, AQR 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:

- 7B Copper-Gold Project: 100% owned located within a 15km radius of the Greater Whitewash and Ben Hur Projects. Collectively the projects are known as the southeast Queensland Projects. AQR commenced exploration activities in November 2012 but are currently seeking joint venture parties combined with a centralised plant strategy.
- 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<sup>25</sup>. The Company has announced plans for a potential sale,

<sup>21</sup> AQR's ASX announcement dated 6 August 2014.

<sup>22</sup> AQR's 2014 annual report and ASX announcement dated 1 October 2014.

<sup>23</sup> AQR's ASX announcement dated 31 July 2015.

joint venture partnership for the northwest Queensland tenements in the first half of 2015 and have collated an Information Memorandum for the combined tenement package.

- Joint venture with SLW: the tenements are located near Monto, Queensland. The joint venture has a 60%-40% earning split between AQR 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 with an agreed earning split of 70%-30% for RTX and AQR respectively.

## 4.6 Financial information

### 4.6.1 Financial Performance

The consolidated statements of profit or loss of AQR for the financial years ended 30 June 2013 (“FY13”), 30 June 2014 (“FY14”) and 30 June 2015 (“FY15”) are set out in the table below:

AQR	FY13 Audited (A\$'000s)	FY14 Audited (A\$'000s)	FY15 Actual (A\$'000s)
Consolidated statement of profit or loss			
Revenue	31	-	-
Gain on revaluation of investment	1,387	-	-
Other income	49	33	-
Administrative expenses	(635)	(647)	(937)
Impairment loss	(143)	(3,881)	(63)
Other expenses	(764)	(1,045)	(1,046)
<b>Results from operating activities</b>	<b>(75)</b>	<b>(5,540)</b>	<b>(2,046)</b>
Finance income	35	54	102
Finance costs	(34)	(3)	(3)
<b>Profit/ (loss) for the period</b>	<b>(74)</b>	<b>(5,489)</b>	<b>(1,947)</b>

*Source: Draft 2015 Annual Report and 2014 Annual Report*

We note the following in relation to the statements of comprehensive income set out above:

#### FY13

- The 35% stake in SLW was revalued during the year, resulting in a A\$1.38 million gain on revaluation.

#### FY14

- Impairment loss for the FY14 period was approximately A\$3.9 million.
- Other expenses for the FY14 period were A\$281,000 higher than in FY13. This was primarily attributable to a higher expense associated with share based payments whereby the company issued 4 million shares at A\$0.12 per share to Managing Director Hamish Collins in May 2014.

#### FY15

- The Company reported a FY15 net loss of A\$1.9 million mainly related to administrative and other expenses.

#### 4.6.2 Financial Position

The statements of financial position of AQR as at 30 June 2014 and 30 June 2015 are set out in the table below:

AQR	30-Jun-14 Audited (A\$'000s)	30-Jun-15 Actual (A\$'000s)
<b>Consolidated statement of financial position</b>		
<b>Assets</b>		
Cash and cash equivalents	5,241	1,812
Trade and other receivables	590	91
Other investments	50	49
Prepayments	49	48
<b>Total current assets</b>	<b>5,930</b>	<b>2,000</b>
Property, plant and equipment	171	157
Other assets	44	44
Exploration and evaluation assets	43,323	53,871
<b>Total non-current assets</b>	<b>43,538</b>	<b>54,072</b>
<b>Total assets</b>	<b>49,468</b>	<b>56,072</b>
<b>Liabilities</b>		
Trade and other payables	1,463	1,262
Employee benefits	181	109
Provisions	50	50
<b>Total current liabilities</b>	<b>1,694</b>	<b>1,421</b>
Loans and borrowings	12,242	18,796
<b>Total non-current liabilities</b>	<b>12,242</b>	<b>18,796</b>
<b>Total liabilities</b>	<b>13,936</b>	<b>20,217</b>
<b>Net assets</b>	<b>35,532</b>	<b>35,855</b>
<b>Equity</b>		
Share capital	43,411	45,332
Reserves	5,734	5,523
Accumulated losses	(13,637)	(15,010)
<b>Total equity attributable to owners of the Company</b>	<b>35,508</b>	<b>35,845</b>
Non-controlling interests	24	10
<b>Total equity</b>	<b>35,532</b>	<b>35,855</b>

Source: Draft 2015 Annual Report

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

#### 30 June 2014

- Cash and cash equivalents of A\$5.2 million are primarily as a result of the issue of new shares worth A\$7.16 million.
- Exploration and evaluation assets increased to A\$43.3 million (FY2013: A\$21.8 million) due to the 100% acquisition of AWCL Limited assets including the 100% owned Walford Creek Project. The financing arrangements consisted of:
  - A\$20 million limited recourse notes with 12% pa capitalised interest payable after three years.
  - 48,275,862 AQR Shares.

- 63,251,107 2014 Warrants exercisable at A\$0.1579 expiring 17 June 2017<sup>24</sup>.

### 30 June 2015

- Cash and cash equivalents were A\$3.4 million lower in FY15 as the Company made A\$4.2 million in payments for exploration activities (A\$1.7 million in FY14).
- As a result, exploration and evaluation assets increased by A\$10.5 million to A\$53.9 million with total assets increasing by A\$6.6 million to A\$56.1 million.
- Trade and other receivables of A\$0.9 million is attributable to GST receivable; there were no trade receivables recorded in FY15.
- The value of the Company's loans and borrowings increased by A\$6.6 million to A\$18.8 million as a result of the amortised cost of the limited recourse notes. We note the fair value of the limited recourse notes was calculated using a discounted cashflow based on an effective interest rate of 33%.
- Share capital increased by circa A\$2 million due to additional shares issued and the exercise of options during FY15 (refer to section 4.7).

#### 4.6.2.1 The New Facilities

On 23 July 2015, AQR issued 2,283 Tranche 1 Notes with a face value of A\$10,000 per note to OCP Funds raising A\$22.83 million.

The following table summarises the key terms of the Tranche 1 Notes:

Terms	Details
Issue date	23-Jul-15
Maturity date	17-Dec-17
Face value	A\$22.83 million
Interest rate	12 % per annum, accrued semi-annually and capitalised until Maturity
Security	Assets of Aeon Walford Creek Limited
Other	Upon exercise of the 2014 Warrants, OCP Funds may elect to offset the exercise price against the Face Value and any capitalised interest of the New Facilities instead of making a cash payment

Source: AQR's Note and Security Trust Deed

## 4.7 Capital structure

As at 30 June 2015, AQR's capital structure is as follows:

- 347,832,628 fully-paid ordinary shares ("AQR's Shares").
- 1,000,000 options exercisable at A\$0.1250 before 8 February 2016.

<sup>24</sup> The Exercise Price of the 2014 Warrants was adjusted from A\$0.1581 as a result of the recent Rights Issue.



- 63,251,107 warrants exercisable at A\$0.1579 before 17 June 2017.
- 52,174,894 warrants exercisable at A\$0.0935 before 17 December 2017.

#### 4.7.1 Ordinary shares

The top ten shareholders of AQR as at 4 August 2015 are set out below:

Top shareholders	Number of shares	Percentage (%)
OCP Asia (Hong Kong) Ltd	75,064,369	21.6%
Goody Investments Pty Ltd	30,451,112	8.8%
Bliss Investments Ltd	20,669,113	5.9%
SLW Minerals Corporation Pty Ltd	16,000,000	4.6%
Catholic Church Insurance Ltd	14,168,669	4.1%
SLG Australia Pty Ltd	13,533,334	3.9%
Washington H Soul Pattinson And Company Ltd	27,591,408	7.9%
Moya Pty Ltd <JAAM A/C>	8,045,195	2.3%
National Nominees Ltd	5,911,809	1.7%
Mr Anthony Violi	5,460,293	1.6%
<b>Top 10 Shareholders</b>	<b>216,895,302</b>	<b>62.4%</b>
Other	130,937,326	37.6%
<b>Total</b>	<b>347,832,628</b>	<b>100.0%</b>

Source: Management and GTCF calculations

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

#### 4.7.2 Options and Warrants

As at 31 August 2015, AQR has approximately 116.4 million unlisted options and warrants on issue as follows:

Options and warrants	Grant date	Expiry date	Exercise price (A\$)	Number of securities
Option 1	08-Feb-13	08-Feb-16	0.125	1,000,000
2014 Warrants	17-Jun-14	17-Jun-17	0.158	63,251,107
New Warrants	07-Aug-15	17-Dec-17	0.094	52,174,894
<b>Total</b>				<b>116,426,001</b>

Source: ASX announcements

- **Option 1:** The issue of 1 million options was associated with the consideration for consultancy fees.
- **2014 Warrants:** Approximately 63.3 million warrants were issued to OCP Funds on 17 June 2014 in relation to the acquisition of the Walford Creek Project.
- **New Warrants:** Approximately 52.2 million warrants were issued to on 7 August 2015 in relation to financing arrangements provided through OCP Funds.

## **5 Valuation methodologies**

### **5.1 Introduction**

As part of assessing whether or not the Proposed Exercise is fair to the Non-Associated Shareholders, Grant Thornton Corporate Finance has compared:

- The Fair market value of AQR Shares before the Proposed Exercise on a control basis to the
- Fair market value of AQR Shares after approval of the Proposed Exercise 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 and the quoted price of securities as the primary methods to assess AQR's equity value as detailed below:

- *Market value of net assets* – the market value of net assets is based on the sum-of-parts of AQR's assets and liabilities as set out in AQR's audited balance sheet as at 30 June 2015. In assessing the fair market value of AQR, Grant Thornton Corporate Finance has aggregated:
  - The market value of AQR's mineral assets as assessed by Xstract.
  - The market value of the Tranche 1 Notes.
  - The value of other assets and liabilities owned by AQR.
  - Proceeds from the Rights Issue which was completed after 30 June 2015.
  - And deducted the value of the 2014 Warrants and New Warrants.
  - And deducted transaction costs related to the Proposed Exercise.
- *Quoted price of securities* – the quoted price of listed securities method is based on the Efficient Market Hypothesis ("EMH") which states that the share price at any point in time reflects all publicly available information and will change when new information becomes publicly available. With regards to this, we note that AQR complies with the full disclosure regime required by the ASX and has a reasonable level of liquidity (discussed in more detail in Section 6.2). As a result, the market is fully informed about the performance of AQR. We note that whilst the 2014 Warrants were issued in June 2014, AQR is only seeking shareholders' approval for the exercise of the Existing Warrants into ordinary shares of AQR as at the date of this Report. Accordingly, in our share price analysis, we have focused on the current share price of AQR.

#### 5.3.1 Independent technical expert

For the purposes of this report, Grant Thornton Corporate Finance has engaged Xstract to prepare a valuation of the exploration assets of AQR which was completed in accordance with the VALMIN Code<sup>25</sup>. A copy of the Xstract Report is included as Appendix C to this report.

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<sup>25</sup> 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

## 6 Valuation assessment of AQR before the Proposed Exercise

As outlined in Section 5.3, Grant Thornton Corporate Finance has adopted the market value of net assets and quoted price of securities methodologies to assess the equity value of AQR before the Proposed Exercise. For further details in relation to our valuation summary please refer to Section 6.3.

### 6.1 Market value of net assets

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

Fair value of AQR before the Proposed Exercise	Section Reference	Low A\$000s	High A\$000s
Fair value of AQR mineral assets	6.1.1	37,900	75,600
Fair value of the Tranche 1 Notes	6.1.2	(22,830)	(22,830)
Add: Adjusted other assets (liabilities)	6.1.3	780	780
Add: Net cash proceeds from the Rights Issue	6.1.4	3,046	3,046
Less: Value of options	6.1.5	(1,255)	(6,344)
Less: Transaction costs	6.1.6	(340)	(340)
Add: Tax losses	6.1.7	-	-
<b>Equity value of AQR on a control basis</b>		<b>17,301</b>	<b>49,912</b>
Number of existing AQR ordinary shares ('000s)	4.7.1	347,833	347,833
<b>Value per AQR Share on a control basis (A\$)</b>		<b>0.050</b>	<b>0.143</b>

Source: Xstract Report and GTCF calculations

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

As discussed in Section 5.3, Grant Thornton Corporate Finance has engaged Xstract to assess the fair market value of AQR's mineral assets. Xstract has assessed AQR's mineral assets on an attributable basis (i.e. taking into consideration various levels of ownership interest) between A\$37.9 million and A\$75.6 million.

Xstract has considered a number of valuation methodologies to assess the market value of AQR's mineral assets. In this regard, we note that the Walford Creek Project, Whitewash and Ben Hur Projects (have JORC compliant resources) have been assessed based on the comparable transactions, company multiples, and the yardstick approach. The Isa and Forsayth Projects (early stage exploration projects) valuation assessment had been 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 AQR's projects. Xstract identified 36 transactions<sup>26</sup> with similar levels of development and in similar political and geological setting.

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

<sup>26</sup> Includes 17 transactions involving pre-development projects and 19 involving early stage exploration projects

- The listed comparable company approach involves comparing the enterprise value of 26 identified companies with flagship projects similar to AQR's projects.
- The Yardstick approach involves applying the unitised sales price as a percentage of the prevailing commodity price to the existing Mineral Resource base of AQR's projects. The percentage to the commodity price is determined by the quality of the resource (e.g. Inferred versus Indicated Resources).
- The geoscientific approach applies technical and market factors to a base holding cost ("BHC") for each of AQR's permits. In addition, we note Xstract has applied a 30% discount factor to reflect the current subdued market conditions and base metal prices.

A summary of Xstract's valuation results appear in the table below:

Valuation of AQR's mineral assets	Section Reference	Low (A\$m)	Preferred (A\$m)	High (A\$m)
Walford Creek		24.00	33.10	42.30
Whitewash		7.20	11.40	15.60
Ben Hur		3.60	5.70	8.70
Constance Range		0.50	0.70	1.50
Isa North		1.20	1.70	3.40
Isa West		0.50	0.70	1.50
Isa South		0.80	1.20	2.30
Forsayth		0.10	0.10	0.30
<b>Total market value assessed by Xstract</b>	<i>Appendix C</i>	<b>37.90</b>	<b>54.60</b>	<b>75.6</b>
<b>Selected value range (A\$m)</b>		<b>37.90</b>	<b>to</b>	<b>75.6</b>

Source: Xstract Report

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

RG111 states that an expert should usually provide a range of values which should be as narrow as possible, as a broad range of values undermines the usefulness of the report. Accordingly, we have also adopted the quoted price of securities method as a second primary valuation method in our assessment of the value of AQR before and after approval of the Proposed Exercise.

#### 6.1.2 Tranche 1 Notes

On 23 July 2015, AQR issued a limited recourse loan note to OCP Funds with a face value of A\$22.83 million and interest rate of 12% p.a. (i.e. the Tranche 1 Notes). The Tranche 1 Notes are secured over the assets of Aeon Walford Creek Limited (previously named Aston Metals (QLD) Ltd) and is payable (both face value and capitalised interest) at maturity on 17 December 2017.

Having regard to the terms of the Tranche 1 Notes and discussions with Management, we have assessed the fair value of the Tranche 1 Notes to be approximately A\$22.83 million which is

consistent with the face value of the Tranche 1 Notes (“Principal Outstanding”). Our adopted value for the Tranche 1 Notes is based on the following considerations:

- The Tranche 1 Notes is limited recourse whereby OCP Funds’ claim on the loan in the event of default is limited to the asset value of AWCL. AWCL’s primary assets are the tenements to the Walford Creek Project and the Isa Project which are valued by Xstrat in the range of A\$26.5 million to A\$49.5 million. Given both the low and high end of Xstrat’s value range is above the Principal Outstanding, in our opinion a rational investor would at a minimum seek a sales price equal to the Principal Outstanding for the Tranche 1 Notes.
- We note that since 31 December 2014, AQR has completed phase 1 of the 2014 Drilling Program and successfully increased its Mineral Resource base by circa 52% as well as confirming the previous Mineral Resource base. No further significant exploration results have been reported. Accordingly, we believe the Principal Outstanding on the Tranche 1 Notes which were only recently issued represent the market value of the loan.

In our opinion, this valuation approach and the above assumptions are consistent with those that would be adopted by a pool of potential purchasers under the fair market value concept.

#### 6.1.3 Other assets and liabilities

Other assets and liabilities of AQR based on the reviewed balance sheet as at 30 June 2015 as set out in Section 4.6.2 and summarised below:

AQR's other assets/ (liabilities)	Section Reference	30-Jun-15 A\$000s
Cash and cash equivalents as at 30 June 2015		1,812
Trade and other receivables		91
Other investments		49
Prepayments		48
Property, plant and equipment		157
Other assets		44
Trade and other payables		(1,262)
Employee benefits		(109)
Provisions		(50)
<b>Adjusted other assets (liabilities)</b>	<b>4.6.2</b>	<b>780</b>

Source: December 2014 Half Year Financial Statements and GTCF calculations

In relation to the above, we note that the capitalised exploration and evaluation assets have been separately assessed by Xstrat as set out in Section 6.1.1 and the Loans and Borrowings has been separately assessed by Grant Thornton Corporate Finance as set out in Section 6.1.2.

#### 6.1.4 Cash from the Rights Issue

On the 30 July 2015, AQR announced the completion of the Rights Issue which raised approximately \$3.0 million net of capital raising costs<sup>27</sup>. We have considered the cash received from the Rights Issue as this is not included in the balance sheet as at 30 June 2015 or the valuation of the mining assets.

<sup>27</sup> Source from Non-renounceable Rights Offer document dated 13 July 2015.

### 6.1.5 Options and warrants

AQR currently has 116,426,001 options and warrants on issue as set out in Section 4.7.2. Whilst, the 115,426,001 warrants issued to OCP Funds may not be exercised by OCP Funds until the Proposed Exercise is approved by Non-Associated Shareholders, we note that the OCP Warrants are transferable to other parties. This means OCP Funds may sell the OCP Warrants to a party(s) who does not require shareholder approval to exercise the 2014 Warrants and New Warrants. Accordingly, we have included the value of the 2014 Warrants and New Warrants in our valuation assessment of AQR before the Proposed Exercise.

The value of the options and warrants have been determined using the Binomial Model, and with regard to the following key assumptions:

Fair value of the options and warrants	Section Reference	Consultant Options	OCP Funds 2014 Warrants	OCP Funds New Warrants
Number of options / warrants	4.7.2	1,000,000	63,251,107	52,174,894
Expiry date	4.7.2	08-Feb-16	17-Jun-17	17-Dec-17
Days to expiration from Valuation date		164	659	842
Exercise Price (A\$/share)	4.7.2	0.1250	0.1579	0.0935
Underlying share price (A\$/share)	Note 1	0.04 to 0.11	0.04 to 0.11	0.04 to 0.11
Risk free rate (%)	Note 2	1.79%	1.79%	1.79%
Volatility (%)	Note 3	100%	100%	100%
<b>Value per security - low (A\$/option)</b>		<b>0.0009</b>	<b>0.0076</b>	<b>0.0148</b>
<b>Value per security - high (A\$/option)</b>		<b>0.0242</b>	<b>0.0457</b>	<b>0.0657</b>
<b>Value - low (A\$)</b>		<b>853</b>	<b>482,486</b>	<b>771,173</b>
<b>Value - high (A\$)</b>		<b>24,182</b>	<b>2,891,763</b>	<b>3,428,346</b>
<b>Total value - low (A\$)</b>				<b>1,254,512</b>
<b>Total value - High (A\$)</b>				<b>6,344,291</b>

Source: ASX Announcements, S&P Capital IQ, Hoadley Trading & Investment Tools; Binomial Tree Option Calculator and GTCF calculations

Note (1): Underlying AQR share price in the range of A\$0.04 to A\$0.11 per share is based on our assessed value of AQR based on the market value of net assets between A\$0.05 and A\$0.14 and the application of a minority discount of 20%. See Section 6.1 for our valuation summary of AQR before the Proposed Exercise and Section 7.2 for minority discount discussion.

Note (2): Risk free rate of 1.79%, being the yield on 2 year Australian Commonwealth Government Bond as at 28 August 2015.

Note (3): Assessed volatility over the life of the Options of 100% based on the historical 2 year share price volatility of AQR sourced from S&P Capital IQ and rounded.

Based on the above, we have assessed the value of the options and warrants to be approximately in the range of A\$1.3 million to A\$6.3 million.

### 6.1.6 Transaction costs

Grant Thornton Corporate Finance has taken into consideration costs associated with AQR obtaining shareholder approval for the Proposed Exercise irrespective of whether the Proposed Exercise is approved or otherwise (assessed at A\$340,000 based on discussions with Management).

### 6.1.7 Taxation losses

AQR has approximately A\$6.5 million in accumulated net tax losses as at 30 June 2015 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 AQR's assets, it is not possible to predict whether or not AQR 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 AQR's unutilised tax losses.

## 6.2 Quoted price of securities

Set out below is our valuation assessment of AQR before the Proposed Exercise on a control basis applying a quoted price of securities valuation method.

Valuation summary of AQR before the Proposed Exercise (Quoted price of securities method)	Section Reference	Low	High
Assessed value per AQR Share (minority basis) (A\$)	6.2.1	0.060	0.090
Control premium	6.2.2	30%	30%
<b>Assessed value per AQR Share (control basis) (A\$)</b>		<b>0.078</b>	<b>0.117</b>

Source: Grant Thornton Corporate Finance calculations

### 6.2.1 Share price and market analysis

In our assessment of the fair market value of AQR Shares, we have had regard to AQR Shares trading prices on the ASX.

In accordance with the requirements of RG111, we have considered the listed securities' depth, liquidity, and whether or not the market value is likely to represent the underlying value of AQR. The following table summarises the monthly trading price and volume of AQR Shares since August 2014:

Month end	Volume traded ('000)	Monthly VWAP (A\$)	Total value of shares traded (A\$'000)	Volume traded as % of total shares	Volume traded as % of free float shares
Aug 2014	7,406	0.194	1,434	2.4%	6.0%
Sep 2014	2,952	0.184	542	1.0%	2.3%
Oct 2014	2,906	0.132	384	1.0%	2.2%
Nov 2014	874	0.112	98	0.3%	0.7%
Dec 2014	1,087	0.102	111	0.4%	0.8%
Jan 2015	1,072	0.087	93	0.4%	0.8%
Feb 2015	1,627	0.090	146	0.5%	1.3%
Mar 2015	1,200	0.082	98	0.4%	0.9%
Apr 2015	1,351	0.071	96	0.4%	1.0%
May 2015	1,702	0.073	124	0.6%	1.3%
Jun 2015	1,073	0.083	90	0.4%	0.8%
Jul 2015	1,928	0.071	137	0.6%	1.5%
28 Aug 2015	2,571	0.055	142	0.7%	1.7%
Min <sup>1</sup>	874	0.071	90	0.29%	0.68%
Max <sup>1</sup>	7,406	0.194	1,434	2.44%	6.00%
Average <sup>1</sup>	2,098	0.107	279	0.69%	1.65%
Median <sup>1</sup>	1,489	0.088	118	0.49%	1.15%

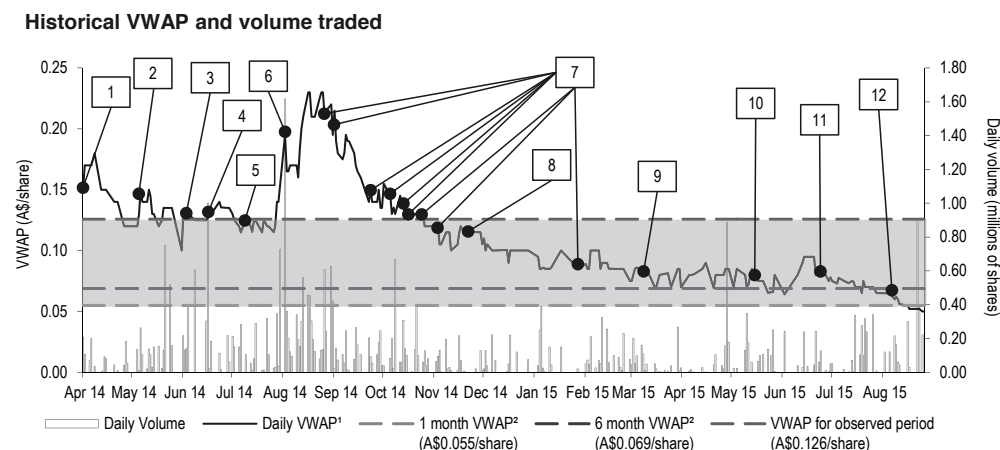
Source: CapitalIQ and GTCF calculations

With regards to the above analysis, we note that:



- For the purpose of our valuation assessment, we have observed the share trading profile of AQR from August 2014 to 28 August 2015.
- AQR complies with the full disclosure regime required by the ASX. As a result, the market is fully informed about the performance of AQR.
- In the absence of a takeover or other share offers, the trading share price represents the value at which minority shareholders could realise their portfolio investment.
- The level of free float<sup>28</sup> AQR Shares as at 28 August 2015 is approximately 42.56%. Since August 2014, whilst only 9.1% of the total outstanding shares has been traded, we note in excess of 21.3% of the free float AQR Shares has been traded. In our opinion, there appears to be sufficient liquidity to support the use of recent share trading prices as a valuation method, particularly given that it is not uncommon for early stage exploration companies to demonstrate low levels of liquidity until resource targets become sufficiently defined.
- AQR completed the Rights Issue on 31 July 2015, raising A\$3.26 million through the issue of 43,479,028 new AQR Shares. The rights issue price was A\$0.075 per share which was fully underwritten.
- AQR Shares have been quite volatile over the observed period (i.e. last 12 months), with the minimum and maximum monthly VWAP price varying between 5.5 cents and 19.4 cents. This is explained further in our analysis of the daily movements in AQR's share price and volumes, and market conditions below.

Our analysis of the daily movements in AQR's share price and volumes for the period from April 2014 to August 2015 is set out below:



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 (i.e. 28 August 2015)

Source: S&P Capital IQ, AQR's ASX announcements and GTCF analysis

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

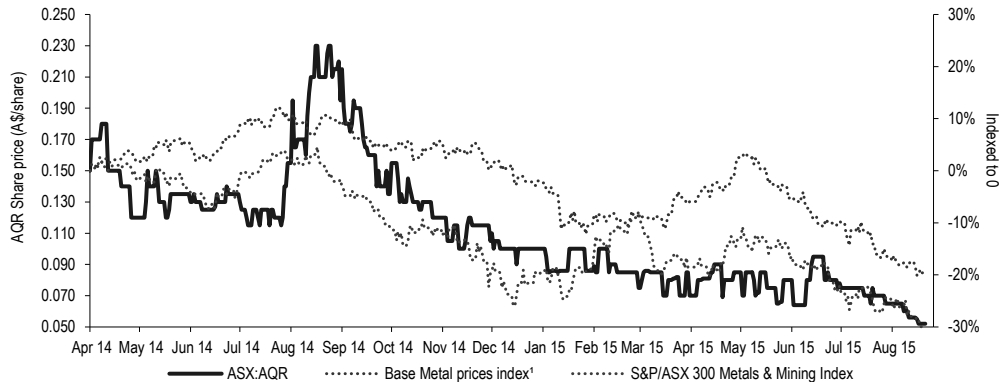
<sup>28</sup> Free float Shares excludes those owned by Company employees, individual insiders, related parties and other strategic investors (i.e. OCP Funds)

#	Date	Closing share price (A\$/share)	Spot copper price (US\$/t)	Comments
1	3 Apr 14	0.150	6,640	AQR announced the Aston Acquisition. For details refer to Section 1.1.
2	8 May 14 28 May 14	0.150	6,595	AQR announced AQR Shareholders had approved the issue of the Aston Shares and Aston Options under the Aston Acquisition. Company presentation detailing the Aston Acquisition was subsequently released on the 28 May 14.
3	5 Jun 14	0.135	6,735	AQR announced the commencement of 1,200m drilling program at its 7B Project in the Gladstone region of Queensland.
4	18 Jun 14	0.127	6,730	AQR 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).
5	9 Jul 14	0.115	7,120	AQR announced the commencement of the 2014 Drilling Program at the Walford Creek Project.
6	4 Aug 14	0.195	7,065	AQR issued 3 million shares to two of AQR'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 AQR.
7	28 Aug 14	0.210	6,995	Drilling results for the Walford Creek Project under the 2015 Drilling Program were announced on the dates as listed.
	2 Sep 14	0.195	6,935	
	25 Sep 14	0.150	6,705	
	9 Oct 14	0.135	6,665	
	16 Oct 14	0.130	6,535	
	22 Oct 14	0.130	6,655	
	23 Oct 14	0.130	6,630	
	6 Nov 14	0.105	6,565	
	30 Jan 15	0.086	5,435	
8	26 Nov 14	0.115	6,555	AQR 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.
9	6 Mar 15	0.086	5,770	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 AQR'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).
10	15 May 15	0.085	6,312	AQR announced the commencement of 2,000m drilling program at Walford Creek and the Queensland Department of Natural Resources and Mines approves fundings under Collaborative Drilling Initiative for Beauchamp target west of Mt Isa.
11	01 Jul 15	0.075	5,724	AQR 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.
12	07 Aug 15	0.065	6,942	AQR announced that it issued 52.174 million options each expiring on 17 December 2017 and exercisable at A\$0.095.

Source: AQR's ASX announcements and GTCF analysis

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

#### Historical AQR 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 AQR's projects)  
Source: S&P Capital IQ, AQR's ASX announcements and GTCF analysis

Specifically, we note the following movements in the AQR share price:

- The AQR Share price has decreased by circa 50% from the announcement of AQR's intention to acquire AWCL in April 2014 to the Valuation Date. This has occurred despite AQR having completed Phase 1 of the 2014 Drilling Program and successfully increasing the Mineral Resource base at the Walford Creek Project by over 52% which exceeded the Company's initial resource expansion target.
- Similar to other ASX listed companies operating in the mining industry, the decrease in the AQR Share price appears to largely reflect the high volatility and general downward trend in the base metal prices which has reduced investor interest and confidence in the industry.
- Whilst AQR has a relatively large resource base, we note that AQR is an early stage exploration company with Mineral Resources only in the Inferred and Indicated categories, and relatively low metal grades. As a result, in our opinion AQR has a relatively higher level of inherent risk and sensitivity to movement in the base metal prices in comparison to the majority of companies that constitute the S&P/ASX 300 Metals & Mining Index. We note that this is consistent with Xstrata's selection of a wide value range for AQR's mineral assets.

We have set out below the recent VWAP of AQR:

VWAP	Low	High	VWAP
Prior to 28 Aug 2015			
1 week	0.050	0.055	0.052
4 weeks	0.050	0.065	0.055
3 month	0.050	0.095	0.066
6 month	0.050	0.095	0.070

Source: Capital IQ and Grant Thornton Corporate Finance calculations

Based on the analysis above, we have selected trading prices between A\$0.06 and A\$0.09 as representative of the fair market value of the Company on a minority basis. The low end of the range reflects the VWAP for 4 weeks and 3 months, while the high end is closer to the observed

high VWAP for 6 months. We note that the low-end of our range reflects the current downward pressure on the share price which is driven by depressed commodity prices and share price volatility. The high-end of the range is based on the historical VWAP over a longer period and our view that commodity prices will stabilise and trend upwards over the medium to long term (refer to Section 3.4 for further details).

#### 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.

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.

In selecting an appropriate control premium to apply to the AQR Shares, we have considered the following:

- AQR has an extensive portfolio of early-stage exploration mineral assets, the value of which has yet to be fully realised.
- An investor may consider control of AQR's mineral assets to be a strategic investment.
- Uncertainty surrounding the ability of the Company to acquire funding to support development of its assets to production, which may be reflected in AQR's share price, could be a less significant factor in a control transaction.
- Base metal prices have declined materially over the last few years and the current market conditions are difficult in general for resource companies, particularly early stage exploration companies. As a result investor demand is relatively more limited than prior periods and the level of control premium that may be achieved is likely similarly more limited.

Based on the above factors, we are of the opinion that the premium for control should be towards the mid-point of the premium for control historically observed in the Australian market for successful takeovers. Accordingly, we have adopted a premium for control of 30%.

### 6.3 Valuation summary

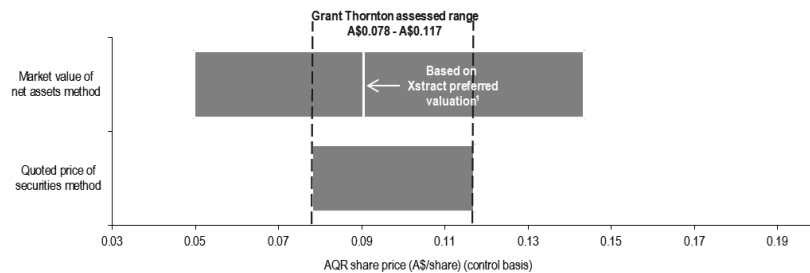
Our valuation assessment of AQR before the Proposed Exercise based on the market value of net assets method and the quoted price of securities method is summarised below:

Valuation summary of AQR before the Proposed Exercise	Section Reference	Low A\$000s	High A\$000s
Market value of net assets method	6.2	0.050	0.143
Quoted price of securities method	6.3	0.078	0.117
<b>Grant Thornton Corporate Finance assessed range (control basis)</b>		<b>0.078</b>	<b>0.117</b>

Source: GTCF analysis

As illustrated in the graph below, the value of AQR based on Xstract's preferred valuation assessment of the mineral assets is within our selected range for the value of AQR before the Proposed Exercise.

#### Assessment of AQR share price before the Proposed Exercise



Note (1): Preferred value based on the preferred value of mineral assets assessed by Xstract

Source: GTCF analysis

As a further cross check, we have considered the Rights Issue Price of A\$0.075 on a minority basis and applied a premium for control in the range of 20% and 40% to arrive at an indicative value of A\$0.09 and \$0.105 for AQR on a control basis. We note that this indicative value range falls within our assessment of AQR on a control basis. Accordingly, our valuation of AQR on a control basis appears reasonable.

## 7 Valuation assessment of AQR after approval of the Proposed Exercise

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

AQR after approval of the Proposed Exercise	Section Reference	Low A\$000s	High A\$000s
Value per AQR Share on a control basis before approval of the Proposed Exercise (A\$)	6.3	0.078	0.117
Number of AQR ordinary shares ('000s)	4.7.1	347,833	347,833
<b>Equity value of AQR on a control basis before approval of the Proposed Exercise (A\$'000s)</b>		<b>27,131</b>	<b>40,696</b>
Value of Tranche 2 Warrants	7.2	(308)	(1,368)
<b>Equity value of AQR on a control basis after approval of the Proposed Exercise (A\$'000s)</b>		<b>26,823</b>	<b>39,328</b>
Number of AQR ordinary shares ('000s)	4.7.1	347,833	347,833
<b>Value per AQR Share on a control basis (A\$)</b>		<b>0.077</b>	<b>0.113</b>
Minority discount (%)	7.3	23%	23%
<b>Value per AQR Share on a minority basis (A\$)</b>		<b>0.059</b>	<b>0.087</b>

Source: Grant Thornton Corporate Finance Calculations and Xstract Report

### 7.1 Exercise of the 2014 Warrants, New Warrants and Tranche 2 Warrants

In our assessment of AQR after the Proposed Exercise, we have assumed that OCP Funds would not exercise the 2014 Warrants, New Warrants and Tranche 2 Warrants immediately.

Given the 2014 Warrants and New Warrants are significantly out-of-the-money based on the current AQR share spot price (A\$0.05 per share) before the Proposed Exercise, we have undertaken the valuation analysis of AQR after approval of the Proposed Exercise based on the assumption that OCP Funds would not exercise the 2014 and New Warrants immediately. This is based on our opinion that any rationale investor will rather purchase shares on the market based on the current trading prices rather than pay A\$0.1579 or A\$0.0935 per share in order to exercise the 2014 Warrants, New Warrants and Tranche 2 Warrants respectively.

We note that the exercise price of the New Warrants and Tranche 2 Warrants of A\$0.0935 is below the high end of our valuation range of AQR before the Proposed Exercise of A\$0.117 on a control basis. While it could be argued that the New Warrants and Tranche 2 Warrants are in the money compared to our valuation assessment of AQR on a control basis, in our opinion it is unlikely OCP Funds would exercise the New Warrants and Tranche 2 Warrants as a rationale investor would likely wait until the maturity date before exercising the warrant in order to extract the maximum time value of money given that AQR is not a dividend paying stock.

### 7.2 Value of the Tranche 2 Warrants

If the Proposed Exercise is approved, AQR will issue 20,825,105 Warrants. The value of the Tranche 2 Warrants has been determined using the Binomial Model, and with regard to the following key assumptions:

- Underlying share price between A\$0.04 and A\$0.11 (refer to section 6.1.5 for further details).
- Risk free rate of 1.79%
- Volatility of 100%

- Expiry date of 17 December 2017.

Based on the above, we have assessed the value of the additional New Warrants to be approximately in the range of A\$0.3 million to A\$1.4 million.

### **7.3 Minority discount**

As the Proposed Exercise is considered a control transaction in accordance with RG 111, we have compared our assessment of AQR on a control basis before the Proposed Exercise with our assessment of AQR on a minority basis following the approval of the Proposed Exercise.

A minority interest discount is the inverse of a premium for control<sup>29</sup> and generally ranges between 15% and 30%. Australian studies indicate the premiums required to obtain control of companies range between 20% and 40% of the portfolio holding values.

In our assessment of the minority discount, we have considered the following:

- We have applied a control premium of 30% to our assessment of the value of AQR before the Proposed Exercise under the quoted price securities method as set out in Section 6.2.
- Based on our assessment of the value per AQR Share before the Proposed Exercise, the 2014 Warrants, New Warrants and Tranche 2 Warrants are materially out-of-the-money based on the share price as at 28 August 2015 of A\$0.05. Accordingly, we have assumed that OCP Funds would be unlikely to immediately exercise the 2014 Warrants, New Warrants and Tranche 2 Warrants even if approval for the Proposed Exercise was granted by the Non-Associated Shareholders.
- Our valuation assessment of AQR before the Proposed Exercise includes the time value of money in relation to the 2014 Warrants and New Warrants (refer to section 6.1.4 for details).
- If the 2014 Warrants, New Warrants and Tranche 2 Warrants are exercised, Non-Associated Shareholder's collective interest in AQR will be diluted to 56.2% on a diluted basis assuming OCP Funds does not acquire any further additional interest in AQR prior to the Proposed Exercise.
- OCP Funds has advised the Board that it has no intention of using its increased voting power to attempt to secure additional Board positions, vary the current Directors balance or influence the strategic direction of the Company.

Based on the discussions set out above, we have applied a minority discount at the mid-point of the empirically observed range of 23% to our assessed value of AQR after approval of the Proposed Exercise.

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<sup>29</sup> Minority interest discount =  $1 - (1 / (1 + \text{control premium}))$ .

## **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 AQR for FY15, HY15 and FY14.
- Xstract specialist technical report.
- Announcements made by AQR on the ASX.
- AQR's website.
- S&P Capital IQ.
- IBISWorld.
- Various broker's reports.
- Other publicly available information.
- Discussions with AQR 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 Exercise 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 AQR, 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 AQR 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.

### **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 AQR 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 AQR 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 AQR.

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 Exercise is fair and reasonable to the Non-Associated Shareholders.

AQR 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 AQR, which AQR knew or should have known to be false and/or reliance on information, which was material information AQR had in its possession and which AQR knew or should have known to be material and which did not provide to Grant Thornton Corporate Finance. AQR 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.

## **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.

## Appendix B – Glossary

\$	Australian Dollar
2014 Warrants	Warrants with an exercise price of A\$0.1579 per warrant and expiring on 17 June 2017
AML	Aston Metals Limited
APES	Accounting Professional and Ethical Standards
APES110	Code of ethics for Professional Accounting
AQR	Aeon Metals Limited
ASIC	Australian Securities Investment Commission
Aston Acquisition	AQR'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 Independent Directors of AQR
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
GFC	Global Financial Crisis
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	Kiloton
ML	Mining developing license
Mt	Million tons
New Warrants	Warrants with an exercise price of A\$0.0935 per warrant and expiring on 17 December 2017
Non-Associated Shareholders	Shareholders of AQR 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	AQR's flagship Walford Creek copper-lead-zinc project
Xstract	Xstract Mining Consultants Pty
Xstract Report	An independent geological and technical assessment and value of the mineral assets held by AQR. See Appendix C.

**Appendix C – Xstract Report**



# **Aeon Metals Limited**

## **Independent Valuation**

**Prepared for:**  
**Grant Thornton Corporate Finance Pty Ltd**  
**Effective Date: July 2015**

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Xstract Mining Consultants Pty Ltd has prepared this report on behalf of Grant Thornton Corporate Finance Pty Ltd. Public disclosure, publication, or presentation of any information contained in this document must be accompanied by written consent from Xstract Mining Consultants Pty Ltd, which will not be unduly withheld.

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## Appendices

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Appendix A: Market Transactions

Appendix B: Comparable companies

Appendix C: Geoscientific Rating Valuation of Early Stage Exploration Tenements

Appendix D: Valuation approaches and methods

## Key abbreviations

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%	Percent
<	Less than
>	Greater than
Aeon	Grant Thornton Corporate Finance Pty Ltd
Ag	Silver
AIG	Australian Institute of Geoscientists
AQR	Aussie Q Resources Limited
Aston	Aston Metals (Qld) Limited
ASX	Australian Securities Exchange
Au	Gold
AUD	Australian dollars
AusIMM	Australasian Institute of Mining and Metallurgy
BHC	Base holding cost
CIMVAL	The Canadian 2003 Edition of the Standards and Guidelines for Valuation of Mineral Properties
Co	Cobalt
Company	Grant Thornton Corporate Finance Pty Ltd
Copper Strike	Copper Strike Limited
Cu	Copper
CuEq	Copper equivalent
CuEq <sub>t</sub>	Copper equivalent tonne
DCF	Discounted cash flow
EDTA	Ethylenediaminetetraacetic acid
EM	Electromagnetic
EPM	Exploration Permit for minerals other than coal
ERE	Endangered Regional Ecosystems
EV	Expected values
FMV	Fair market value
g	Gram(s)
Goody	Goody Investments Pty Ltd
Grant Thornton	Grant Thornton Corporate Finance Pty Ltd
H&SC	H&SC Consultants Pty Ltd

Iluka	Iluka Resources Limited
IP	Induced Polarisation
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	Kilometre(s)
km <sup>2</sup>	Square kilometre(s)
lb	pound
LOI	Letter of Intent
M	Million
m	Metre(s)
MDL	Mining development license
MEE	Multiples of exploration expenditure
Mo	Molybdenum
MoEq	Molybdenum equivalent
Mt	Million tonnes
MVT	Mississippi Valley
OCP	OCP Asia (Hong Kong) Limited
oz	Troy ounce
Pb	Lead
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
t	Tonne(s)
USD	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
WMC	Western Mining Corporation
Xstract	Xstract Mining Consultants Pty Ltd
Zn	Zinc

# 1 Executive summary

Grant Thornton Corporate Finance Pty Ltd ("Grant Thornton") has requested Xstract Mining Consultants Pty Ltd ("Xstract") to provide an Independent Valuation Report on the mineral assets of Aeon Metals Limited ("Aeon"). This report will be included in an Independent Expert's Report by Grant Thornton that will accompany a Notice of Meeting incorporating Grant Thornton's Independent Expert Report.

Aeon's mineral assets consist of a regionally extensive, but dispersed, tenement holding in Queensland comprising 39 granted Exploration Permits for Minerals ("EPM") with a number of joint venture agreements held over these assets and a Mining Development License 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 Rawbelle 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 metal-phosphate project
  - the Isa South copper-gold project
- 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 1.1.

**Table 1.1: 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
<b>TOTAL</b>		<b>73.3</b>	<b>0.40</b>	<b>0.85</b>	<b>0.85</b>	<b>23.5</b>	<b>813</b>

For further detail 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 1.2).

**Table 1.2: 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

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

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

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

In Xstrat's opinion, as at 20 July 2015, the market was likely to pay between **AUD37.9 M** and **AUD75.6 M**, with a preferred value of **AUD54.6 M**, for Aeon's interests in the mineral assets as summarised in Table 1.3.

**Table 1.3: Summary of the market value of Aeon's Queensland mineral assets**

Project		Low (AUD M)	High (AUD M)	Preferred (AUD M)
Walford Creek	Mineral Resource	23.0	40.4	31.7
	Exploration Target	0.8	1.4	1.1
	Exploration Potential	0.2	0.5	0.3
Gladstone	Whitewash Mineral Resource	7.2	15.6	11.4
	Ben Hur Mineral Resource	3.2	6.9	5.0
	Exploration Potential	0.4	1.8	0.7
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
Forsyth		0.1	0.3	0.1
<b>Total Market Value</b>		<b>37.9</b>	<b>75.6</b>	<b>54.6</b>

Errors due to rounding

## 2 Introduction

Grant Thornton has requested Xstrat to provide an Independent Valuation Report on the assets of Aeon. This report will be included in an Independent Expert's Report by Grant Thornton that will accompany a Notice of Meeting in relation to a proposed transaction in the shares of Aeon. This valuation report does not opine on the value of the relevant landholdings or exploration tenements for stamp duty purposes.

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

- 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 metal-phosphate project
  - the Isa South copper-gold project
- A 100% interest in the Forsyth project.

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

## 2.1 Background

Aussie Q Resources Limited ("AQR") was incorporated on 22 September 2006, to acquire the right to a number of prospective copper/molybdenum tenements in the Rawbelle district near the town of Monto in central Queensland. The company was listed on the Australian Securities Exchange ("ASX") on 14 June 2007, raising AUD12 M.

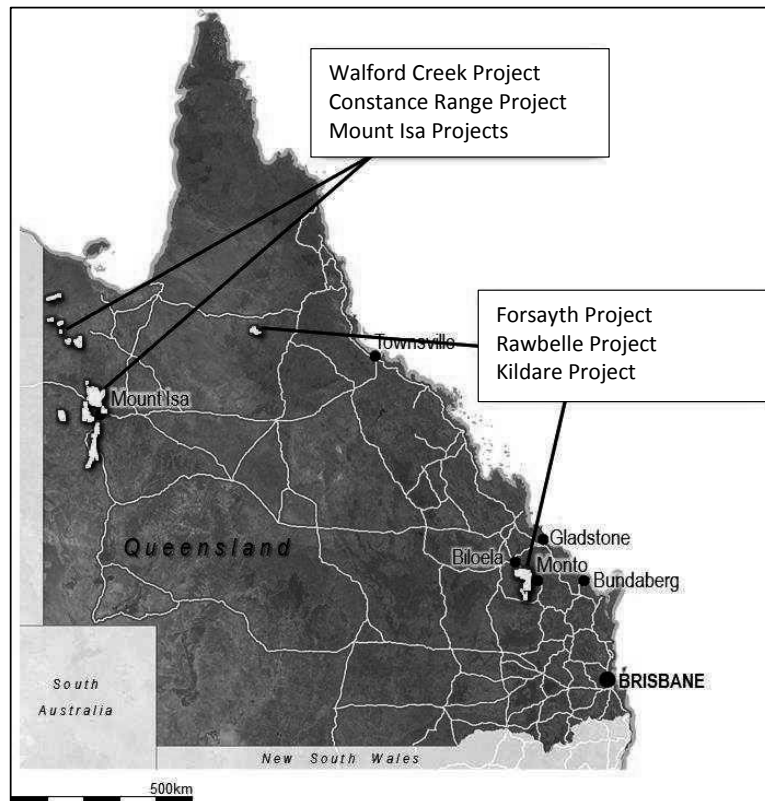
The principal project at Rawbelle was the Greater Whitewash Project. In addition, the Company held 16 satellite prospects with four of these joint ventured to SLW Queensland Pty Ltd ("SLWQ").

In May 2012, AQR raised AUD700,000 through a placement of shares to further exploration and project development over its tenement holdings. Later that year (August), 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 AUD675,000 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 AUD20 M of limited recourse, three-year 12% notes. Aeon also placed additional shares with other investors to raise AUD8 M, principally to advance exploration at Aston's Walford Creek Project.

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

**Figure 2.1: Location of Aeon's Exploration Assets**



Source: Aeon Metals Limited



## 2.2 Scope

The purpose of Xstract's report is to establish reasonable grounds for any opinion or conclusion regarding the value of Aeon's development and exploration assets in Queensland. Xstract's technical assessment and valuation report is to provide a reference for Grant Thornton.

Xstract's focus is limited to the following scope of work:

- Provide a brief technical overview of the Queensland development and exploration assets in which Aeon has an interest, including:
  - Tenement status and material agreements
  - Geology and exploration, including resource estimates
  - Proposed development plans
  - Progress and status of the project with respect to environmental, social, political marketing and financing aspects contributing to the project's risk profile
- Provide our estimate of the current market value of Aeon's interests in these development and exploration assets.

The scope of work excludes any work in relation to:

- Commodity price and exchange rate assumptions
- Financial and/or corporate taxation analysis.

## 2.3 Reporting standard

This report has been prepared in accordance with the following codes:

- The 2005 edition of the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports ("VALMIN Code")
- The 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code").

For the purposes of this report, value is defined as 'fair market value' ("FMV"), being the amount for which a mineral asset should change hands between a willing buyer and a willing seller in an arm's length transaction where each party is assumed to have acted knowledgeably, prudently and without compulsion.

## 2.4 Data sources

In developing our assumptions for this report, Xstract has relied upon information provided by Aeon, information available in the public domain and technical information made available from Xstract's Brisbane office. Key sources are outlined in this report and all data included in the preparation of this report has been detailed in the references section of this report. In the execution of its mandate, Xstract reviewed all relevant pertinent technical and corporate information made available by the management of Aeon, which has been accepted in good faith as being true, accurate and complete, after having made due enquiry.

## 2.5 Reliance on other Experts

Xstract has not relied on any third party opinion in compiling this report. The technical personnel responsible for compiling this report are based entirely in Xstract's Brisbane office.

For the technical assessment outlined in this report, none of the Xstract personnel involved in the valuation undertook a site visit to the projects subject to this valuation. However, as Xstract has previously undertaken extensive technical evaluation work of base metal assets in the Queensland and other base metal provinces in Australia, it has a good understanding of the assets and has no reason to question the validity of the technical information supplied. Furthermore, the base metal projects are at a relatively early stage of assessment and little perceived benefit was anticipated from an inspection.

## 2.6 Competent Persons and Experts statement

Xstract's consultants involved in the preparation of this report are Independent Experts as defined by the VALMIN Code. They are also members of either the Australasian Institute of Mining and Metallurgy ("AusIMM") or the Australian Institute of Geoscientists ("AIG"), for which compliance with the JORC and VALMIN Codes is mandatory. Xstract's Competent Persons involved in the preparation of this report are members in good standing with one or more of these professional institutions and have the required qualifications and experience as defined in the JORC and VALMIN Codes to conduct this technical assessment and valuation.

Xstract's consultants have extensive experience in preparing competent persons, mineral specialist, independent geologist and valuation reports for mineral exploration and production companies. The authors of this report are qualified to express their professional opinions on the values of the mineral assets described.

## 2.7 Independence, disclaimer and warranty

Xstract is an independent mining consultancy. Xstract confirms its independence of Aeon and the mineral properties outlined in this report for the purpose of the Australian Securities and Investment Commission's Regulatory Guide 112 – Independence of experts (ASIC, 2011). Xstract was commissioned by Grant Thornton on a fee for service basis according to Xstract's standard schedule of rates. Xstract's fee is not contingent on the outcome of its valuation or the success or failure for the transaction for which the report was prepared. None of Xstract's consultants or their immediate families involved in the preparation of this valuation report have (or had) a pecuniary or beneficial interest in Aeon, Aston or any of the subject mineral properties prior to or during the preparation of this report.

Xstract has made due enquiries to the Queensland Government Department of Natural Resources and Mines in order to validate information provided by Aeon. However, Xstract is not qualified to express legal opinion and has not sought any independent legal opinion on the ownership rights and obligations relating to the respective mineral assets under licence or any other fiscal or legal agreements that Aeon may have with any third party in relation to the projects.

A draft version of this report was provided to the directors of Aeon for comment in respect of omissions and factual accuracy. Aeon has represented in writing to Xstract that full disclosure has been made of all material information and that to the best of its knowledge and understanding, such information is complete, accurate and true.

As recommended in Section 39 of the VALMIN Code, Aeon has provided Xstract with an indemnity under which Xstract is to be compensated for any liability and/or any additional work or expenditure resulting from any additional work required which:

- results from Xstract's reliance on information provided by Aeon and/or Independent consultants that is materially inaccurate or incomplete, or

- relates to any consequential extension of workload through queries, questions or public hearings arising from this report.

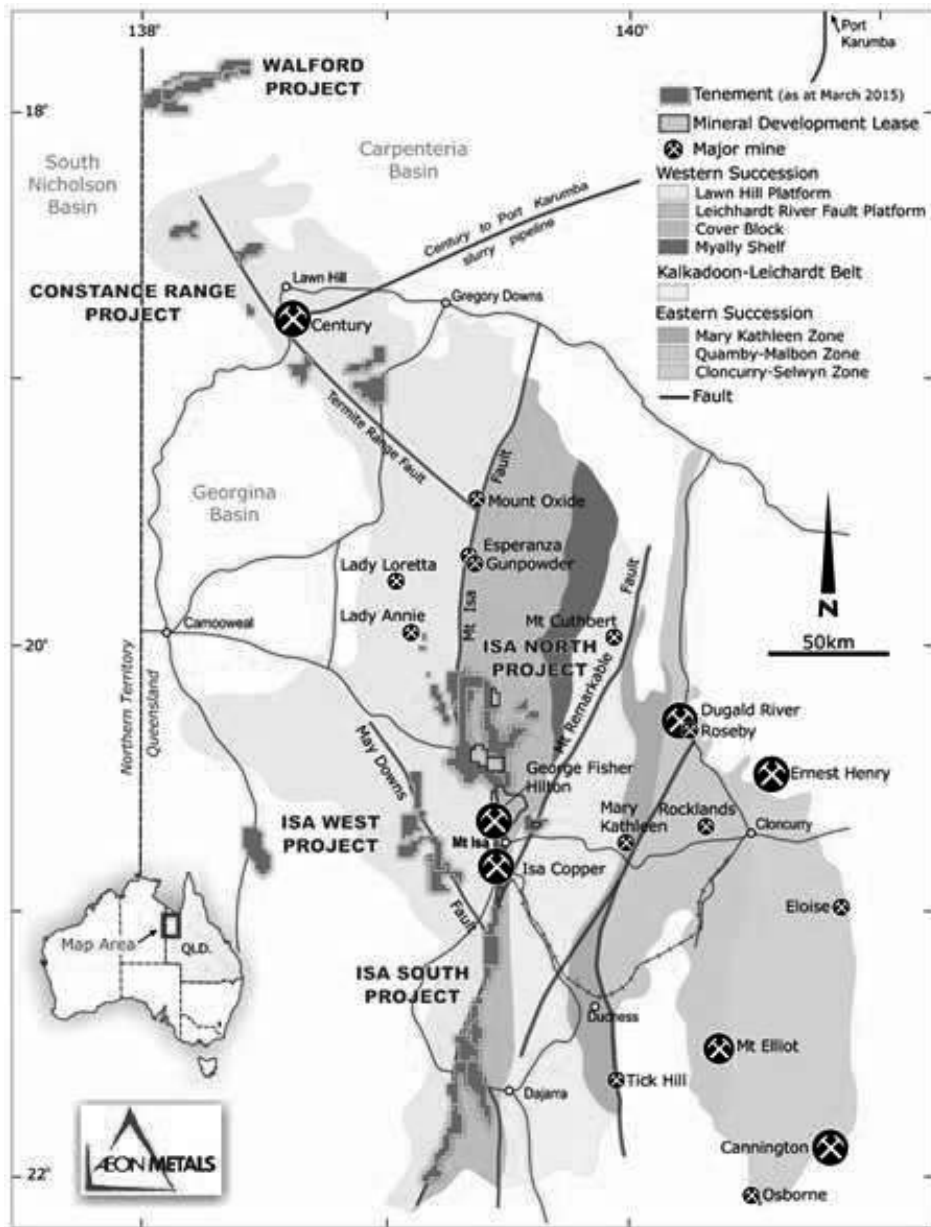
This report may contain or refer to forward-looking information based on current expectations, including but not limited to timing of mineral resource estimates, future exploration or project development programmes and the impact of these events on the projects. Forward-looking information is subject to significant risks and uncertainties, as actual results may differ materially from forecasted results. Forward-looking information is provided as of the date hereof and Xstract assumes no responsibility to update or revise them to reflect new events or circumstances.

The conclusions expressed in this report are appropriate as at 20 July 2015, the effective valuation date. The value opinion is only appropriate for this date and may change in time in response to variations in economic, market, legal or political factors, in addition to ongoing exploration results. All monetary values outlined in this report are expressed in Australian dollars ("AUD") unless otherwise stated.

### **3 Walford Creek Project**

Following the Aston acquisition in April 2014, Aeon now holds interests in a regionally extensive tenement package in the Constance Range and Mount Isa areas of northwest Queensland. The most advance of Aeon's projects in northwest Queensland is the Walford Creek project where recent exploration has delineated a JORC Code (2012) compliant Indicated and Inferred Resource.

Figure 3.1: Location of Aeon's northwest Queensland Projects



Source: Aeon Metals Limited

### 3.1 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 settlement 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.

## 3.2 Ownership, status and agreements

Through its wholly owned subsidiary company Aeon Walford Creek Limited, Aeon owns a 100% interest in three granted exploration permits covering a total area of 176.0 km<sup>2</sup> at Walford Creek, as summarised in Table 3.1.

**Table 3.1: Details for the Walford Creek Exploration Permits for Minerals**

Tenement	Status	Expiry	Area (km <sup>2</sup> )	Annual Rent (AUD)
EPM18552	Granted	29/11/2017	22.82	984.20
EPM14854	Granted	21/11/2015	19.56	843.60
EPM14220	Granted	07/03/2017	133.63	5,764.60

Source: Queensland Government Department of Natural Resources and Mines

## 3.3 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 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 CSAMT, EM and 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 estimation was undertaken 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 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 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 between 20 m to 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 AUD4 M. Prior to completion of the joint venture agreement, Copper Strike sold the entire project to Aston for AUD2.5 M in May 2011.

Between 2010 and 2012, Aston conducted an extensive drilling programme comprising 82 diamond drill holes and 5 RC holes (for 15,000 m in total). This augmented drilling by previous owners and was to update the previous Mineral Resource estimate. The previous Mineral Resource estimate was prepared by independent consultants, H&SC Consultants Pty Ltd ("H&SC"), in March 2013. This estimate has now been superseded by a Mineral Resource updated completed by H&SC in March 2015, as reported in Section 3.6.

Table 3.2 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 3.2: 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 reverse circulation holes
Aston (formerly MM Mining)	2010 – 2012	87 diamond and 5 reverse circulation 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 3.5 Exploration.

## 3.4 Geology

### 3.4.1 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 3.1).

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 metal 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 interfingers 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.

### **3.4.2 Deposit type**

The Walford Creek mineralisation shows affinities to both early sedimentary exhalative ("SEDEX") and late Mississippi Valley ("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.

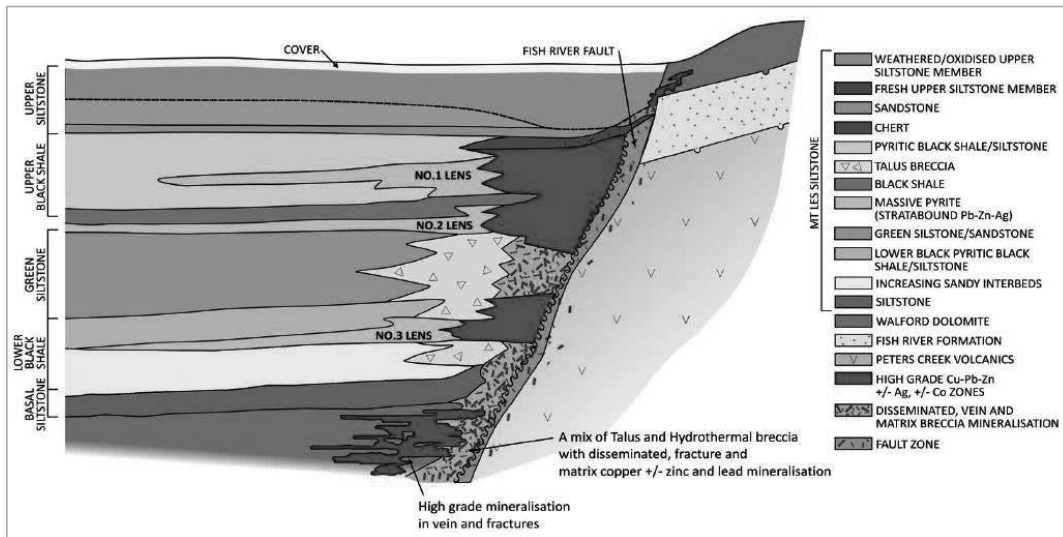
Mineralisation is interpreted to comprise an earlier diagenetic zinc/lead phase, which is restricted to the pyrite lenses, and later overprinting, epigenetic zinc-lead-copper mineralisation, which occurs within the pyrite lenses and various breccias. Four temporally separate stages of mineralisation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

### **3.4.3 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 thus there is further potential for extensions to the defined Mineral Resource area along the strike-length of the fault.

Figure 3.2 summarises the stratigraphy at Walford Creek and details the location of the presently defined mineralisation along the Fisher Fault.

**Figure 3.2: Conceptual Cross Section of the Mineralisation at Walford Creek**

Source: Aeon Metals Limited

## 3.5 Exploration

Aeon's near term exploration strategy at Walford Creek is designed to establish mining and metallurgical parameters for a prefeasibility study by December 2015.

Exploration at Walford Creek is currently in the definition phase, which includes further Resource delineation drilling, as well as establishing metallurgical and mining parameters ultimately in support of a pre-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 programme based on three lithological composite core samples collected during the 2012 drilling programme. 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 programme commencing in January 2015.
- In December 2014, Aeon commissioned H&SC 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.

## 3.6 Mineral Resource

### 3.6.1 Mineral Resource

As presented in Table 3.3, the 2015 Walford Creek Resource has been estimated at a 0.55% copper equivalent cut-off, with the cut-off based on USD5,535/t Cu, USD1,839/t Pb, USD2,123/t Zn, USD16.50/oz Ag and USD29,000/t Co. Assumed recovery is 90% for Cu, 75% for Pb, Zn, Ag and Co.



**Table 3.3: 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
<b>Total</b>	<b>73.3</b>	<b>0.40</b>	<b>0.85</b>	<b>0.85</b>	<b>23.5</b>	<b>813</b>

(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
<b>Total</b>	<b>296</b>	<b>626</b>	<b>623</b>	<b>55.4</b>	<b>59.6</b>

Source: H&amp;SC Consultants

Cu Equivalent =  $(0.9 \times \text{Cu}\%) + (0.24 \times \text{Pb}\%) + (\text{Zn} \times 0.22\%) + (0.012 \times \text{Ag ppm}) + 0.000237 \times \text{Co ppm}$ 

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. Please refer to Aeon's ASX announcement dated 6 March 2015 for a detailed Competent Person statement.

The resource estimate was prepared by H&SC to update a previous block model for reporting the Walford Creek Mineral Resource in March 2013. Using the same methodology as the previous estimate showed a 52% increase in the size of the Indicated and Inferred Resources including a 13.5% increase in the Indicated Resources (H&SC, 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 3.4.

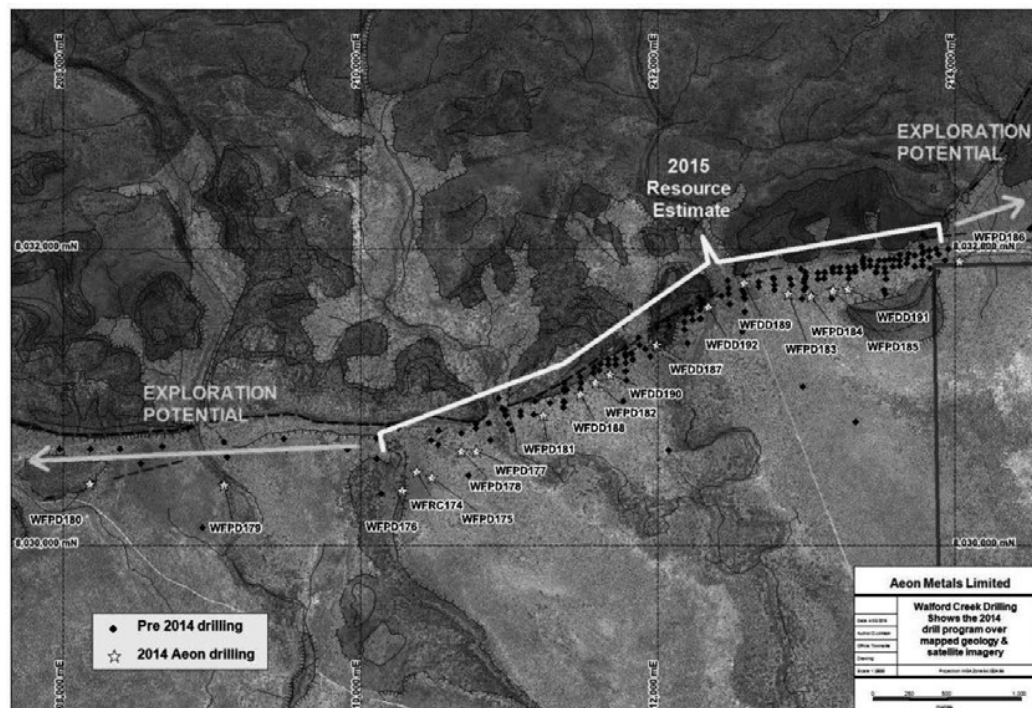
**Table 3.4: Summary of resource model development and estimation parameters for Walford Creek**

Mineral Resource	Description
Geological interpretation	Mineralisation styles vary with host rock and stratigraphic position, however sulphide mineralisation is dominant in the primary base metal 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 m to 80 m on 50 m to 100 m spaced sections. The samples were reduced to 6,681 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.

Mineral Resource	Description
Search ranges	60 m by 60 m by 15 m with at least 12 samples (to inform Indicated Resources). 120 m by 120 m by 30 m to 180 m by 180 m by 45 m with at least 6 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 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. Mineral Resources have been classified on the search pass category together with an assessment of other factors such as drillhole spacing, sample quality, density measurements, and the geological model.
Audits	No external audits or reviews have been reported.

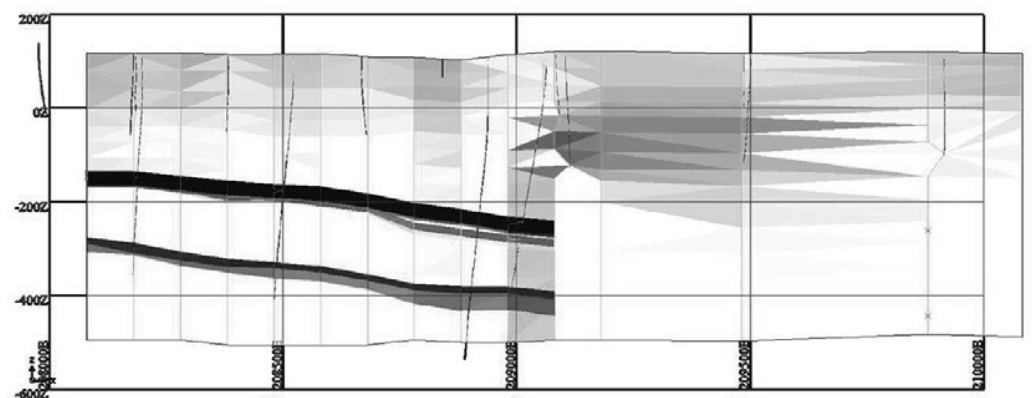
In Xstract's opinion, the Walford Creek Mineral Resource estimation methodology is consistent with internationally acceptable practices for similar styles of deposits and is appropriate for valuation purposes.

Xstract notes that as part of the 2014 drilling campaign, Aeon completed two exploration holes to the some 1 to 2 km west and along strike of the Walford Creek Resource. This drilling encountered the same mineralised stratigraphic zones and has generated additional exploration potential west of the current resource (Figure 3.3).

**Figure 3.3: Exploration potential areas along strike of the defined Walford Creek Resource area**

### 3.6.2 Exploration target

In addition to the defined Mineral Resource at Walford Creek, H&SC also outlined the potential for an additional 10 Mt to 20 Mt at 0.1 to 0.4% Cu, 0.5 to 1.5% Pb, 0.5 to 1.0% Zn, 5 to 15 g/t Ag and 500 to 1500 ppm Co in the Walford West area. H&SC identified this potential as being associated with the chert (blue in Figure 3.4) and two pyrite units, PY1 (green) and PY3 (red), which remain to be adequately tested by drilling.

**Figure 3.4: Exploration Potential at Walford Creek West**

Source: H&SC resource report, refer Aeon's ASX announcement dated 16 March 2015

There is currently insufficient exploration data for these prospects to be classified as Mineral Resources under the JORC Code and currently they can only be described as exploration targets. There is currently no guarantee that with further exploration and drill

testing of this Exploration Target will result in the determination of a Mineral Resource reported in line with the 2012 JORC Code.

### 3.7 Metallurgical testwork and processing

Preliminary results from six composite samples during the recent ore characterisation, mineralogy, flotation, pyrite depression and optimised rougher testwork programme at Walford Creek concluded:

- there is an abundance of pyrite in the Upper Black Shale (Ore Type 1) and PY1 unit (Ore Type 2), whilst material for the Talus and Fault Breccia zone (Ore type 3) contained less pyrite, it was dominated by dolomite, quartz and siderite.
- the Walford Creek ores are relatively soft compared to other copper/lead/zinc ores
- Ethylenediaminetetraacetic acid ("EDTA") tests showed a reasonable proportion of the lead is extractable suggesting it is probably oxidised or somewhat mobile. There was also minor amount of copper that were extracted during testing. Oxidised material may cause separation issues in the copper, lead and zinc circuits.
- High copper recoveries are able to be achieved in the roughers for Ore Types 1 and 2 allowing progression to cleaner tests. High levels of pyrite were recovered to the concentrate in Ore Type 2. Reasonable copper grades and recovery were achieved during cleaner tests for Ore Type 3.
- Relatively high-grade zinc products are able to be achieved at reasonable recoveries in Ore Type 1 (with some dilution from pyrite) and Ore Type 2.
- Lead cleaner grades and recoveries are generally low in Ore Types 1 and 2 due to the potentially oxidised material, fine grain size or low head grade. Lead rougher grades and recoveries in Ore Type 3 were relatively high with some dilution from pyrite, zinc and non-sulphide gangue.
- Pre-float on copper composites removed between 25% and 40% of total organic carbon assisting in producing a higher grade copper concentrate.
- Bulk of the cobalt followed pyrite into tailings streams as it is in solid solution in pyrite and allosiderite ("CoAsS"). Silver recoveries varied but were generally low.
- Further hydrometallurgical work is required to ascertain whether cobalt and silver credits can add to the revenue stream of the project.
- Preliminary flowsheet design indicates the ore would be ground and processed in a pre-float stage to remove organic carbon. Three concentrates would be produced – copper, lead and zinc with each circuit having a rougher, regrind and at least three stages of cleaning. Further metallurgical work is required.

### 3.8 Environmental and social considerations

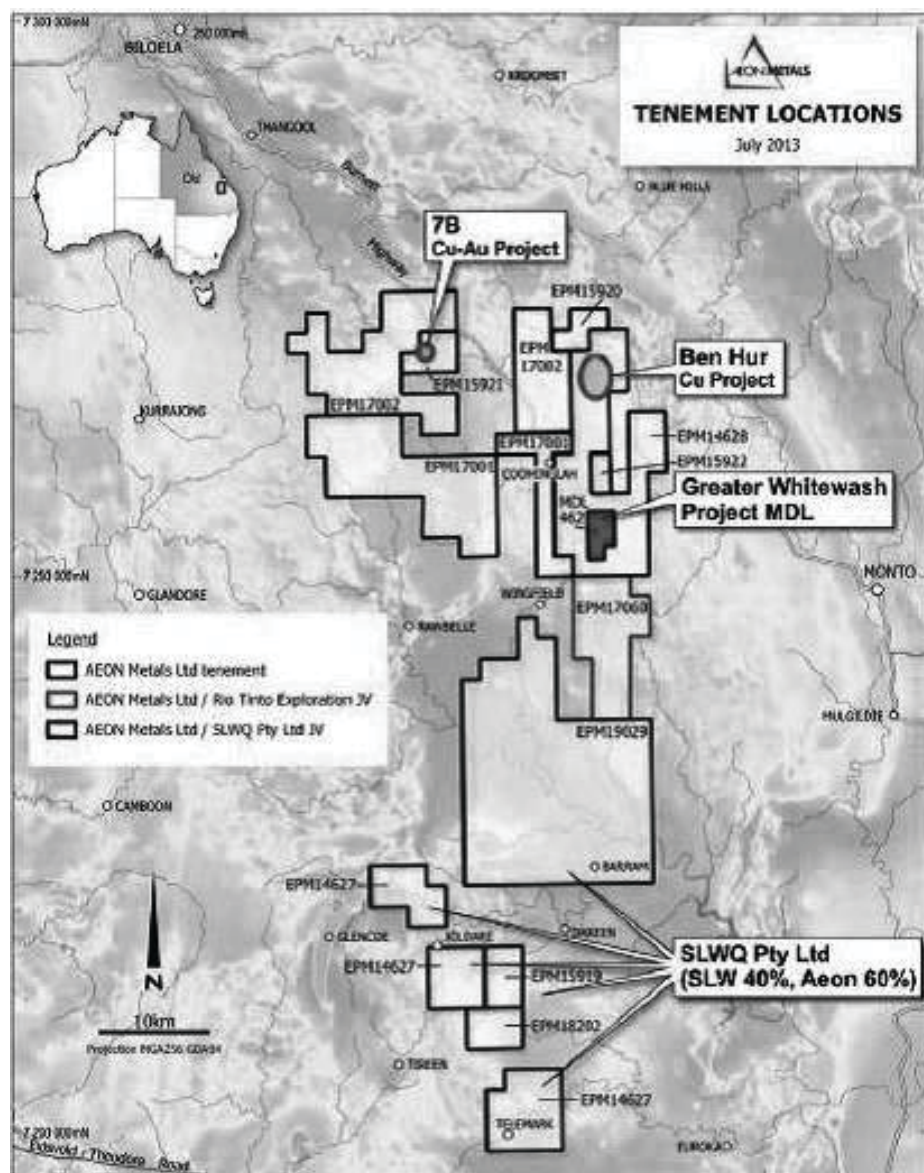
No Native Title claims exist over the Project (EPM 14220). Agreements were negotiated with Carpentaria Land Council Aboriginal Corporation, representing the Waanyi and Gangalidda-Garawa people, and signed prior to commencement of exploration. To date, no significant Aboriginal cultural heritage has been registered over EPM14220.

## 4 Gladstone Project

For the purposes of reporting, Aeon has divided its southeast Queensland permits into various sub-projects. Figure 4.1 shows the location of the Gladstone Project, which is divided into the Whitewash (black outline) and Kildare (blue outline) areas. In addition, Rio Tinto Exploration Pty Limited ("RTX") recently entered into an earn-in agreement on EPM17060 (red outline).

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

**Figure 4.1: Location of the Gladstone Project**



Source: Aeon

## 4.1 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 4.1.

## 4.2 Ownership, status and agreements

Aeon holds interests over nine granted EPMs and a mining development license ("MDL") which cover a total area of approximately 917 km<sup>2</sup> near the town of Monto in southeast Queensland, as summarised in Table 4.1.

**Table 4.1: Status for the Gladstone Project**

Permit	Subproject	Holder	Partner	Expiry	Area km <sup>2</sup>	Annual Rent (AUD)
EPM17002		Aeon 100%		19/02/18	152.59	6,889.40
EPM17001		Aeon 100%		20/02/18	136.92	6,186.40
EPM15922		Aeon 100%		7/01/16	6.22	281.20
EPM15921	7B	Aeon 100%		7/01/16	15.57	703
EPM15920		Aeon 100%		24/11/17	12.46	562.40
EPM14628	Ben Hur	Aeon 100%		23/08/17	133.82	5,843.70
MDL462	Greater Whitewash	Aeon 100%		31/12/17	10.05#	-
EPM17060		Aeon 100%	Rio Tinto earning 70%	25/06/17	62.17	2,718.00
EPM19029*		SLWQ 40%	Aeon 60%	30/05/16	301.26	13,182.30
EPM14627*		SLWQ 40%	Aeon 60%	21/09/15	86.84	3,936.80

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

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

#within EPM14628

In September 2012, Aeon signed a Letter of Intent ("LOI") with RTX, which set out indicative terms in regards to a proposed earn-in and joint venture of Aeon's tenement EPM 17060. Upon RTX satisfying the a total exploration expenditure commitment of AUD2.7 M through a two staged earn-in, a joint venture would be formed with the participating interests of RTX (70%) and Aeon (30%). A third phase provides RTX with the option to earn a further 20% in the project by either funding AUD15 M in further exploration or completion of a pre-feasibility study. Importantly from a valuation perspective, RTX has not yet completed 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 AUD675,000 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 AUD2 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). Xstract 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.

## 4.3 History

Exploration in the Rawbelle area began in the 1960s and resulted in the discovery of the Whitewash prospect. Between 1972 and 1974, Kennecott Explorations (Australia) Pty Ltd ("Kennecott") explored the area now covered by Aeon's tenement holdings under a joint venture. 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 geophysical surveying and percussion drilling. Twelve 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, AQR acquired the Project permits from Goody and was listed on the ASX.

## 4.4 Geology

### 4.4.1 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.

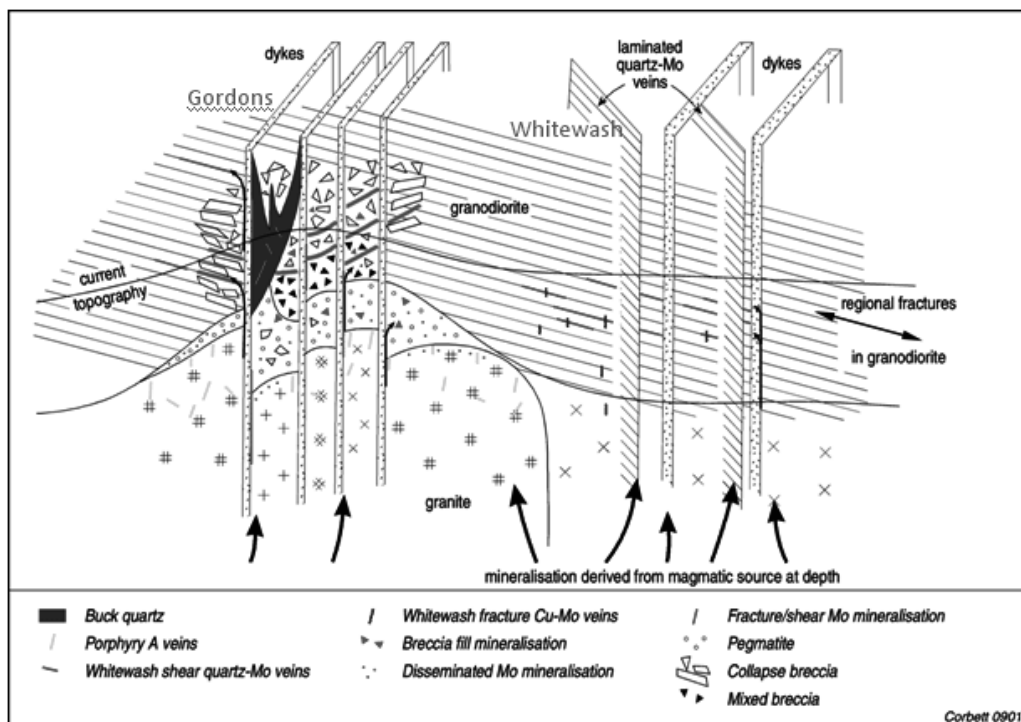
### 4.4.2 Deposit type

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 equigranular intrusions. Figure 4.2 illustrates the conceptual mineralisation style.



**Figure 4.2: Conceptual Geological Model**

Source: Aeon

## 4.5 Greater Whitewash Subproject

### 4.5.1 Ownership, status and agreements

Aeon holds a 100% interest in MDL642, which covers an area of 10 km<sup>2</sup> and constitutes the Greater Whitewash Subproject. It is situated within the southern part of EPM14628 that expires on 23 August 2017.

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

### 4.5.2 Mineralisation

The Greater Whitewash Mineral Resource comprises five main target areas namely Gordans, 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, these being granodiorite and granite/leuco-granite, as well as significant breccia intrusions and mafic dykes swarms, which were emplaced post mineralisation.

### 4.5.3 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 Statement for the Greater Whitewash area that was prepared by SRK Consulting in May 2011.

Between 2011 to 2012, a further thirteen 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.

#### 4.5.4 Mineral Resources

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

Following the completion of the 2010 drilling programme, SRK Consulting 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 of 242 Mt.

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  $\text{MoEq} = \text{Mo} + \text{Cu}/3.8 + \text{Ag} \times 28.8$ . The following current metal prices was used:

- Mo = USD37,150 /t
- Cu = USD9,781/t
- Ag = USD33.38/troy oz

An equal process recovery for all three elements was assumed.

**Table 4.2: 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
<b>Total</b>	<b>242</b>	<b>258</b>	<b>0.12</b>	<b>1.54</b>

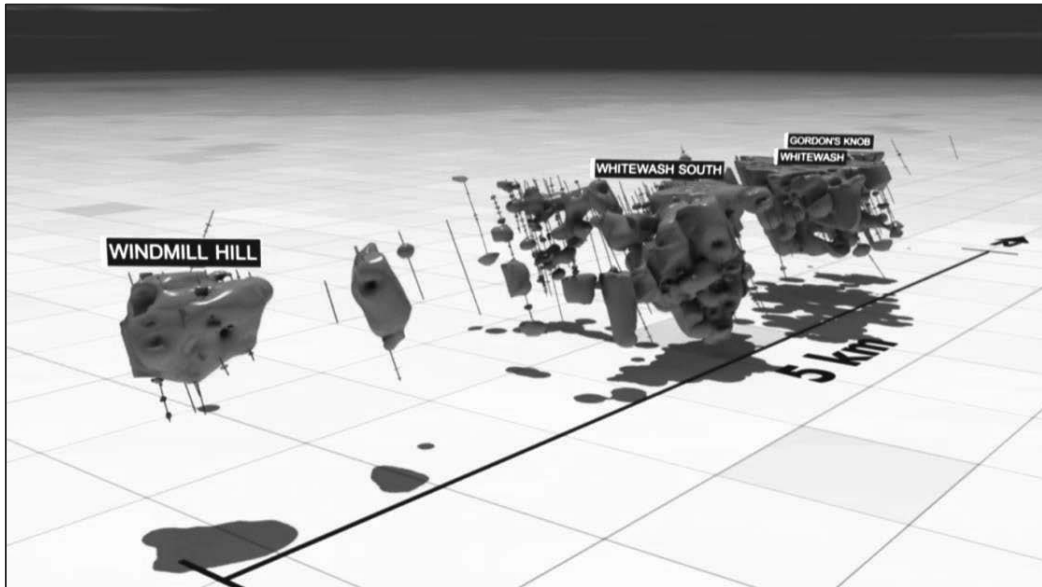
The information above that relates to Mineral Resources and Exploration Targets is based on information compiled by Mr Danny Kentwell, who is a member of the AusIMM. Please refer to Aeon's ASX announcement dated 30 May 2011 for a detailed Competent Person statement.

A high-level summary of the resource model development and estimation parameters to construct the Greater Whitewash Mineral Resource is provided in Table 4.3.

**Table 4.3: 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, 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 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 <sup>3</sup> for the Granodiorite domain, 2.62 t/m <sup>3</sup> for the REM domain, and 2.66 t/m <sup>3</sup> 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.  Mineral Resources have been classified as Indicated and Inferred Resources.
Audits	No external audits or reviews have been reported.

Figure 4.3 illustrates the resource model and borehole positions in a three dimensional space along a 5 km strike. 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 4.3: Greater Whitewash Resource Model**

Source: Aeon

## 4.6 Ben Hur Subproject

### 4.6.1 Ownership, status and agreements

The Ben Hur Subproject is situated in the northern part of EPM14628 that covers a total area of 134 km<sup>2</sup>. Also situated within EPM14628 but some 10 km to the south is the Greater Whitewash MDL462.

### 4.6.2 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.

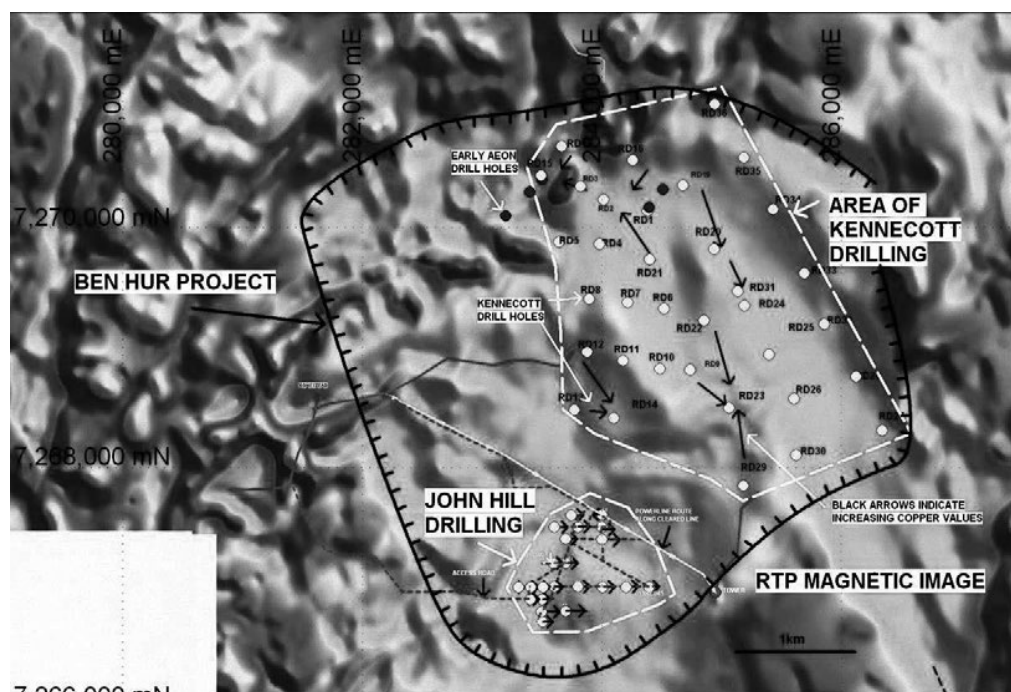
### 4.6.3 Exploration

In the 1970s, Kennecott completed fifty-nine drill holes approximately 1 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 22 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 John Hill copper-silver-molybdenum deposit, which was completed by SRK Consulting in accordance with the guidelines of the JORC Code (2012).

**Figure 4.4: Ben Hur/John Hill target area**



Source: Aeon

#### 4.6.4 Mineral Resource

The Ben Hur Subproject hosts a 2012 JORC Code-compliant Inferred Mineral Resource of 62 Mt at 0.36% CuEq as summarised in Table 4.4. This Mineral Resource was estimated in November 2013 by SRK Consulting and reported to the ASX by Aeon in 12 November 2013.

**Table 4.4: Ben Hur Mineral Resource**

Category	Tonnes (Mt)	Mo (ppm)	Cu (%)	Ag (g/t)
Inferred	62	120	0.30	1.30
<b>Total</b>	<b>62</b>	<b>120</b>	<b>0.30</b>	<b>1.30</b>

Source: SRK Consultants

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. Please refer to Aeon's ASX announcement dated 12 November 2013 for a detailed Competent Person statement.

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=AUD3.25/lb, Ag=AUD25/oz, Mo=AUD14/lb. The recovery factors assumed in the metal equivalent equation were based on analysis by ALS Amtec 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:

$$\text{CuEq (ppm)} = \text{Cu (ppm)} + 73.1 \text{ Ag (ppm)} + 3.45 \text{ Mo (ppm)}.$$

A high-level summary of the resource model development and estimation parameters to construct the Ben Hur Mineral Resource is provided in Table 4.5.

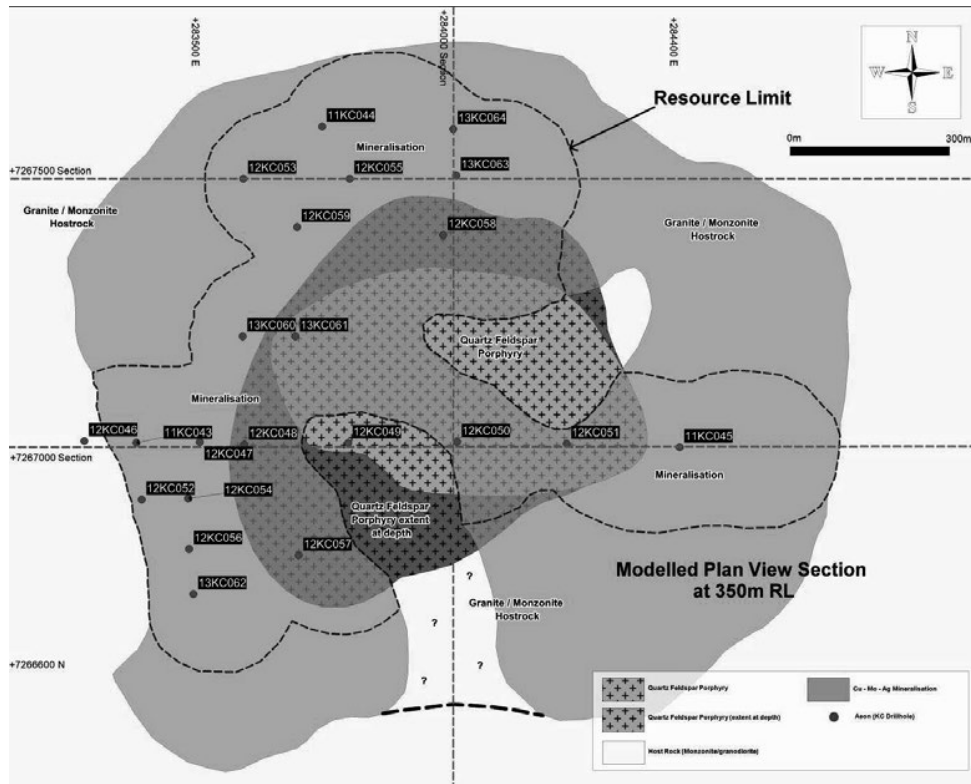
**Table 4.5: Summary of resource model development and estimation parameters for Ben Hur**

Mineral Resource	Description
Geological interpretation	<p>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.</p> <p>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.</p> <p>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.</p>
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 <sup>3</sup> was applied for oxide (weathered zones) and 2.7 t/m <sup>3</sup> for fresh, unweather zones.

Mineral Resource	Description
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. 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.

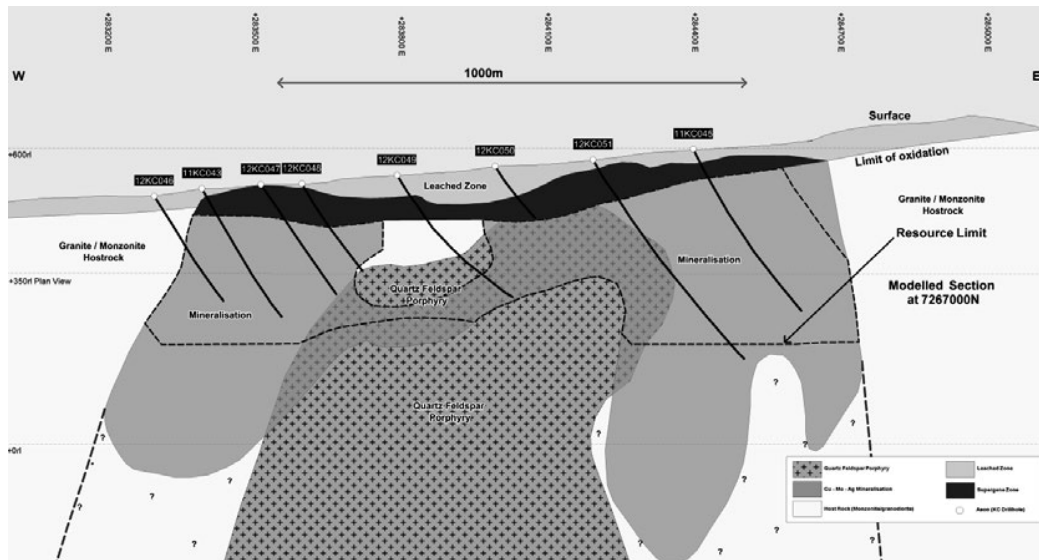
Figure 4.5 shows the location of the 22 drill holes used for the Mineral Resource estimation. Eighteen were completed using RC drilling, with four diamond core holes (or a combination of RC pre-collars and diamond cores). Total drilling length was 6,083.9 m. Drill spacing was typically 100 m by 100 m to 200 m by 200 m. Drill holes predominantly dipped 60° towards the east. Sampling was generally on 1 m intervals

**Figure 4.5: Plan section of the Resource Model**



Source: Aeon

Figure 4.6 shows a cross section through the Ben Hur Mineral Resource model.

**Figure 4.6: Cross section of the Ben Hur Resource Model**

Source: Aeon

## 4.7 7B Subproject

### 4.7.1 Ownership, status and agreements

The 7B Subproject lies within EPM15921, which covers a total area of 15.6 km<sup>2</sup>. The permit is due to expire in January 2016.

### 4.7.2 Mineralisation

The 7B Subproject consists of two main targets; namely 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.

### 4.7.3 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 VMS style mineralisation. This programme intersected narrow to broad zones of low to

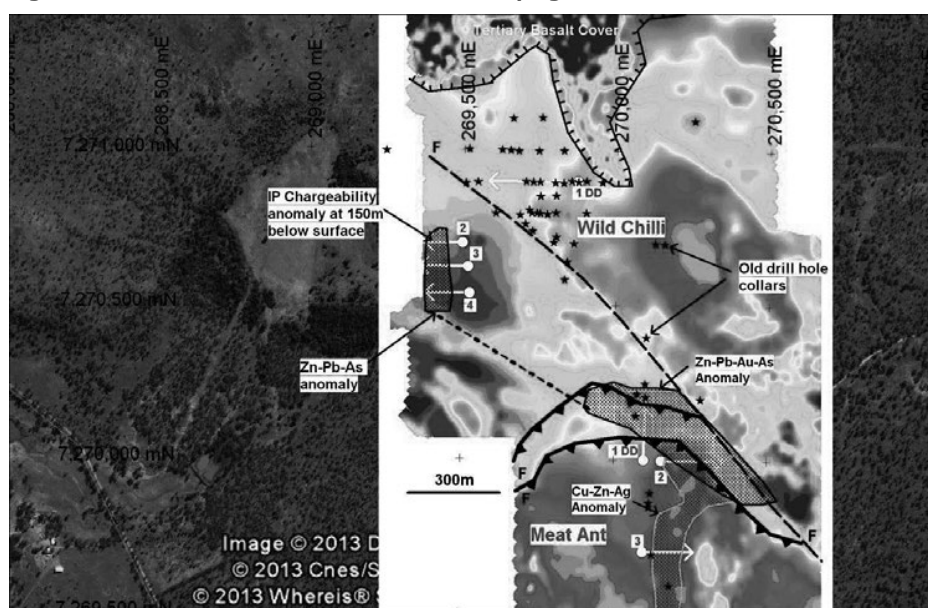


medium grade ( $<2.5\%$  CuEq<sup>3</sup>) copper-gold-silver and zinc mineralisation at shallow depths and provided the impetus for further drill testing campaigns in 2013 and 2014.

In total, Aeon has completed three stages of drilling at the 7B Subproject 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. The Company 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 Magnetics – Electromagnetic 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.

**Figure 4.7: Drill holes for the 2014 to 2015 campaign**



Source: Aeon ASX announcement 5 June 2014

## 4.8 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.

<sup>3</sup> Copper equivalent calculation was announced by Aeon in its announcement to the ASX dated 5 June 2014 and is based on commodity prices Cu AUD3.25/lb, Zn AUD0.89/lb, Ag AUD22/oz, Au AUD1,300/oz and Co AUD36,000/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.

Within EPM 14627, 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 EPM 14627.

There are no EREs situated within EPM 15919, however there is a large area of State Forest located within this permit. No exclusions apply to this area.

Within EPM 15920, 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 EPM 15920.

There are no EREs within EPM 15922.

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.

## 5 Northwest Queensland Projects

In addition to the Walford Creek Project, Aeon holds interests in a number of other base metal projects in the Constance Range and Mount Isa areas of northwest Queensland (refer Figure 2.1). These permits are at an earlier stage of evaluation than the Walford Creek Project and are assessed below.

### 5.1 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 metal 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.

### 5.2 Ownership, status and agreements

Aeon holds interests in 26 granted EPMs covering a total area of 2,572.26 km<sup>2</sup> in the Constance Range and Mount Isa regions, as summarised in Table 5.1.

EPM 15212 in the Isa West Project area is due to expire in early August 2015. Application for renewal of this permit has been lodged and is pending confirmation.

**Table 5.1: Exploration Permit for Minerals for the Northwest Queensland Projects**

Tenement	Project	Holder	JV	Expiry	Area (km <sup>2</sup> )	Annual Rent (AUD)
<b>Constance Range</b>					<b>405.25</b>	
EPM 14712	Constance Range	AWC 100%		20-Aug-19	74.68	3,125.70
EPM 14713	Constance Range South	AWC 100%		20-Aug-19	61.74	2,582.10
EPM 14935	Riversleigh	AWC 100%		20-Aug-16	64.79	2,718.00
EPM 15186	Gregory	AWC 100%		22-Mar-17	204.04	8,857.80
<b>Isa North</b>					<b>912.06</b>	

Tenement	Project	Holder	JV	Expiry	Area (km <sup>2</sup> )	Annual Rent (AUD)
EPM 14694	Mount Kelly South	AWC 80%	SUMM 20%	18-Oct-18	12.88	562.40
EPM 16921	Buckley River	AWC 100%#		22-Feb-18	67.50	2,952.60*
EPM 17300	Waverly North	AWC 100%		05-Jul-18	15.95	679.50
EPM 17511	Andersons	SUMM	AWC 80%•	05-Jan-20	48.08	2,109.00*
EPM 17513	Calton	SUMM	AWC 80%•	05-Jan-20	160.70	7,030.00*
EPM 17514	Valhalla	SUMM	AWC 80%•	05-Jan-20	353.21	15,466.00*
EPM 17519	Skal	SUMM	AWC 80%•	05-Jan-20	253.74	11,107.40*
<b>Isa South</b>					<b>713.61</b>	
EPM 12653	Mt Annable	AWC 0%	RDM 100%	08-Jul-18	28.70	1,223.10*
EPM 13412	Yappo	AWC 100%#		15-Dec-16	89.43	3,936.80*
EPM 13413	Rufus	AWC 100%#		15-Dec-16	85.95	3,796.20*
EPM 13682	Wonomo	AWC 100%#		15-Dec-16	136.85	6,045.80*
EPM 14040	Kahko	AWC 80%	SUMM 20%	19-Apr-18	25.54	1,124.80
EPM 14233	Mt Guide	AWC 72%	SUMM 18% CM 10%	19-Apr-17	54.35	2,390.20
EPM 14821	Waverly	AWC 80%	SUMM 20%	07-Jan-18	79.66	3,515.00
EPM 15156	Rufus South	AWC 80%	SUMM 20%	21-Mar-17	152.57	6,748.80
EPM15911	Blue Hills	AWC 100%#		14-Nov-16	51.00	2249.60*
EPM 17297	Blue Hills West	AWC 100%#		20-Jun-16	9.56	407.70*
<b>Isa West</b>					<b>541.34</b>	
EPM 11897	May Downs	AWC 80%	SUMM 20%	06-Jul-18	67.36	2,853.90
EPM 11898	May Downs South	AWC 80%	SUMM 20%	06-Jul-18	73.67	3,125.70
EPM15212	Yaringa	AWC 80%	SUMM 20%	12-Aug-15^	134.56	5,707.80
EPM 18395	Isa South	AWC 100%		13-Apr-16	105.62	4,639.80
EPM 18769	Beauchamps	AWC 100%		22-May-17	160.13	6,795.00

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  
 PM – Pacific Mines Limited  
 RDM – Red Metals Limited  
 MIM – Mount Isa Mines Limited  
 \*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 metal rights

The Isa North Mining Rights Agreement, between Summit Resources (AUST) Pty Ltd ("Summit") and AMQ, covers the Isa North Project's EPMs 17511, 17513, 17514 and 17519. In accordance with the agreement, 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.

The Red Metal Limited Farm-in and Joint Venture Agreement is restricted to EPM12653, held in the name of Red Metal Limited ("Red Metal") in AWC's Isa South Project area. Red Metal appointed AWC its sole agent for the purpose of conducting all operations on the permit. By incurring the required expenditure of AUD2 M, within 6 years, AWC is able to earn an 80% interest and will be entitled to become the registered holder as tenant in common, 80% AMQ 20% Red Metal. AWC are yet to meet the required expenditure and are considering the earn-in arrangement in light of the exploration results to date. At the time of writing this report, it is assumed that AWC has not earned its share in the project.

Aeon has entered into a farm-in agreement with Glencore QLD Limited subsidiary Mount Isa Mines Limited ("Mt Isa Mines") mine 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 has met the required expenditure condition of AUD0.5 M within the allotted three-year period. Xstrata understands that 100% ownership of both EPMs 15911 and 17297 are currently being transferred to AWC. Xstrata retains the right to a 2.5% net smelter royalty.

## 5.3 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 ore bodies 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 EPM 17514) were acquired by Aeon in 1991. Summit's initial acquisition strategy and exploration focus was targeted to the discovery of base metal 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 metal 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 metal 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 metal 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 renamed Aston Metals.

## **5.4 Geology**

### **5.4.1 Regional Setting**

Rocks of the Mount Isa Orogen crop out over an area in excess of 50 000 km<sup>2</sup> 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.

### **5.4.2 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
- 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).

## **5.5 Exploration**

The scale of 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, although numerous targets have been identified for further assessment.

### 5.5.1 Constance Range

The Constance Range tenements lie along or adjacent to the Termite Range Fault associated with stratabound base metal mineralisation at the world-class Century zinc-lead-silver deposit (Figure 5.1).

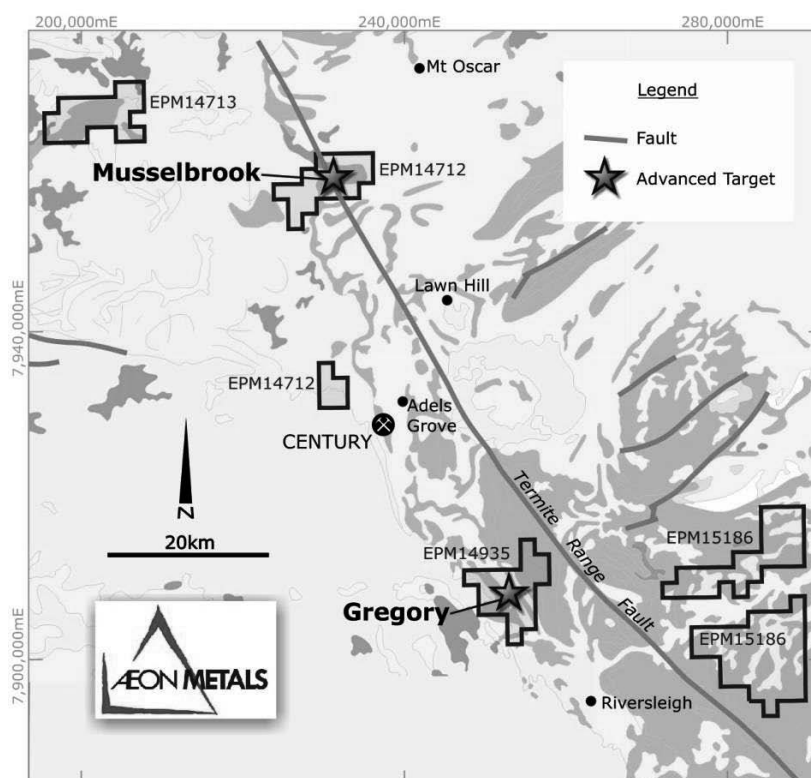
The Musselbrook copper-gold prospect is the focus of Aeon's near term exploration activities within the Constance Range Project area. The prospect is located approximately 30 km north of the Century Mine. Mineralisation at Musselbrook consists of a series of narrow, offset, northeast trending, copper-gold shear zones in close proximity to the Termite Range Fault. AWC's mapping and surface 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 5.1: Constance Range Project**



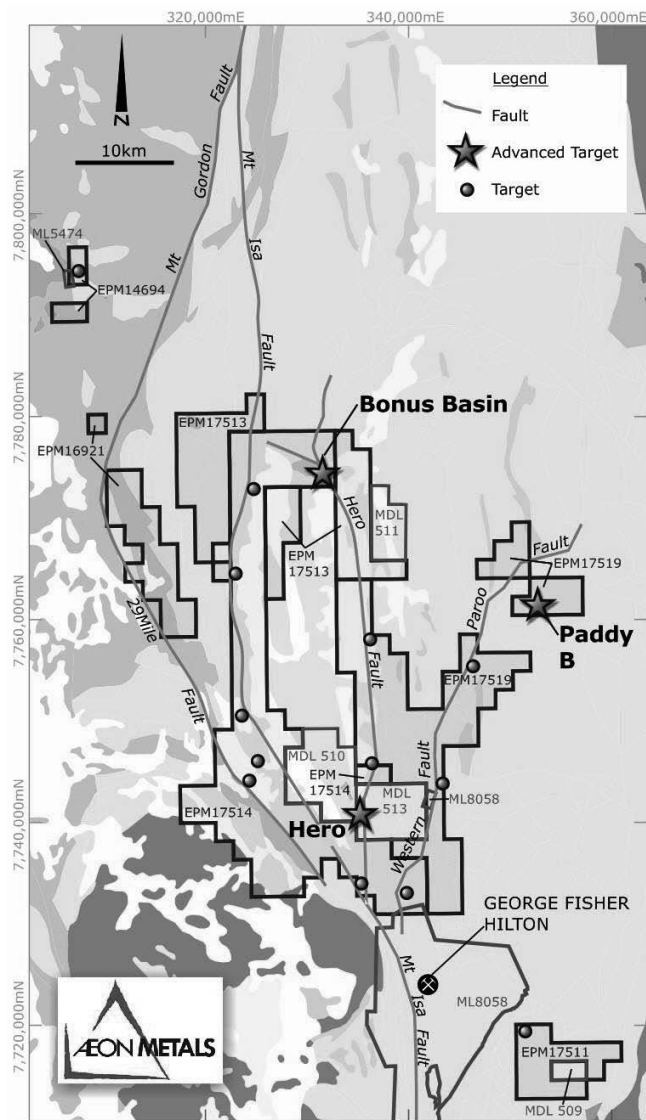
### 5.5.2 Isa North

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 5.2).

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 5.2: Isa North Project**

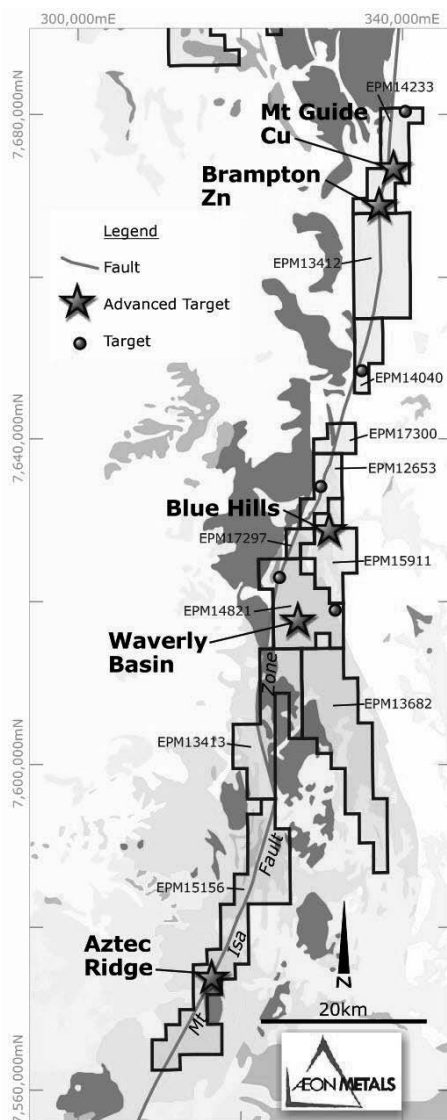


### 5.5.3 Isa South

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 5.3). 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) have 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 prospectors shaft has 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 5.3: Isa South Project**





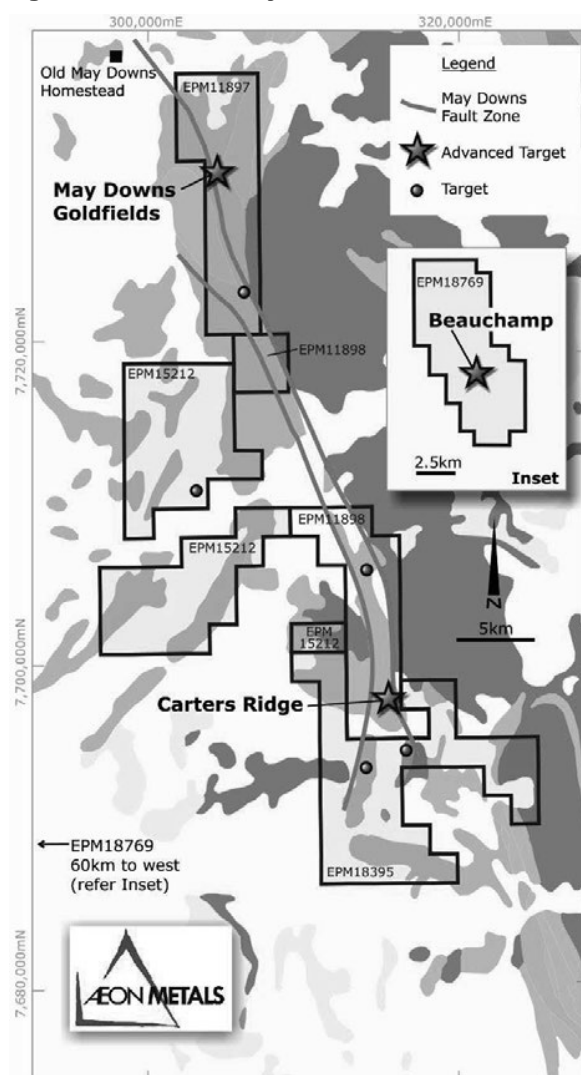
The Mount Guide prospect lies immediately south of Glencore's Mount Isa mine lease and hosts copper anomalism associated with historic workings. A single hole drilled by AMQ, MGP001, yielded a down hole intercept of 29 m and 0.37% Cu from 174 m including 8 m at 0.44% Cu from 184 m downhole depth within a broad shear zone. Follow-up drilling is planned.

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.

### 5.5.4 Isa West

The Isa West Project straddles some 50 km length of the May Downs Fault (Figure 5.4). 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 5.4: 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 3 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.

## 5.6 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 EPM 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.

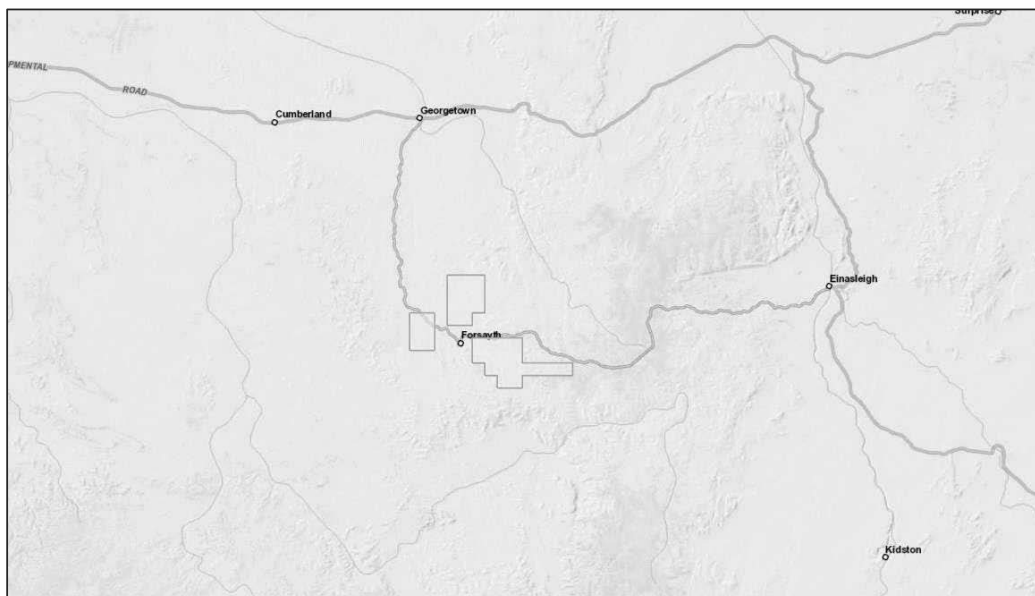
The Alternate State Provision ("ASP") was a Native Title process used by the Queensland Government for the grant of EPMs during the period 2001 to 2004. Tenements granted in respect of either low impact or high impact activities include EPMs 13412, 13413, 13414 and 13682. These have progressed in accordance 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 EPM.

# 6 Forsayth Project

## 6.1 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 6.1: Location of the Forsayth Project (EPM18359)**

## 6.2 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 6.1: Exploration Permit for Minerals of the Forsayth Project**

Tenement	Status	Holder	Expiry	Area km <sup>2</sup>	Annual Rent (AUD)
EPM18359	Granted	Aeon 100%	04/03/2018	110.34	4,780.40

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

## 6.3 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.

## 6.4 Geology

### 6.4.1 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.

### 6.4.2 Exploration and adjacent projects

As the permit has only recently been granted Aeon has not yet commenced exploration activities.

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.

### **6.4.3 Environmental and social considerations**

Xstract 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, Xstract notes that the Ewamian People have a Small Scale Miners Indigenous Land Use Agreement that over lies this permit area.

## **7 Other considerations**

### **7.1 Market conditions**

#### **7.1.1 Copper Market**

World refined copper demand is estimated to have increased by 10% (1.9 Mt) over 2014 supported by reasonable demand in China and a shortage of high-grade scrap (ICGS, 2015). These rates are higher than the trend growth between 2001 and 2013 of less than 3% p.a. The key reasons for this is firstly, tight supply of scrap for direct use, largely due to the drop in the copper price, is likely again to boost demand for refined metal. Secondly, for broader economic reasons, demand growth in developed countries increased in 2014 to 2015 from the flat performance of 2013 of around 3% pa, while China's slowdown appears to be contained to the near term.

World production grew by 12% per annum between 2011 and 2013, compared with just 6% to 7% over the previous five years. Growth came through a combination of new mines and expansions, improved operating performance, far fewer disruptions and higher grades at key plants. This rate slowed dramatically over 2014, with world mine production estimated to have increased by around 1.5% and global refined production by around 8% relative to the same period in 2013 (ICGS, 2015). Although world mine production is estimated to have increased by 4% in the first half of 2014, output in the second half reportedly declined by 1% from the same period in 2013.

Following a peak at USD9,880/t in February 2011, the copper price has continued on a broad downtrend reaching a level around USD5,550/t in the current market. The price fall is indicative of copper's benign fundamentals, tumbling crude oil prices, general nervousness about the macroeconomic and broader commodities outlook, which suggest the potential for weaker copper demand going forward. Mine suspensions/closures both current and forward looking, have attracted much attention recently (e.g. Lumwana mine in Zambia). In the face of weak global economic growth this year and expected market surpluses over 2015 and 2016, copper is likely to have only limited support in the near term. Longer term, the market is expected to see a modest recovery.

**Figure 7.1: Copper cathode price**

Source: Index Mundi and Consensus Economics

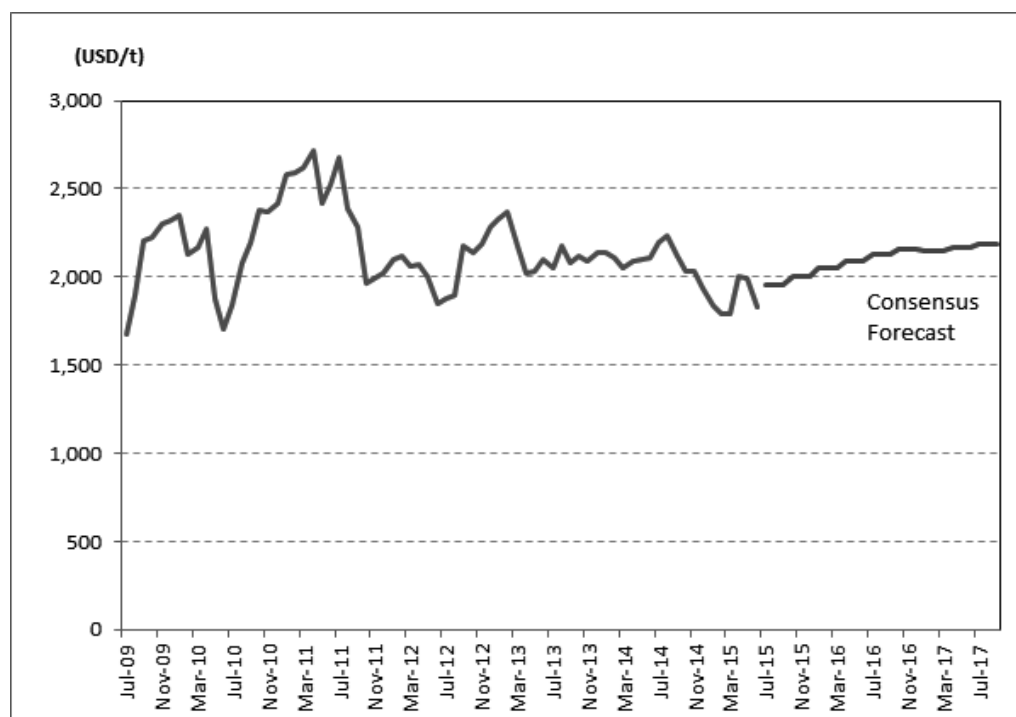
### 7.1.2 Lead Market

Supply constraints have shifted the lead market into a prolonged period of deficits. According to the International Lead and Zinc Study Group, the global market for refined lead metal was closely balanced in 2014 with demand exceeding supply by 5 kt.

In 2014, global lead mine production fell by 2.2% compared to 2013 as a consequence of lower output from China, Bolivia, Canada, South Africa and Turkey which were offset by increases in Australia, Peru, Sweden and the US. A slowdown in China is dampening price expectations.

As a result, the market is expected to move from building to drawing down on established concentrate stocks. Reported inventories by the London Metal Exchange, Shanghai Future Exchange and producers and consumers decreased by 26 kt over 2014 totalling 580 kt at the year end.

Recent prices have fluctuated between USD1,800 and USD2,000/t with market consensus forecasts suggesting that lead prices will increase over the near term approaching USD2,150/t by late 2015. This uptrend is expected to persist into 2016 and 2017.

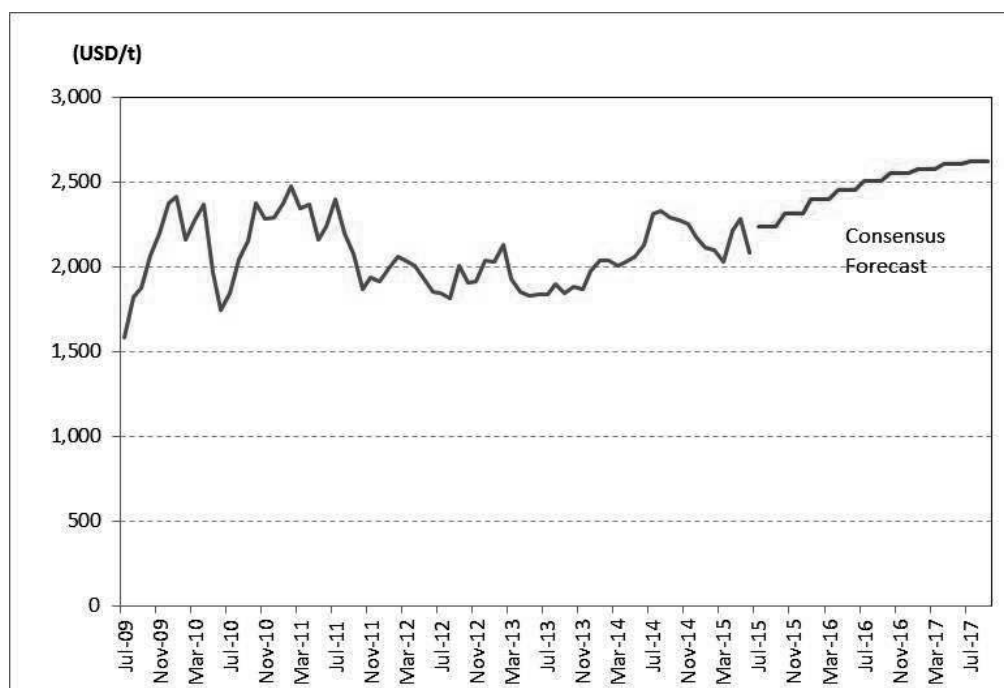
**Figure 7.2: Lead Price**

Source: Index Mundi and Consensus Economics

### 7.1.3 Zinc Market

According to the International Lead Zinc Study Group, global zinc mine production increased by 1.4% in 2014 driven primarily by a rise in Chinese production, which offset reductions in Australia, Canada, India and Peru. Refined zinc metal demand increased by 6.5% due to rising usage in China, Korea Mexico and the US. As a result, the zinc market was in an implied deficit of 321,000 t in 2014. LME stocks closed the year down 26% at 691,000 t.

LME prices were essentially flat in 2013 and moved upwards in the first three-quarters of 2014 before falling in the wake of collapsing crude oil prices and fragile Chinese construction. In 2015, zinc prices have traded between USD2,000 to USD2,280/t with market consensus suggesting that prices will rise beyond 2015. This price outlook is attributed to the declining LME stocks, increasing demand, and several large zinc mines (i.e Century) ceasing production in 2015 or expected to halt production in the next few years.

**Figure 7.3: Zinc Price**

Source: Index Mundi and Consensus Economics

#### 7.1.4 Exchange rates

In the Australian base metal industry, revenue and profit generally reflect trends in metal production, USD commodity prices and the USD/AUD exchange rate. Expectations that USD denominated commodity prices will rise moderately and the AUD exchange rate will depreciate moderately, support higher base metal prices in AUD terms over the medium term. During this period, fluctuations in commodity prices are expected to cause some volatility in sector revenue.

## 7.2 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, MiningOne 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, MiningOne 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. Xstract notes that this resource is considerably smaller than that currently outlined at Walford Creek.

MiningOne's estimated value range for the Inferred Resource and associated exploration potential at Walford Creek resides between AUD2.83 M and AUD4.67 M with a preferred value of AUD3.75 M.

Xstract notes that the value derived by MiningOne in November 2010 and May 2011 (which are the same), are considerably lower than Xstract's currently estimated value for the Walford Creek Project. Furthermore, Xstract notes that the valuation methodologies were consistent between both valuations. However, Xstract 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 independent expert report, valued Aeon's mineral assets between AUD35.6 M and AUD75.1 M, with a preferred value of AUD52.4 M. This Notice of Meeting was ultimately withdrawn.

Having made due enquiries of Aeon, Xstract is not aware of any other publicly available valuations pertaining to the Company's current permit areas.

## **8 Valuation**

### **8.1 Xstract's valuation technique**

In estimating the value of Aeon's assets as at the valuation date, Xstract has considered various valuation methods within the context of the 2005 VALMIN Code.

When valuing an exploration project, the valuer is attempting to determine a value that reflects the potential of the project to yield an Ore Reserve from which a future income stream may ultimately be derived. At the same time, the valuer must also be cognisant of what the project is deemed to be worth by the market and actual transactions taking place, to ensure that the value estimates are realistic. Arriving at the value estimate is somewhat complex as there is no single mineral asset valuation method appropriate for all circumstances.

The valuation method applied depends on the relative maturity of exploration for each asset, however three main approaches (income, market, and cost) have been used, details of which are provided in Appendix C.

Xstract'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 transaction and company multiples and supported by the Yard Stick method
- Early exploration projects 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 2 April 2015. Aeon's assets range from early to advanced stage exploration.

#### **8.1.1 Comparable transactions and company multiples**

##### **Mineral Resources**

In Xstract's view, Aeon's Walford Creek Project, and Greater Whitewash and Ben Hur Subprojects are 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.

Xstract has used 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.

## Transaction Multiples

Using the Intierra and SNL subscription databases, Xstract compiled transactions involving Australian resource-stage polymetallic base metal projects (primarily zinc and copper) transacting during the period January 2011 to the present. A total of 19 transactions were identified and analysed according to the stated total transaction values. All values and implied values are in AUD.

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 A.

While evaluating these transactions, Xstract has considered both a copper metal ratio ("Cu metal ratio") and metal transaction ratio ("MTR") in order to compare projects with more than one predominant metal or potential for future metal credits. Cu metal ratios and MTR were calculated using the stated metal grades of the defined resources and prevailing commodity prices as at the time of the transaction.

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 metal transaction ratio. Xstract notes that it has not attempted to disclose JORC Code compliant Mineral Resources using metal equivalents in this report.

Importantly, Xstract'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.

The implied multiples from Xstract's analysis are presented in Table 8.1.

**Table 8.1: Typical Transaction Factors**

	Cu Metal Ratio	Metal Transaction Ratio
<b>With Outliers considered</b>		
Mean	69.4	0.48%
Median	45.1	0.37%
Standard Deviation	60.8	0.40%
<b>Without Outliers</b>		
Mean	58.3	0.40%
Median	43.3	0.36%
Standard Deviation	37.2	0.25%

Based on its review of the relevant transaction data, Xstract considers the transaction relating to the Devlin Creek Project (July 2015) and Manbarrum Project (August 2013) are the most comparable projects to Walford Creek (refer to Appendix A). On this basis, Xstract has elected to assign an implied Cu Metal Ratio value range of AUD25 to AUD50/t and a MTR value range of 0.25% to 0.50%/t to the Walford Creek Resource.

For lower grade deposits such as the Bushranger, Kalman, and Nanadie Well projects the market has generally be paying between AUD2 and AUD30/t on a Cu metal ratio and a MTR range of 0.02% and 0.21%. Xstract has therefore elected to assign an implied Cu Metal

Ratio value range of AUD10 to AUD25/t and a MTR value range of 0.10% to 0.25%/t to the Whitewash and Ben Hur Resources.

## Company Multiples

Using the Intierra and SNL subscription databases, Xstract also compiled a list of Australian base metal developers and miners (primarily zinc and copper). A total of 26 companies were identified and analysed according to their Enterprise Value and the gross dollar metal content of the defined resources. All values and implied values are in AUD.

The implied multiples from Xstract's analysis are presented in Table 8.2.

**Table 8.2: Typical Company Ratios**

Company Ratio	
<b>With Outliers considered</b>	
Mean	1.72%
Median	0.30%
Standard Deviation	3.23%
<b>Without Outliers</b>	
Mean	0.68%
Median	0.20%
Standard Deviation	0.84%
Indicated + Inferred	0.06% to 2.48% (av. 1.02%)
Inferred only	0.06% to 0.94% (av. 0.3%)

Based on its review of the relevant company data, Xstract considers the companies Hillgrove, Mungana, KBL Mining and Ironbark Zinc best reflect the implied value range likely to be applied by the market to Walford Creek (refer to Appendix B). On this basis, Xstract has elected to assign an implied Company Ratio value range of 0.5% to 0.8%/t to the Walford Creek Resource. For the lower grade deposits at Whitewash and Ben Hur, Xstract has elected to apply a range of 0.25% to 0.4% (50% discount).

## Yardstick method

In order to verify its valuation of Aeon's JORC Code compliant Mineral Resources using market and transaction multiples, Xstract 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 8.3.

**Table 8.3: 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%

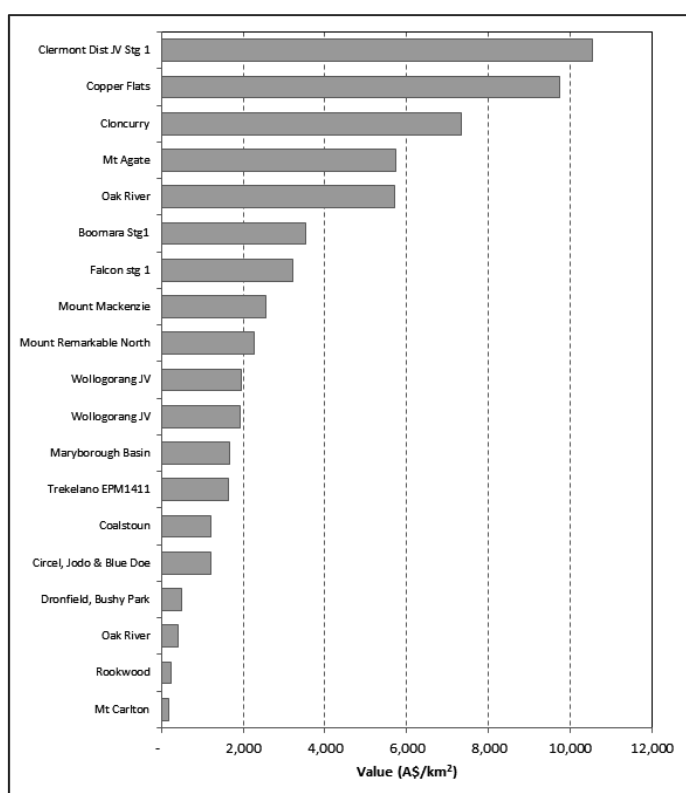
## Exploration potential

Xstract also considered market transactions involving Australian early stage exploration projects, which transpired between 2010 and 2014.

Based on the Intierra subscription database, Xstract identified 51 early stage exploration market transactions and selected 19 transaction and joint venture terms of projects in Queensland that were prospective for base metal mineralisation. These 19 transactions are listed in Appendix A.

The implied value per km<sup>2</sup> 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 2010 and 2014 in the value of the copper price as at the valuation date. This is illustrated in Figure 8.1.

**Figure 8.1: Normalised Base Metal Transaction of Early Stage Exploration Projects, 2010 to 2015**



Based on its analysis, Xstract notes that the implied multiples of these early stage exploration transactions largely resides between AUD100/km<sup>2</sup> and 11,000/km<sup>2</sup>, depending on their prospectivity and stage of exploration completed. The average of this data set is AUD3,240/km<sup>2</sup> with a standard deviation of 3,131/km<sup>2</sup>.

### 8.1.2 Geoscientific Rating Method

Xstract has also considered the Geoscientific Rating method for Aeon's early stage exploration assets at Constance Range, Isa North, Isa South and Isa West. The application of this method involves applying technical and market factors to a base holding cost ("BHC") for each of Aeon's permits (see Appendix C). Xstract has estimated a BHC of AUD450/km<sup>2</sup> for exploration permits in Queensland. In addition, Xstract has applied a 30%

discount to the technical value to derive a fair market value of the permits based on the outlook of the market discussed in Section 7.1.

## 8.2 Value of Mineral Resources and Exploration Target

### Walford Creek

#### Mineral Resource

In Xstract's view, 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 or approximately 1.20 Mt Cu metal ratio. Of the stated Resource, some 24% 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 Cu metal ratio and MTR basis have been used to derive an implied value for the stated resources.

For valuing Aeon's defined Mineral Resources, Xstract has calculated Cu metal ratio and MTR using the pricing assumptions listed in Table 8.4.

**Table 8.4: Metal Price Assumptions**

		<b>Total</b>
Copper	(USD/t)	5,833
Lead	(USD/t)	1,830
Zinc	(USD/t)	2,082
Silver	(US\$/oz)	1,607
Cobalt	(USD/t)	30,662
Exchange rate	(AUD:USD)	0.74

Note: Metal prices based on London Metals Exchange June 2015 average prices  
Assumed AUD:USD exchange rate

Application of these assumed prices to Table 3.3 implies the gross dollar metal content for the Walford Creek Resource as outlined in Table 8.5. In applying these metrics, Xstract has elected not to assign any value to either silver or cobalt at Walford Creek given that preliminary metallurgical testwork indicates the cobalt and silver recoveries were generally low and further work is required to ascertain whether cobalt and silver credits will contribute to the revenue stream of the project.

**Table 8.5: Walford Creek Resource**

		<b>Indicated</b>	<b>Inferred</b>	<b>Total</b>
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
<b>Cu metal ratio<sup>^</sup></b>	<b>(kt)</b>	<b>176.6</b>	<b>538.2</b>	<b>714.8</b>
<b>Gross dollar metal content<sup>^</sup></b>	<b>(AUD M)</b>	<b>1,030.1</b>	<b>3,139.1</b>	<b>4,169.2</b>

Cu metal ratio = (contained metal \* price)/copper price

Gross dollar metal content = (Contained metal x metal prices)

<sup>^</sup>Excludes credits from silver and cobalt given metallurgical testwork results to date.

Application of the implied transaction Cu metal ratios (AUD25 to AUD50/t) yields an implied value range of AUD17.9 M to AUD35.7 M for the Walford Creek Resource.

Application of the implied MTR yields a range of AUD14.1 M to AUD28.2 M for the Walford Creek Resource.

Application of the implied Company Ratios yields a range of AUD28.1 M to AUD45.1 M for the Walford Creek Resource.

The Yardstick Factors of 0.5% to 2% of the June average copper price applied to the Walford Creek Inferred and Indicated Resource yields a range of AUD35.1 M to AUD70.3 M.

In considering the likely value of the Walford Creek Mineral Resource, Xstrat 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, and (d) its likely appeal in the market, given it is unlikely to be attractive to major base metal producers and junior/mid-tier companies who are currently struggling to secure funding. As such, Xstrat has placed greater weight on the values implied by the transaction and company data.

In light of the above, Xstrat recommends that Aeon's 100% interest in the Walford Creek Mineral Resource be valued in the range **AUD23.0 M to AUD40.4 M**, with a preferred value of **AUD31.7 M**.

## Exploration Target

As noted in Section 3.6.2, in addition to the Walford Creek Mineral Resource, there is potential for an additional 10 to 20 Mt at 0.3 to 0.5% Cu, 0.8 to 1.3% Pb, 0.8 to 1.4% Zn, 20 to 40g/t Ag and 500 to 1,000 ppm Co in the Walford Creek West area.

In order to estimate the fair market value for the Walford Creek Exploration Target, Xstrat calculated the Cu metal ratio and gross dollar metal content based on the mid-point of the tonnage and grade ranges outlined by H&SC.

**Table 8-6: In-situ copper metal ratio of Walford Creek Exploration Target**

		Low	High	Preferred
Tonnes	(Mt)	10	20	15
Copper	(%)	0.1	0.4	0.25
Lead	(%)	0.5	1.5	1.0
Zinc	(%)	0.5	1.0	0.75
Silver	(g/t)	5	15	10
Cobalt	(ppm)	500	1500	1000
Copper	(kt)			37.5
Lead	(kt)			150
Zinc	(kt)			112.5
Silver	(Moz)			5.3
Cobalt	(kt)			15
<b>Cu metal ratio<sup>^</sup></b>	<b>(kt)</b>			<b>124.7</b>
<b>Gross dollar metal content<sup>^</sup></b>	<b>(AUD M)</b>			<b>983.0</b>

Note: Metal prices based on London Metal Exchange average for June 2015

<sup>^</sup>Excludes credits from silver and cobalt given metallurgical testwork results at Walford Creek to date.

In recognition of the lower confidence of the Exploration Target and the potential that this may not ultimately convert to a Mineral Resources, Xstrat has elected to assign a value of

between AUD5/t and AUD10/t Cu metal ratio to the Exploration Target at Walford Creek. This implies a value range of AUD0.6 M to AUD1.2 M for the Walford Creek Exploration Target.

Application of discounted MTR yields a range of AUD0.5 M to AUD0.8 M for the Walford Creek Exploration Target.

Application of discounted Company ratio yields a range of AUD1.0 M to AUD1.6 M for the Walford Creek Exploration Target.

The Yardstick Factors of 0.1 to 0.5% if the spot price yields a range of AUD1.0 M to AUD4.9 M using the June average copper price.

In considering the likely value of the Walford Creek Exploration Target, Xstract notes that further work is required to delineate JORC Code compliant Mineral Resources and the inherent risk associated with Exploration Targets. As such, Xstract considers the current market would pay between **AUD0.8 M** and **AUD1.4 M** for Aeon's 100% interest in the Walford Creek Exploration Target, with a preferred value of **AUD1.1 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 AUD1 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 AUD4 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 AUD2.5 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.

### 8.2.1 Gladstone Project

In Xstract's view, the Greater Whitewash and Ben Hur Subprojects 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 or approximately 500,000 t Cu metal ratio. 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 or approximately 215,500 t Cu metal ratio. The entire Resource is classified as Inferred.

Application of these prices to Table 3.3 implies the Cu metal ratio and gross dollar metal content for the Greater Whitewash and Ben Hur Resources as outlined in Table 8.7.

**Table 8.7: Gladstone Project Resources**

		<b>Greater Whitewash</b>		<b>Ben Hur</b>
		<b>Indicated</b>	<b>Inferred</b>	<b>Inferred</b>
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
<b>Cu metal ratio</b>	<b>(kt)</b>	<b>377</b>	<b>104</b>	<b>213</b>
<b>Gross dollar metal content</b>	<b>(AUD M)</b>	<b>2,972.5</b>	<b>832.2</b>	<b>1,678.7</b>

Cu metal ratio = (contained metal \* price)/copper price

Gross dollar metal content = (Contained metal x metal prices).

### Greater Whitewash Resource

Application of the implied Cu metal ratios yields an implied value range of AUD4.8 M to AUD12.0 M for the Greater Whitewash Resource.

Application of the implied MTR yields a range of AUD3.8 M to AUD9.6 M for the Greater Whitewash Resource.

Application of the implied Company Ratio yields a range of AUD9.6 M to AUD19.1 M for the Greater Whitewash Resource.

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 AUD33.8 M to AUD67.7 M.

In considering the likely value of the Greater Whitewash Mineral Resource, Xstract 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, Xstract has placed greater weight on the values implied by the transaction and company data.

Xstract recommends that Aeon's 100% interest in the Greater Whitewash Resource be valued in the range **AUD7.2 M to AUD15.6 M**, with a preferred value of **AUD11.4 M**.

### Ben Hur Resource

Application of the implied Cu metal ratios yields an implied value range of AUD2.1 M to AUD5.3 M for the Ben Hur Resource.

Application of the implied MTR yields a range of AUD1.7 M to AUD4.2 M for the Ben Hur Resource.

Application of the implied MTR ratios yields a range of AUD4.2 M to AUD8.4 M for the Ben Hur Resource.

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 AUD8.4 M to AUD16.8 M.

In considering the likely value of the Ben Hur Mineral Resource, Xstract 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, Xstract has placed greater weight on the values implied by the transaction and company data.

Xstract recommends that Aeon's 100% interest in the Ben Hur Resource be valued in the range **AUD3.2 M to AUD6.9 M**, with a preferred value of **AUD5.0 M**.

## 8.3 Exploration potential

### 8.3.1 Geoscientific Rating method

Xstract 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 as assessed in Section 8.2.

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, Xstract notes that the value associated with the defined Mineral Resources and exploration targets has previously been assessed in Section 8.2.

In converting its implied technical values to a market value, Xstract considers that market participants would discount the technical value by up to 50% to account for the currently depressed commodity prices and malaise in the Australian minerals industry.

In addition, EPM15212 in the Isa West Project is in the process of being renewed as it expires in August 2015. Given the uncertainty associated with the timing of grant and any further imposed conditions, Xstract has elected to discount the valuation of this permit by 10%.

Using the geoscientific rating method, Xstract estimates the current market is likely to pay between **AUD3.3 M** and **AUD10.5 M** for Aeon's attributable interest in these permits, as summarised in Table 8.8. For further details relating to the method refer to Appendix C.

**Table 8.8: Valuation of Aeon's exploration assets – Geoscientific rating**

Project	Area (km <sup>2</sup> )	Equity	Lower (AUD)	Upper (AUD)
Walford Creek	176.01	100%	160,000	557,000
Constance Range	405.25	100%	425,000	1,356,000
Isa North	912.06	80% – 100%	1,283,000	3,766,000
Isa South	713.61	72% – 100%	706,000	2,178,000
Isa West	541.34	80% - 100%	294,000	1,107,000
Gladstone	897.85	60% -100%	314,000	1,304,000
Forsayth	110.34	100%	75,000	280,000
			<b>3,257,000</b>	<b>10,548,000</b>

Errors due to rounding

### 8.3.2 Comparable transactions

To verify the results implied by the Geoscientific Rating method, Xstract has also considered recent market transactions involving early stage base metal projects in Queensland (refer Appendix A).

Based on its analysis, Xstract has elected to apply a value of between AUD1,000 to AUD3,500/km<sup>2</sup> to Aeon's early stage exploration assets. For permits where Aeon has established defined targets for near term assessment, Xstract has elected to assign a value of AUD1,500 to AUD4,000/km<sup>2</sup>.

Based on application of these metrics, Xstract considers the market is likely to pay between **AUD4.0 M** and **AUD12.2 M** for Aeon's attributable interests in its Queensland exploration assets, as summarised in Table 8.9.

**Table 8.9: Value of Aeon's Queensland exploration permits - Comparable Transaction**

Permit	Area	Share	Implied Value (AUD/km²)		Market Value (AUD)	
	(km²)	%	Lower	Upper	Lower	Upper
Walford Creek						
EPM 18552	23	100%	1,500	4,000	34,000	91,000
EPM 14854	20	100%	1,500	4,000	29,000	78,000
EPM 14220	134	100%	1,500	4,000	200,000	535,000
					263,000	484,000
Constance Range						
EPM 14712	75	80%	1,000	3,500	75,000	261,000
EPM 14713	62	80%	1,500	4,000	93,000	247,000
EPM 14935	65	80%	1,500	4,000	97,000	259,000
EPM 15186	204	80%	1,500	4,000	306,000	816,000
					571,000	1,583,000
Isa North						
EPM 14694	13	80%	1,500	4,000	15,000	41,000
EPM 16921	68	20%	1,500	4,000	101,000	270,000
EPM 17300	16	100%	1,500	4,000	24,000	64,000
EPM 17511	115	20%	1,500	4,000	58,000	154,000
EPM 17513	366	20%	1,500	4,000	193,000	514,000
EPM 17514	437	20%	1,500	4,000	424,000	1,130,000
EPM 17519	434	20%	1,500	4,000	304,000	812,000
					1,119,000	2,985,000
Isa South						
EPM 12653	29	0%	1,500	4,000	-	-
EPM 13412	112	20%	1,500	4,000	134,000	358,000
EPM 13413	143	20%	1,500	4,000	129,000	344,000
EPM 13682	201	20%	1,500	4,000	205,000	547,000
EPM 14040	26	80%	1,500	4,000	31,000	82,000

Permit	Area	Share	Implied Value (AUD/km <sup>2</sup> )		Market Value (AUD)	
EPM 14233	54	72%	1,500	4,000	59,000	157,000
EPM 14821	80	80%	1,500	4,000	96,000	255,000
EPM 15156	153	80%	1,500	4,000	183,000	488,000
EPM15911	51	0%	1,500	4,000	77,000	204,000
EPM 17297	10	0%	1,500	4,000	14,000	38,000
					928,000	2,473,000
Isa West						
EPM 11897	67	80%	1,500	4,000	81,000	216,000
EPM 11898	74	80%	1,500	4,000	88,000	236,000
EPM15212	160	80%	1,500	4,000	161,000	431,000
EPM 18395	106	100%	1,500	4,000	158,000	422,000
EPM 18769	160	100%	1,000	3,500	160,000	560,000
					648,000	1,865,000
Gladstone						
EPM17002	153	100%	500	3,000	76,000	458,000
EPM15921	16	100%	750	3,500	12,000	54,000
EPM15920	12	100%	750	3,500	9,000	44,000
EPM17001	137	100%	500	3,000	68,000	411,000
EPM14628	134	100%	750	3,500	93,000	433,000
EPM15922	6	100%	750	3,500	5,000	22,000
EPM17060	62	100%	500	3,000	31,000	187,000
EPM19029	301	60%	500	3,000	90,000	542,000
EPM14627	87	60%	500	3,000	26,000	156,000
					410,000	2,307,000
Forsayth						
EPM18359	110	100%	500	3,000	55,000	331,000
					55,000	331,000
Total Fair Market Value (AUD M)					3,994,000	12,248,000

Errors due to rounding

### 8.3.3 Summary

Table 8.10 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. Xstract has used the Geoscientific Rating and Comparable Transactions methods to select an overall value range. In selecting its preferred value, Xstract considers the market is likely to pay towards the lower end of the range given the difficulty in financing early stage exploration projects and on-going malaise in commodity markets.

On this basis, Xstract estimates the market value of Aeon's Queensland exploration assets resides in the range of **AUD3.6 M** to **AUD11.3 M**, with a preferred value of **AUD5.5 M** (Table 8.10).

**Table 8.10: Summary Valuation of Aeon's Queensland exploration assets**

	<b>Low (AUD M)</b>	<b>High (AUD M)</b>	<b>Preferred (AUD M)</b>
<b>Walford Creek</b>			
Geoscientific Rating	0.16	0.56	
Comparable Market	0.26	0.48	
<b>Selected</b>	<b>0.21</b>	<b>0.52</b>	<b>0.29</b>
<b>Constance Range</b>			
Geoscientific Rating	0.43	1.36	
Comparable market	0.57	1.58	
<b>Selected</b>	<b>0.50</b>	<b>1.47</b>	<b>0.74</b>
<b>Isa North</b>			
Geoscientific Rating	1.28	3.77	
Comparable market	1.12	2.99	
<b>Selected</b>	<b>1.20</b>	<b>3.38</b>	<b>1.75</b>
<b>Isa West</b>			
Geoscientific Rating	0.29	1.11	
Comparable market	0.65	1.87	
<b>Selected</b>	<b>0.47</b>	<b>1.49</b>	<b>0.73</b>
<b>Isa South</b>			
Geoscientific Rating	0.71	2.18	
Comparable market	0.93	2.47	
<b>Selected</b>	<b>0.82</b>	<b>2.33</b>	<b>1.57</b>
<b>Gladstone</b>			
Geoscientific Rating	0.31	1.30	
Comparable market	0.41	2.31	
<b>Selected</b>	<b>0.36</b>	<b>1.81</b>	<b>0.72</b>
<b>Forsayth</b>			
Geoscientific Rating	0.08	0.28	
Comparable market	0.06	0.33	
<b>Selected</b>	<b>0.07</b>	<b>0.31</b>	<b>0.13</b>
<b>Total Selected</b>	<b>3.63</b>	<b>11.30</b>	<b>5.55</b>

Errors due to rounding

## 8.4 Valuation Summary

Table 8.11 summarises Xstract's estimate of the market value of Aeon's interests in its Queensland base metal exploration assets. In Xstract's opinion, the market is likely to pay between **AUD37.9 M** and **AUD75.6 M**, with a preferred value of **AUD54.6 M** for Aeon's attributable share in these assets as at the effective valuation date.

**Table 8.11: Valuation Summary of Aeons Exploration assets in Queensland**

<b>Project</b>		<b>Low (AUD M)</b>	<b>High (AUD M)</b>	<b>Preferred (AUD M)</b>
Walford Creek	Mineral Resource	23.0	40.4	31.7
	Exploration Target	0.8	1.4	1.1
	Exploration Potential	0.2	0.5	0.3
Gladstone	Whitewash Mineral Resource	7.2	15.6	11.4
	Ben Hur Mineral Resource	3.2	6.9	5.0
	Exploration Potential	0.4	1.8	0.7
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
<b>Total Market Value</b>		<b>37.9</b>	<b>75.6</b>	<b>54.6</b>

Errors due to rounding

## 8.5 Discussion on Xstract's valuation range

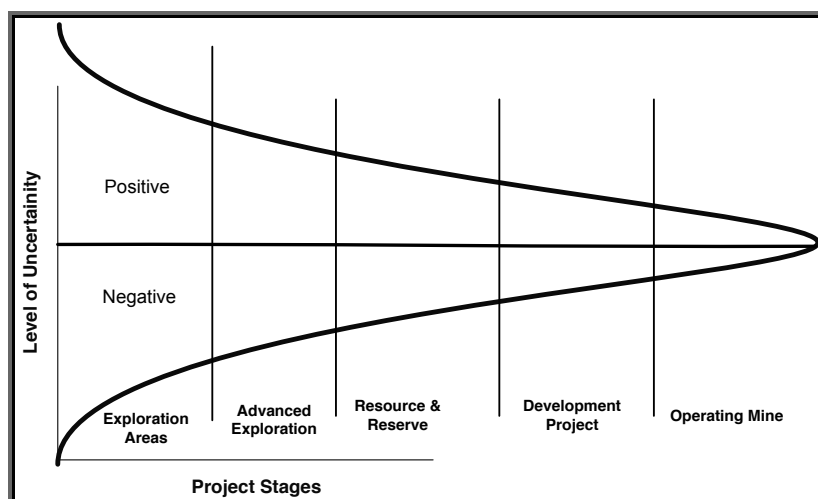
In assigning its valuation range and preferred value, Xstract is mindful that the valuation range is also indicative of the uncertainty associated with early stage to advanced stage exploration assets.

The wide range in value is driven by the confidence limits placed around the size and quality of the base metal 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 8.12 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 8.12: General guide regarding confidence for target and Resource/Reserve Estimates**

<b>Classification</b>	<b>Estimate range (90% Confidence Limit)</b>
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 can be seen in Figure 8.2.

**Figure 8.2: 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, Xstract has endeavoured to narrow its valuation range. In recognising this wide range, Xstract has also indicated a preferred value for each tenement.

## 8.6 Valuation risks

Xstract is conscious of the risks associated with valuing early stage assets, which impacts on the valuation range. In defining its valuation range, Xstract 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:

### 8.6.1 Exploration and resource risk

The business of base metal 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 metal 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.

### **8.6.2 Mining and production risk**

The projects discussed in this report are at a relatively early stage of evaluation and none of Aeon's base metal assets has defined Ore Reserve. Forecasting cash flows for these assets are less certain and therefore more risky than for base metal 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.

### **8.6.3 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.

### **8.6.4 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.

### **8.6.5 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.

## **9 Consultant qualifications and experience**

### **Richard Price | Principal Consultant | Corporate Advisory**

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Richard is a mining engineer with twelve years of mining experience and four years of investment banking experience. He worked in a number of mine production roles while at University, and then as a graduate engineer in a gold mine. Richard spent several years with a mining equipment company before working for over three years in consulting, and has also worked in business improvement roles onsite with BHP Billiton (Olympic Dam) and

Rio Tinto (Iron Ore). Following the completion of a Masters in Mineral Economics, Richard worked for Standard Chartered Bank in Perth, London and Singapore. He also has experience with a boutique corporate advisory firm in Australia. Richard's financing experience covers both equity and debt capital raising and financial markets products. Richard holds a Bachelor of Engineering with Honours in Mining and is a Member of the AusIMM.

### **Commodities**

Gold, nickel sulphide, copper, lead, zinc and iron ore

### **Jeames McKibben | Associate Consultant | Corporate Advisory**

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During more than 20 years in the mining industry, Jeames has served in a diverse range of roles including corporate consultant, project manager, geologist and analyst. As a corporate consultant, he specialises in valuations and Mineral Expert Reports for equity transactions and Independent Technical Reports in support of project finance. Other mandates include technical due diligence in support of information memoranda, divestments, acquisitions and mergers, pre-feasibility studies and independent Competent Persons' Reports.

Jeames holds a Master of Business Administration and a Bachelor of Science with First Class Honours, is a Member of the AIG and a Chartered Professional Member of the AusIMM. Jeames is a current member of the VALMIN Code Review Committee.

### **Commodities**

Coal, copper, cobalt, lead, zinc, diamonds, sulphide and laterite nickel, kaolin, mineral sands, bauxite, iron, iron sands, mineral sands, PGE, gold, uranium

### **Mathew Longworth | General Manager & Principal Consultant | Xstract**

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Mathew is a geologist with 25 years' experience across exploration, project evaluation/development, operations and corporate management. He previously held roles as Exploration Manager, COO and CEO/Managing Director with Australian listed companies, and as a mining analyst with a boutique investment fund. He has led multidisciplinary project evaluation and development teams across a range of geological and geographic environments. Mathew has also been instrumental in the listing of a number of companies, in addition to acting as the link between corporate and technical advisors in fundraising and corporate transactions. He combines Board level experience with a strong technical and commercial background. Mathew holds a Bachelor of Science with Honours in Geology, and is a Member of the AusIMM and the Australian Institute of Company Directors.

### **Commodities**

Gold, platinum, copper, lead-zinc, nickel sulphide, nickel laterite, iron ore, tin tungsten, coal, uranium, phosphate, magnesite



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## **Appendix A: Market Transactions**

### Comparable market transactions of advanced base metal exploration projects

Date	Project	Parties	Status	Type	Resource classification	Equity	Transaction Value (AUD M) (100% basis)	Cu Metal Ratio (%)	Gross dollar metal content of resources (AUD M)	Metal Transaction Ratio (%)
Feb-11	Lady Loretta	Xstrata –Cape Lambert	Feasibility	UG	MII	25%	120.0	6.8	12,290.4	0.98%
21-Jan-11	Panorama	Venturex –Toho Zinc	Feasibility	UG	MII	100%	26.2	2.1	5,237.6	0.50%
4-Feb-11	Baal Gammon	Monto -Conquest	Advanced Exploration	OP	Prob, Ind + Inf	100%	7.5	1.7	1,213.0	0.62%
9-Feb-11	Manbarrum	KBL - TNG	Advanced Exploration	OC	Ind + Inf	51%	8.8	0.5	2,416.2	0.37%
9-Mar-11	Lennons Find	Laconia - Independence	Advanced Exploration	OC	Inf	95%	1.1	4.5	484.6	0.22%
29-Sep-11	Bushranger	Newmont – Lachlan Star	Advanced Exploration	OC	Ind + Inf	51%	2.0	0.5	1,630.3	0.12%
19-Oct-11	Einasleigh	Kagara – Copper Strike	Advanced Exploration	OC/UG	MII	100%	16.0	1.1	1,803.1	0.89%
Oct-12	Menninnie Dam	Musgrave - Menninnie	Advanced Exploration	OC	Inf	51%	11.8	1.9	1,588.9	0.74%
30-Jan-13	Hellyer	Ivy Resources – Bass Metals	Care & Maintenance	Tails/OC	MII	100%	11.0	2.6	4,660.4	0.24%
3 Jun -13	Barbara	Exco Resources – Syndicated Metals	Advanced Exploration	OC/UG	Ind + Inf	50%	5.4	1.6	794.8	0.68%
9-Dec-13	Kalman – Pelican JV	Midas (Hammer) - Syndicated	Early stage exploration	OC/UG	Inf	49%	0.3	0.5	1,921.2	0.02%
6-Dec-13	Nanadie Well	Mithril - Intermin	Advanced	OC	Inf	60%	3.3	0.5	1,575.8	0.21%

		Exploration											
17-Dec-13	Peelwood	CEB - Balamara	Feasibility Study	OC	Pb, Ind + Inf	49%	2.4	2.3	193.5	1.27%			
18-Mar-14	Browns Reef	Kidman - Comet	Advanced Exploration	UG	Inf	100%	0.5	1.3	2,393.4	0.02%			
3-Jul-14	Thalanga	Red River - Kagara	Closed Mines	UG	Prob, I + I	100%	6.5	4.0	1,807.3	0.36%			
6-Jul-14	Rookwood	Zenith - Fitzroy	Advanced Exploration	OC	Inf	51%	0.5	2.5	418.0	0.12%			
10-Mar-15	Admiral Bay	PLD Corp - Kagara	Advanced Exploration	OC	Inf	100%	6.0	2.4	13,421.6	0.04%			
24-Jun-15	Chillagoe	Mungana – Kagara	Advanced Exploration	OC	Ind + Inf	100%	15.0	5.4	1,158.2	1.30%			
7-Jul-15	Develin Creek	Zenith – N/A	Advanced Exploration	OC	Inf	100%	1.4	2.5	343.1	0.40%			
All Transactions													
Mean										0.48%			
Median										0.37%			
Standard Deviation										0.40%			

Comparable market transactions of early-stage base metal exploration tenements

Transaction Date	Project	Buyer	Seller	Equity	Consideration	Normalised Value (\$/km²)
9-Oct-12	Mt Carlton	Forte Consolidated	Adept Solutions	100%	\$50,000	215
2-Feb-11	Rookwood	Fitzroy Resources	Kangaroo Metals	100%	\$50,000	269
26-Mar-12	Oak River	Planet Metals Ltd	Callabonna Uranium Ltd	100%	\$65,000	469
23-Aug-10	Dronfield, Bushy Park	Syndicated Metals	Altona	100%	\$157,500	546
21-Dec-11	Circel, Jodo & Blue Doe	All Star Minerals PLC		100%	\$535,000	1,341
2-May-14	Coalstoun	Activex	Newcrest Operations Ltd	100%	\$200,000	1,342
20-Jan-12	Trekelano EPM1411	GBM Resources	Newcrest Operations Ltd	100%	\$110,000	1,828
20-Apr-12	Maryborough Basin	Integrated Resources	MAub Pty Ltd	100%	\$3,250,000	1,859
9-Nov-12	Wollgorang JV	Redbank Copper Ltd	Gulf Mines Ltd	80%	\$1,350,000	2,154
12-Jun-12	Wollgorang JV	Redbank Copper Ltd	Gulf Mines Ltd	85%	\$1,500,000	2,172
13-Jul-11	Mount Remarkable North	Syndicated Metals	Deep Yellow	80%	\$800,000	2,540
1-Jun-14	Mount Mackenzie	Resources & Energy	SmartTrans	100%	\$230,000	2,843
3-Jun-13	Falcon stg 1	Minotaur Exploration Ltd	Falcon Minerals Ltd	51%	\$250,000	3,571
22-Dec-11	Boomara Stg1	Xstrata Mt Isa Mines	Mt Isa Metals Ltd	51%	\$1,000,000	3,917
15-Sep-11	Oak River	Planet Metals Ltd	Callabonna Uranium Ltd	51%	\$750,000	6,363
14-Apr-10	Mt Agate	Activex	Carpentaria	75%	\$750,000	6,391
19-Feb-10	Cloncurry	JOGMEC	Minotaur	33%	\$2,600,000	8,172
18-Jul-12	Copper Flats	Xstrata Copper	Ord River Resources	100%	\$900,000	10,858
30-Jul-12	Clermont Dist JV Stg 1	Gold Fields Aus Ltd	Zamia Resources Pty Ltd	51%	\$4,000,000	11,727

## **Appendix B: Comparable companies**

Company	EV (AUD M) (20 July 2015)	Attributable Value (AUD M)	Resource/Reserve* Classification	MTR
Alara Resources Ltd	3.5	4,923.7	P+P, MII	0.07%
Aurelia Metals Ltd	114.0	2,138.5	Prob, Ind + Inf	5.33%
Chinalco Yunnan Copper Resources Ltd	9.6	1,016.1	Inf	0.94%
Coppermoly Ltd	2.5	4,373.3	Inf	0.06%
CuDeco Ltd	467.9	4,256.6	MI	10.99%
GBM Resources Ltd	8.0	8,480.4		0.09%
Hammer Metals Ltd	4.3	6,679.8	Ind + Inf	0.06%
Heron Resources Ltd	10.2	136,179.4	P+P, MII	0.01%
Hillgrove Resources Ltd	44.4	2,215.7	PP+MI	1.99%
Ironbark Zinc Ltd	32.2	11,219.5	Inf	0.29%
KBL Mining Ltd	35.7	11,228.5	P+P, MII	0.32%
Macphersons Resources Ltd	17.2	1,490.7	P+P, MII	1.15%
Malachite Resources Ltd	5.9	634.2	Ind + Inf	0.93%
Monto Minerals Ltd	0.9	735.8	Ind + Inf	0.12%
Mungana Goldmines Ltd	38.46	2,881.5	Prob, MII	1.33%
Paradigm Metals Ltd	0.8	93.0		0.82%
Queensland Mining Corporation Ltd	6.3	3,100.3	MI	0.20%
Rex Minerals Ltd	8.3	18,329.0	P+P, MI + gold	0.05%
RMG Ltd	3.2	1,852.3	Inf	0.17%
Sandfire Resources NL	962.3	7,555.6	P+P, MI	12.74%
Syndicated Metals Ltd	5.5	369.5	Ind + Inf	1.50%



<b>Company</b>	<b>EV (AUD M) (20 July 2015)</b>	<b>Attributable Value (AUD M)</b>	<b>Resource/Reserve* Classification</b>	<b>MTR</b>
Terramin Australia Ltd	227.4	7,964.6	Prob, Ind+Inf	2.86%
Ventnor Resources Ltd	4.8	193.1	Ind + Inf	2.48%
Venture Minerals Ltd	2.9	8,998.9	P+P, MII	0.02%
Venturex Resources Ltd	4.7	7,672.9	Prob, MII	0.06%
Zamia Metals Ltd	3.3	1,828.6	Inf	0.11%

Source: SNL

\*Classification of Mineral Resources and Ore Reserves for copper metal

MTR – metal transaction ratio = Enterprise Value (EV) / Attributable Value

Attributable Value is reported by SNL and is the combined value of all commodities and resources at SNL Metals and Mining nominal prices for the current year. Ag –AUD 22.21/oz, Au – AUD1,502.25/oz, Cu – 3.72/lb, Mo – AUD13.06/lb, Pb – AUD1.15/lb, Zn –AUD1.28/lb

## Company background

Alara Resources is a precious metal/base metal exploration company with four projects in Oman and Saudi Arabia. The most advanced company in the Company's portfolio is the Khnaiguiyah zinc copper project (60% equity), which is currently at Feasibility stage and further progress remains dependent on finding a joint venture partner. It has direct mineral interests in 517 kt of zinc and 37 kt of copper (in Reserves) and 687 kt of zinc, 147.6 kt of copper and 87.5 koz of gold in Resource.

Aurelia Metals is a NSW focussed base and precious metals company with interests in seven projects, including the Hera gold and base metal mine. The company holds direct interests in defined Resources containing more than 3.3Moz of silver, 322 koz of gold, 142.5 kt of zinc, 96.5 kt of copper and 93 kt of lead.

Chinalco Yunnan Copper Resources is a copper/gold focussed explorer with interests in Queensland Australia and Chile. The Company holds five advanced stage and five early stage exploration projects. Direct mineral interests contained in defined Mineral Resources comprise 119 kt of copper, 62.5 kt of gold and lesser interests in rare earths and uranium

Coppermoly is an Australian domiciled exploration company with interests in six grassroots to scoping level copper gold projects in Papua New Guinea. Direct equity interests in defined Mineral Resources equate to 7.5 Moz of silver, 475 kt of copper metal, 369 koz of gold and lesser zinc, molybdenum and lead interests.

Cudoco is a copper producer focussed mainly on the Rocklands copper mine near Cloncurry in Queensland., with an interest also in the proximal Wilgar gold/copper/molybdenum exploration project. Direct interests in defined Mineral Resources include 30.5 Mt of raw magnetite, 311 kt of copper metal, 203.5 koz of gold and minor cobalt.

GBM Resources is a precious and base metal development/exploration company with interests in Malaysia and Australia. The Company's most advanced project is the Lubuk Mandi Gold Mine (Malaysia) which is currently in construction, whilst the Mount Coolon gold project is currently undergoing pre-feasibility to feasibility level assessment. The company has direct interests in Mineral Resources of more than 103 Mt of phosphate, 300 koz of gold, and various rare earth elements.

Hammer Metals is an Australian focussed base and precious metal exploration company with minor interests in China. The company's most advanced project is at Lake Carey in Western Australia, which is at a scoping to pre-feasibility level of assessment. Direct interests in Mineral Resources of more than 2 Moz of rhenium, 1.3 Moz of silver, 322 koz of gold, 178 kt of copper metal and minor iron ore, molybdenum and cobalt interests.

Heron Resources is a base and precious metal exploration company with an extensive portfolio of grassroots to Feasibility level projects throughout New South Wales, Queensland and Western Australia. Key projects include the Bulong gold, Kalgoorlie Laterite Nickel and Woodlawn base metal projects. Direct interests in Mineral Resources of more than 54 Moz of silver, 6.2 Mt of nickel, 1.45 Mt of zinc, 657 kt of lead, 640 koz of gold and 420 kt of cobalt, of which a considerable proportion has been defined to Ore Reserve level.

Hillgrove Resources is a copper and gold producer with exploration interests in Papua New Guinea, Indonesia, South Australia and New South Wales. The company's main project is the Kanmantoo copper mine in South Australia. Direct interests in Mineral Resources comprise approximately 2 Moz of silver, 243 kt of copper metal, 193 koz of gold and minor antimony.

Ironbark Zinc is a development and exploration company with interests in New South Wales, Australia and Greenland. The Company owns the Byklippen lead zinc mine in Greenland as well as the Citronen Fjord zinc project, which is currently undergoing feasibility level assessment. The company holds direct interest in Mineral Resources containing 3.7 Mt of contained zinc, 3.2 Moz of silver and 362 Mt of contained lead.

KBL Mining is a gold/copper producer with exploration interests in New South Wales, Queensland and Western Australia. The Mineral Hill copper-gold mine near Cobar is the company's main focus, but feasibility level studies are also ongoing at the Sorby Hills base metal deposit in Western Australia. Direct interests in Mineral Resources comprising 27 Moz of silver, 277 koz of gold, 671 kt of lead, 126 kt of zinc and 80kt of copper.

Macphersons Resources is a Western Australian focused gold and base metal explorer with interests in several feasibility level projects containing some 12.4 Moz of silver, 506 koz of gold and minor zinc in Resources.

Malachite Resources is a precious metal developer/explorer with interests in three projects in Queensland and New South Wales. Direct interests in Mineral Resources comprising 9.6 Moz of silver, 578 koz of indium, 71 koz of gold and lesser copper, lead, zinc and tin.

Monto Minerals is a base metal developer/explorer with interests in the Herberton project and the Baal Gammon mine, which is currently under care and maintenance. Direct interests include royalties over 3.6 Moz of silver, 3.4 Moz of Indium and less copper and tin.

Mungana Goldmines is a gold and base metal development company with interests in South Australia and Queensland. The company holds the Mungana base metal mine (now on care and maintenance) as well as the Chillagoe and Tunkilla project, which are currently being assessed at Feasibility level.

Paradigm Metals is a gold and copper exploration company with projects in the Lachlan Fold Belt of NSW, the Mount Isa region of Queensland and an option over a graphite project in Brazil. Direct interests in Mineral Resources containing 1.2 Moz of silver, 22 kt of lead and 15 kt of zinc.

Queensland Mining Corporation holds copper and gold assets in the Cloncurry Minerals Field of northwest Queensland. Key projects include the White Range copper project and the Mount Norma copper mine (both at Feasibility level). Direct interests in Mineral Resources containing 313 koz of silver, 307 koz of gold and 264 kt of copper.

Rex Minerals is a development/exploration company with interests in copper, gold and iron projects in South Australia, the most advanced being the Hillside iron oxide copper gold deposit. Direct interests in Resources containing 337 Mt of raw magnetite, 1.3 Moz of gold and 1.98 kt of copper metal.

RMG holds interests in copper and zinc-lead silver projects in Australia and Chile, with the most advanced being the operating Trebol copper mine in Chile. The company earning an interest in mineral Resources containing 334 koz of silver and 276 kt of zinc.

Sandfire Resources is a copper-gold producer with active mineral exploration projects principally in Western Australia and the Northern Territory. The company's Degussa Mine is currently in operation, while the Thaduna copper project in Western Australia is at a Feasibility level. Direct interests in Mineral Resources containing 1.3 Moz of silver, 766 koz of gold, 630 kt of copper and minor lead and zinc.

Syndicated Metals is a base metal focused company with principal projects located in the Mount Isa region in northwest Queensland. The company's most advanced project is the Leichardt West copper gold project which is currently at scoping to pre-feasibility level.

Direct interests in Mineral Resources containing 482 koz of silver, 96 kt of copper, 49 koz of gold and minor cobalt.

Terramin is a base and precious metals exploration/development company with interests in South Australia and Algeria. Key projects include the now closed Angas zinc mine, and the Tala Hamza deposit, which is at Feasibility level. Direct interests in Mineral Resources include 7.4 Moz of silver, 2.3 Mt of contained zinc, 727 kt of lead including a significant reserve position.

Ventnor Resources is a base metal exploration company focussed on Western Australia and Queensland. The company's key project is the Thaduna copper project in Western Australia, which is at a Feasibility level of assessment. Direct interests in Mineral Resources containing 542 koz of silver.

Venturex Resources is an exploration and development company with a significant portfolio of base metal projects in the Pilbara region of Western Australia. The Pilbara copper-zinc-lead project is currently at a feasibility level of assessment. Direct interests in 15.7 Moz of silver, 892 kt of contained zinc, 319 kt of copper metal, 93 koz of gold and 77 kt of lead.

Zamia Metals is an exploration company with copper, gold and molybdenum targets in the Clermont district of central Queensland. The Anthony molybdenum deposit is at scoping/pre-feasibility level and is the company's most advanced project. Direct interests in Mineral Resources containing 62 kt of molybdenum metal and 18 koz of gold.

## **Appendix C: Geoscientific Rating Valuation of Early Stage Exploration Tenements**

Lease	Area (km <sup>2</sup> )	BHC (AUD/km <sup>2</sup> )	Share	On property	Off property	Anomaly	Geology	Lower (AUD)	Upper (AUD)	Midpoint (AUD)				
Walford Creek														
EPM18552	23	450	100%	1	1.5	2	2.5	1	1.5	2	2.5	\$21,000	\$72,000	\$46,500
EPM14854	20	450	100%	1	1.5	2	2.5	1	1.5	2	2.5	\$18,000	\$62,000	\$40,000
EPM14220	134	450	100%	1	1.5	2	2.5	1	1.5	2	2.5	\$121,000	\$423,000	\$272,000
											\$160,000	\$557,000	\$358,500	
Constance Range											Market Value			
EPM14712	75	450	100%	2.5	3	1.2	1.7	2	2.5	2	2.5	\$202,000	\$536,000	\$369,000
EPM14713	62	450	100%	2	2.5	1.2	1.7	1	1.5	1	1.5	\$34,000	\$133,000	\$83,500
EPM14935	65	450	100%	2	2.5	1.2	1.7	1.5	2	1.5	2	\$79,000	\$248,000	\$163,500
EPM15186	204	450	100%	2	2.5	1.2	1.7	1	1.5	1	1.5	\$110,000	\$439,000	\$274,500
											\$425,000	\$1,356,000	\$890,500	
Isa North											Market Value			
EPM14694	13	450	80%	1.5	2	1	1.5	1	1.5	1	1.5	\$4,000	\$16,000	\$10,000
EPM16921	68	450	100%	2	2.5	1	1.5	1	1.5	1.5	2	\$46,000	\$171,000	\$108,500
EPM17300	16	450	100%	2.5	3	1.2	1.7	1	1.5	2	2.5	\$22,000	\$69,000	\$45,500
EPM17511	48	450	100%	2	2.5	1.2	1.7	1	1.5	1.5	2	\$31,000	\$111,000	\$71,000
EPM17513	160	450	80%	2	2.5	1	1.5	1	1.5	1.5	2	\$87,000	\$326,000	\$206,500
EPM17514	353	450	80%	2.5	3	1	1.5	2	2.5	2	2.5	\$636,000	\$1,788,000	\$1,212,000
EPM17519	254	450	80%	2.5	3	1	1.5	2	2.5	2	2.5	\$457,000	\$1,285,000	\$871,000
											\$1,283,000	\$3,766,000	\$2,524,500	
Isa South											Fair Market Value			
EPM12653	29	450	0%	2	2.5	1	1.5	1.2	1.7	2	2.5	\$0	\$0	\$0
EPM13412	89	450	100%	2.5	3	1.2	1.7	1	1.5	2	2.5	\$108,000	\$342,000	\$225,000

Lease	Area (km <sup>2</sup> )	BHC (AUD/km <sup>2</sup> )	Share	On property	Off property	Anomaly	Geology	Lower (AUD)	Upper (AUD)	Midpoint (AUD)				
EPM 13413	86	450	100%	2	2.5	1	1.5	1	1.5	2	2.5	\$69,000	\$242,000	\$155,500
EPM 13682	137	450	100%	1.5	2	1.2	1.7	1	1.5	1.5	2	\$74,000	\$279,000	\$176,500
EPM 14040	26	450	80%	2	2.5	1.2	1.7	1.2	1.7	2	2.5	\$24,000	\$74,000	\$49,000
EPM 14233	54	450	72%	2.5	3	1.5	2	2	2.5	2	2.5	\$118,000	\$294,000	\$206,000
EPM 14821	80	450	80%	2	2.5	1.2	1.7	2	2.5	2	2.5	\$123,000	\$339,000	\$231,000
EPM 15156	153	450	80%	2	2.5	1	1.5	1.5	2	2	2.5	\$147,000	\$458,000	\$302,500
EPM15911	51	450	100%	1.5	2	1	1.5	1.5	2	1.5	2	\$35,000	\$123,000	\$79,000
EPM 17297	10	450	100%	2	2.5	1	1.5	1	1.5	2	2.5	\$8,000	\$27,000	\$17,500
												\$706,000	\$2,178,000	\$1,442,000
Isa West												Fair Market Value		
EPM 11897	67	450	80%	1.5	2	1	1.5	1.5	2	2	2.5	\$55,000	\$182,000	\$118,500
EPM 11898	74	450	80%	1.5	2	1	1.5	1.2	1.7	2	2.5	\$48,000	\$169,000	\$108,500
EPM15212	135	450	80%	1.5	2	1	1.5	1	1.5	2	2.5	\$65,000	\$245,000	\$155,000
EPM 18395	106	450	100%	1.5	2	1	1.5	1	1.5	2	2.5	\$72,000	\$268,000	\$170,000
EPM 18769	160	450	100%	1	1.5	1	1.5	1.5	2	1	1.5	\$54,000	\$243,000	\$148,500
												\$294,000	\$1,107,000	\$700,500
Gladstone												Market Value		
EPM17002	153	450	100%	1	1.5	1	1.5	1	1.5	1.5	2	\$52,000	\$232,000	\$142,000
EPM15921	16	450	100%	1	1.5	1.5	2	1.5	2	1.5	2	\$12,000	\$42,000	\$27,000
EPM15920	12	450	100%	1	1.5	1.5	2	1	1.5	1.5	2	\$7,000	\$25,000	\$16,000
EPM17001	137	450	100%	1	1.5	1	1.5	1	1.5	1.5	2	\$46,000	\$208,000	\$127,000
EPM14628	124	450	100%	1	1.5	1.5	2	1.5	2	1.5	2	\$94,000	\$335,000	\$214,500
EPM15922	6	450	100%	1	1.5	1.5	2	1	1.5	1.5	2	\$3,000	\$13,000	\$8,000

Lease	Area (km <sup>2</sup> )	BHC (AUD/km <sup>2</sup> )	Share	On property	Off property	Anomaly	Geology	Lower (AUD)	Upper (AUD)	Midpoint (AUD)				
EPM17060	62	450	100%	1	1.5	1	1.5	1	1.5	1.5	2	\$21,000	\$95,000	\$58,000
EPM19029	301	450	60%	1	1.5	1	1.5	1	1.5	1.5	2	\$61,000	\$275,000	\$168,000
EPM14627	87	450	60%	1	1.5	1	1.5	1	1.5	1.5	2	\$18,000	\$79,000	\$48,500
												\$314,000	\$1,304,000	\$809,000
Forsayth	Low High Low High Low High Low High Low High													
EPM18359	110	\$450	100%	2.0	2.5	1.0	1.5	1.0	1.5	1.5	2.0	\$75,000	\$280,000	\$177,500
												\$75,000	\$280,000	\$177,500
												\$3,247,000	\$10,321,000	\$6,784,000



## **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
- 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
- **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
<b>Income</b>	No	Rarely	Yes	Yes
<b>Cost</b>	Yes	Rarely	No	No
<b>Market</b>	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 discounted cash flow ("DCF") model based on a project development concept and may include sophisticated risk analysis and simulation.

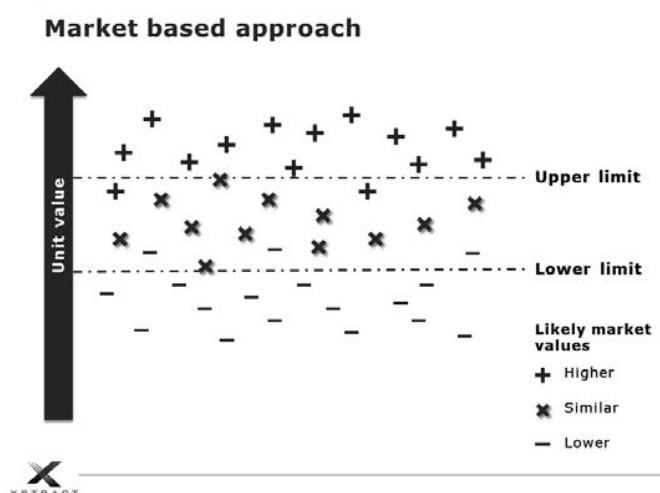
Despite its sophistication, the income-based approach has limitations in that it:

- may not fully reflect the market value
- relies on a number of subjective inputs (e.g. the appropriate discount rate)
- 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 Xstrat's opinion, a market-based approach is well suited to establishing a likely value for base metal 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 and 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 and 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
- 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<sup>2</sup> 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. Xstract 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**

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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 and 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, under cover
1.0	No known mineralisation in district	No known mineralisation on lease	No targets outlined	Generally favourable geological setting
1.5	Minor workings	Minor workings or mineralised zones exposed	Target identified, initial indications positive	
2.0	Several old workings in district	Several old workings or exploration targets identified	Significant grade intercepts evident but not linked on cross or long section	Favourable geological setting with structures or mineralised zones
2.5				Significant mineralised zones exposed in prospective host rocks
3.0	Mine or abundant workings with significant previous production	Mine or abundant workings with significant previous production	Several economic grade intercepts on adjacent sections	
3.5				
4.0	Along strike from a major mine(s)	Major mine with significant historical production		
5.0	Along strike of world class mine			
10.0		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.

