



AKN TO ACQUIRE UP TO 75% INTEREST IN SIGNIFICANT WESTERN AUSTRALIA COPPER/ZINC PROJECT

25 June 2020

AuKing Mining Limited

(previously Chinalco
Yunnan Copper
Resources Ltd)

ABN 29 070 859 522

(ASX Code: AKN)

AKN is a resource exploration and development company seeking to become a mid-tier mining company.

Issued Securities:

932,584,461
Ordinary shares

375,000 Convertible Notes
(\$1.00 face value, 30/09/20
maturity)

Directors:

Dr Huaisheng Peng
Chairman
Paul Williams
Managing Director
Zewen (Robert) Yang
Executive Director
Qinghai Wang
Non-Executive Director

Company Secretary:

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Summary:

- AKN has entered into an agreement with ASX-listed Anglo Australian Resources NL (AAR) to earn up to a 75% interest in the Koongie Park copper/zinc project, situated 25kms south-west of Halls Creek in northern Western Australia.
- Koongie Park is already a significant undeveloped base metals project with publicly reported JORC 2004 resources containing copper, zinc, gold and silver.
- Koongie Park has been the subject of extensive exploration drilling and feasibility studies, focussing on deeper sulphide resources as the near-surface oxides could not be processed. As part of the transaction, AKN will engage the services of a group that licences the Ammleach® ammoniacal leaching process. This metallurgical process has the potential to provide an economic solution for the open pit resources thereby significantly expanding upon the resource base and mine life previously established in AAR's feasibility studies.
- AKN can earn up to a total 75% Koongie Park project interest by incurring \$4M of expenditure over a period of 3 years. That funding is intended to be sufficient to carry out necessary processing testwork and establish the commercial feasibility study for the development of a mine at Koongie Park.
- As part of the proposed transaction, there will be changes to the AKN Board and Management team.
- The proposed Koongie Park Earn-In requires various regulatory approvals including ASX Listing Rules Chapters 1, 2, and 11 (change of scale of activities). In this regard, AKN applied for an in-principle determination from ASX regarding the proposed transaction. Whilst ASX advised that based on that application, that there was significant likelihood that ASX would exercise its discretion to decline AKN's application for re-admission to the official list, AKN believes that steps it has taken subsequent to the ASX determination should, in reasonable circumstances, address the specific concerns that were noted by ASX. There however remains a risk that ASX's view will not change.

PART A – The Koongie Park Project Earn-In

AuKing Mining Limited (“AuKing” or “AKN”) is pleased to announce the agreement to earn up a 75% interest in the Koongie Park copper/zinc project (“Koongie Park”) situated in the south-eastern Kimberley Region of northern Western Australia (“Koongie Park Earn-In”). ASX-listed company Anglo Australian Resources NL (“AAR”) is the 100% owner of Koongie Park. The proposed earn-in retains for AAR’s benefit the rights to explore for and develop gold/platinum group metals deposits at Koongie Park.

The Koongie Park Earn-In is subject to the completion of due diligence, conduct of a significant new capital raising, AKN shareholder approval and certain other regulatory approvals. This proposed acquisition comprises a significant change in the scale of AKN’s activities in accordance with ASX Listing Rule 11.1.3, requiring AKN to re-comply with Chapters 1 and 2 of the ASX Listing Rules (see further information relating to ASX compliance in Part B below).

AKN Acquisition Strategy

The Koongie Park Earn-In is based upon the following business strategy that will be implemented by AKN:

- Koongie Park has been the subject of substantial exploration and mine development expenditure, including 50,000m of drilling;
- Previous feasibility studies at Koongie Park have focussed on an initial open pit mine at the Sandiego deposit (targeting high grade copper and zinc mineralisation) and followed by underground mining at the same deposit;
- Around 80% of the established resources at the Onedin deposit at Koongie Park is situated within the oxidised/transitional zones of mineralisation. The lack of an economically viable processing solution for these zones at Onedin resulted in the significant ores being excluded in previous AAR studies;
- AKN intends to establish a commercially viable processing solution for the Onedin oxide and transitional ores, thereby adding significant open cut copper/zinc mineralization to the development plan and likely extending mine life at a combined Onedin/Sandiego operation;
- In addition, AKN intends to explore other high priority target areas within the 7,600 Ha tenure area that AAR currently holds, with a view to significantly increase the overall mineable resource base at Koongie Park;
- There also exists the potential to collaborate with adjoining tenure holders to expand the overall resource base that can be processed through facilities established at Koongie Park; and
- Finally, previous drilling at Koongie Park identified potentially significant levels of cobalt mineralisation – during times when the occurrence of cobalt was not a priority. It will be a priority of AKN with its future activities and project studies. The presence of gold and silver mineralization at Sandiego and Onedin also gives rise to potential significant credits for those metals in the concentrates that can be produced from those deposits.

Koongie Park Tenure and Location

The Koongie Park copper/zinc project is situated in the highly mineralised Halls Creek Mobile Belt which also hosts the Savannah (Sally Malay) and Copernicus nickel projects, the Argyle diamond mine and the Nicholsons gold mining operation of Pantoro Limited. Koongie Park is located about 25kms south west of the regional centre of Halls Creek on the Great Northern Highway.

AAR is the 100% owner of the Koongie Park project, acquiring full ownership of the project in 2003. The tenure holding comprises an area of more than 7,600 hectares covering over 40kms of the base metals prospective Koongie Park Formation.

Koongie Park has already been the subject of significant exploration drilling and analysis since the 1970's, often in line with movements in commodity prices. Since its discovery the Koongie Park project has been the subject of over 245 RC and diamond drill holes consisting of more than 50,000m of drilling in total. The predominant focus of drilling has been at the Sandiego and Onedin deposits.



Figure 1 – Koongie Park Project Location

The Koongie Park project has been extensively explored and drilled over many years by the previous owners. AAR has previously reported Mineral Resource estimates for both the Sandiego and Onedin deposits at Koongie Park.

Koongie Park Geology

The copper/zinc mineralisation at Koongie Park is a VHMS (volcanic hosted massive sulphide) system hosted by the Koongie Park Formation – a sequence of volcanic rocks and volcanic derived sediments. The primary deposits within the Koongie Park project are called Sandiego and Onedin. The Sandiego deposit occurs as a massive conformable wedge-shaped lens that is 200m in length with a maximum thickness of 75m. A significant sub-horizontal zone of high-grade copper mineralisation (as chalcocite) is draped over the main copper and zinc lodes at Sandiego. It is a steeply dipping tabular mineralised zone and remains open at depth (see Annexure C below).

The Onedin deposit is stratabound and folded with mostly a rod-shaped plunging mineralised zone. However, there is also a high-grade near-surface horizontal component to the mineralisation – this is mostly located in the transitional zone material (comprising about 60% of the total estimated resource). The proportion of sulphide resource is lower due to the deeper sulphide zone largely being untested by drilling programs (see Annexure C below).

Koongie Park Project Potential

There are three (3) primary areas that summarise the potential for AKN to establish commercial mining operations at Koongie Park, namely:

- (a) Create a commercially viable processing solution for the existing oxide and transitional ores at the Onedin deposit – thereby expanding the existing known resources;
- (b) Significantly add to the existing resources at Koongie Park by:
 - a. Seeking to extend the existing known sulphide resources at both Sandiego and Onedin which both remain open at depth;
 - b. the discovery of further deposits within the highly prospective tenure package; and
 - c. collaborating with adjoining project holders; and
- (c) Identify the extent of cobalt, gold and silver mineralisation at Sandiego and Onedin.

(a) Processing at Onedin

AKN has a strong expectation that there are available ammonia-based processing solutions (including the Ammleach® ammoniacal leaching process) that may provide the key to unlocking the processing of oxide and transitional ores at Onedin. If this can be established, such an operation will be highly complementary to a mining operation at Sandiego – thereby creating a scale of operation that is not as reliant on an operation solely at Sandiego and substantially improving the overall project economics. The existing project studies previously carried out by AAR focus on an initial open pit operation at Sandiego, followed by underground mining of the deeper sulphide ores – a mining operation that would run for about 5 years. The ability to open up a mining operation of the near-surface oxide and transition ores at Onedin could add significant early cashflows to the operation and potentially extend the overall mine life to around 10 years. As a result, a significant amount of initial time and resources will be directed by AKN towards establishing the Onedin open pit operation in the early stages of the agreement with AAR.

(b) Additional Mineral Resources

As already stated, the deeper sulphide mineralisation at both Sandiego and Onedin remain open and will be the subject of future drill testing. In addition, while the primary focus over many years has been at Sandiego and Onedin, AAR possesses a wealth of technical information and data relating to the entire Koongie Park tenure area which covers 40kms of the highly prospective Koongie Park Formation. The aeromagnetic image in Figure 2 below shows further exploration targets for assessment in the AAR tenements.

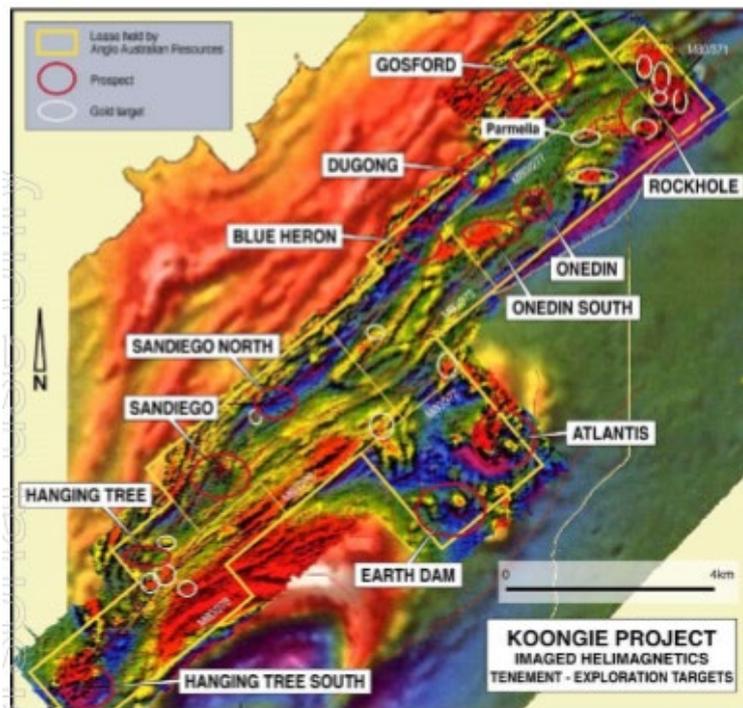


Figure 2 – Koongie Park exploration targets

In addition to these areas of significant exploration potential there exists other project areas including:

- Emull – an area (within the existing Koongie Park tenure holdings) of significant potential to the west of the Nicholsons gold mine that was a major focus of Northern Star (prior to its Paulsens gold acquisition in 2010);
- 3D Resources/Cazaly Resources' Mt Angelo copper/zinc deposit (JORC resource 1.78Mt @ 1.2% Cu and 1.39% Zn); and
- Legacy Iron's Koongie Park deposit.

(c) Cobalt, gold and silver Mineralisation at Koongie Park

Although Koongie Park has been the subject of extensive drilling over many years, only the more recent drilling activities of AAR assayed the drill samples for the existence of commercial levels of cobalt. Those recent assays identified cobalt mineralisation ranging between 0.05% to 0.2% Co which are clearly insufficient to include in any resource estimate but provide enough evidence to pursue cobalt in future project assessments.

Koongie Park Earn-In Agreement

General

AKN has entered into a binding term sheet with AAR with respect to the Koongie Park Project. Under the Agreement, AKN and AAR propose to form a joint venture (Joint Venture) on terms which include, but are not limited to, the following:

- AKN is granted the right to:
 - Explore for and develop base metals deposits within the project area;
 - Conduct exploration and development activities for base metals deposits on the project area during the earn-in period; and
 - Earn up to a 75% interest in the project area through the joint venture by funding exploration and project development studies (as stipulated below); and
- AAR retains the right to explore for and develop precious metals deposits within the project area.

AKN Earn-in Rights

The Agreement provides for a two-staged earn-in process whereby AKN can ultimately secure a 75% project interest in the Koongie Park Project. A summary of the two-stage earn-in is outlined below.

First Earn-in Period

AKN shall be deemed to have earned a nominal 25% interest in the Joint Venture (to be formed upon satisfaction of the first earn-in milestone) upon AKN making a total initial payment of \$1,000,000 to Anglo Australian, in the following tranches:

- \$100,000 as a non-refundable deposit within 5 business days of the parties signing the Agreement; and
- \$900,000 immediately after satisfaction of the Conditions Precedent (described below).

During the First Earn-In Period of twenty four (24) months after the satisfaction of the Conditions Precedent, AKN may earn a further 25% interest in the Joint Venture by incurring expenditure of \$1.5 million including expenditure on exploration, testwork and related analysis to establish a commercially viable processing solution for the Koongie Park oxide ores (First Earn-In Milestone).

Upon satisfying the First Earn-in Milestone, AKN shall be deemed to have earned an additional 25% interest in the Joint Venture for a total 50% interest in the Joint Venture. The Joint Venture is to be formed upon satisfaction of the First Earn-in Milestone. AKN then has a 10 business day period to elect to proceed with the Second Earn-In Period.

If AKN fails to satisfy the First Earn-in Milestone during the First Earn-in Period, AKN will be deemed to have withdrawn from the Joint Venture, will cease to have any interest in the Joint Venture and the Agreement automatically terminates.

Second Earn-in Period

During the Second Earn-in Period, which is the 12 month period commencing from AKN's election to proceed with the Second Earn-In Period after completion of the First Earn-In Period, AKN may earn a further 25% interest in the Joint Venture by incurring additional expenditure of \$1,500,000, including expenditure on exploration activities and feasibility studies with a view to establishing mining operations on the Onedin and Sandiego deposits on the Tenements (Second Earn-In Milestone).

Upon satisfying the Second Earn-in Milestone, AKN shall be deemed to have earned an additional 25% interest in the Joint Venture for a total 75% interest in the Joint Venture. If AKN fails to satisfy the Second Earn-in Milestone during the Second Earn-in Period, then AKN will retain its earned interest in the Joint Venture of 50%.

For the duration of the Second Earn-in Period, AKN agrees to sole fund all expenditure on exploration activities in relation to the Joint Venture and free carry AAR's interest in the Joint Venture.

Conditions Precedent

The Agreement does not bind the parties and has no force or effect unless and until the following conditions are satisfied or waived:

- AKN completing due diligence in respect of the Koongie Park Project within 30 days of the date of the Agreement;
- AKN obtaining all necessary AuKing shareholder and regulatory approvals, including for the purposes of Chapters 1, 2 and 11 of the ASX Listing Rules, as required to give effect to the transaction contemplated by the Agreement; and
- AKN successfully raising a minimum of A\$6,000,000 pursuant to a capital raising.

(together, "the Conditions Precedent").

AKN and AAR must use reasonable endeavours to satisfy the Conditions Precedent as soon as possible and, in any event, within 120 days of the date of the Agreement. The parties may terminate the Agreement if the Conditions Precedent are not satisfied within this period.

The Ammleach® minerals processing system

A focus of AKN's efforts to demonstrate a commercially viable processing solution at Koongie Park's Onedin deposit is access to the Ammleach® processing system. Ammleach® is a proprietary system that uses an ammonia-based process for leaching oxide and transitional ores that can then be subjected to normal solvent extraction and electro-winning processing.

The most common form of oxide/transitional ore leaching is by the use of sulphuric acid. However, with more complex oxide ores (such as at Koongie Park) one of the primary issues associated with leaching oxide ores can be the excessive use of sulphuric acid by a significant amount of carbonate minerals present in the ore. Not only does this use come at significant additional expense (making the process non-viable) but still may not achieve the levels of mineral recovery that is critical to establish an economically viable operation.

The Ammleach® process can leach complex ores that are otherwise uneconomic to treat (using traditional acid-based leaching technology) and operates at ambient temperature, making it an ideal process for either heap or tank leaching activities. Another advantage of the Ammleach® process is that the use of alkaline-based ammonia leaching (as opposed to the traditional acid leaching) can substantially reduce environmental impacts of the proposed operations.

AKN proposes to engage Perth-based Accudo Metals Pty Ltd (the holder of licence rights in Australia to the Ammleach® process) under a technical services agreement, whereby AKN will have access to Accudo's metallurgical expertise and knowledge, including the Ammleach® process.

PART B – Compliance Disclosure

The proposed Koongie Park Earn-In by AKN comprises a significant change in the scale of its activities in accordance with ASX Listing Rule 11.1.3, requiring AKN to re-comply with Chapters 1 and 2 of the Listing Rules. Set out below is further information relating to the proposed acquisition, as required by the ASX. In this regard, AKN applied for an in-principle determination from ASX regarding the proposed transaction. Whilst ASX advised that based on that application, that there was significant likelihood that ASX would exercise its discretion to decline AKN's application for re-admission to the official list, AKN believes that steps it has taken subsequent to the ASX determination should, in reasonable circumstances, address the specific concerns that were noted by ASX. There however remains a risk that ASX's view will not change.

Capital Raising

To assist AKN to re-comply with Chapters 1 and 2 of the Listing Rules and to support its strategy post-completion of the proposed Koongie Park Earn-In, AKN plans, subject to shareholder approval, to conduct a capital raising under a full form prospectus to raise a minimum subscription of \$6 million at an issue price of approximately \$0.05 per share (on a post-consolidation basis). AKN will seek a lead broker to the capital raising.

It is unlikely that the capital raising will be underwritten.

AKN Share Consolidation

As part of AKN's process to re-comply with the ASX's re-quotation requirements, AKN will seek approval from shareholders to consolidate its ordinary shares on at least a 10:1 basis (rounding down fractional entitlements) thereby reducing its total issued capital from 932,584,461 to 93,258,446 ordinary shares.

Board and Management Arrangements

The AKN Board will be reconstituted as part of the proposed transaction arrangements so that a board of five (5) persons will be in place comprising an independent chairman and a majority of independent directors on the board.

More detailed resumes for these people will be provided in due course. It suffices to say however, that AKN's Board and senior management team will be significantly enhanced as part of the proposed transaction.

These new roles will be filled following receipt of ASX's conditional approval for reinstatement of AKN's securities following re-compliance with the Listing Rules.

Shareholder Approvals

A notice of meeting seeking shareholder approval for the resolutions required to give effect to the proposed Koongie Park Earn-In will be sent to AKN shareholders in due course, with a general meeting likely to be held in mid-late August 2020. The approvals to be obtained at the general meeting will include:

- (a) The Koongie Park Earn-In – a change in scale of AKN's activities;
- (b) Consolidation of AKN's existing shares on at least a 10:1 basis;
- (c) Issue of the Offer Shares under a prospectus to be lodged with ASIC in August 2020; and
- (d) Other relevant matters requiring shareholder approval.

AKN's securities are already suspended from quotation on ASX and subject to shareholder approval being obtained at the general meeting, will remain suspended until AKN has re-complied with Chapters 1 and 2 of the ASX Listing Rules and the proposed Koongie Park Earn-In has been completed.

ASX Waivers Required

AKN intends to seek a waiver from the ASX from Listing Rules 1.1 (Condition 11) and 2.1 (Condition 2) to enable it to issue securities at a price below the 20 cents stipulated in those rules.

Facilitation Fees

There are no facilitation fees to be paid in relation to the proposed Koongie Park Earn-In. Brokers fees associated with the capital raising described above may be payable in the event of appropriate agreements being secured. Details of these fees will be disclosed in the capital raising prospectus.

Regulatory Requirements Generally

AKN notes that:

- (a) the proposed Koongie Park Earn-In requires shareholder approval under the Listing Rules and the Corporations Act and therefore may not proceed if that approval is not forthcoming;
- (b) AKN is required to re-comply with ASX's requirements for admission and quotation

and therefore the proposed Koongie Park Earn-In may not proceed if those requirements are not met;

- (c) ASX has an absolute discretion in deciding whether or not to re-admit AKN to the Official List and to quote its securities and therefore the proposed Koongie Park Earn-In may not proceed if ASX exercises that discretion; and
- (d) Investors should take into account all of these uncertainties in deciding whether or not to buy or sell AKN's shares.

Furthermore, AKN:

- (a) Notes that ASX takes no responsibility for the contents of this announcement; and
- (b) Confirms that it is in compliance with its continuous disclosure obligations under Listing Rule 3.1.

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AKN's Managing Director, Paul Williams said the Board was very pleased to have secured the Koongie Park Earn-In opportunity and has the full support of major shareholder JCHX Group. "We have assessed a large number of projects over the past few years and have finally acquired an exciting project opportunity. Koongie Park is already a significant brownfield exploration project, with potential to become a substantial Australian copper/zinc mine. As part of the transaction AKN will also bring a wealth of technical and financial expertise to the Board and senior management. We look forward to working through the acquisition and regulatory process over the next few months and then hitting the ground hard at Koongie Park in the second half of 2020".

On behalf of the Board
Paul Williams
Managing Director
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ANNEXURE A
Koongie Park Project Images

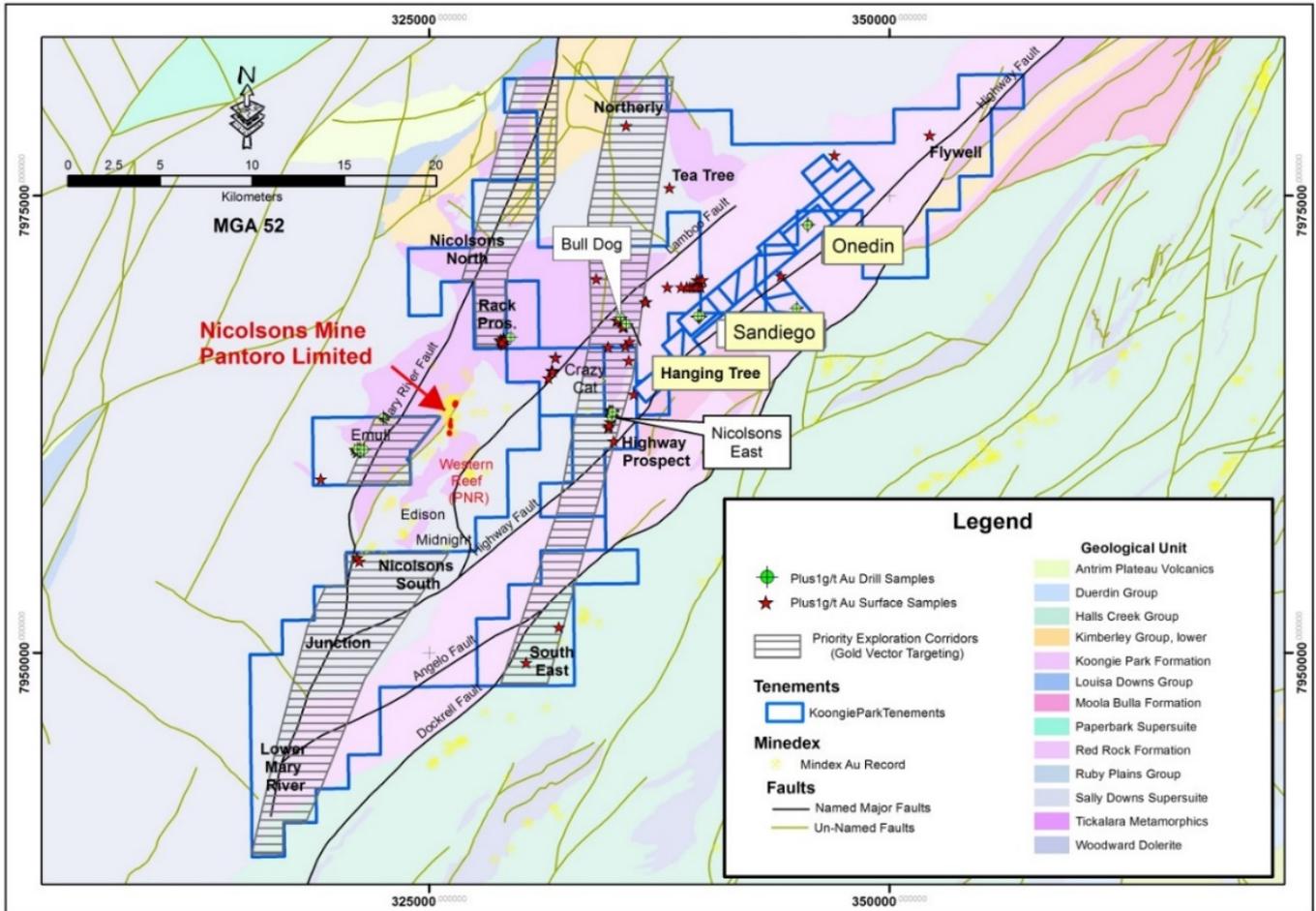


Drilling at Sandiego



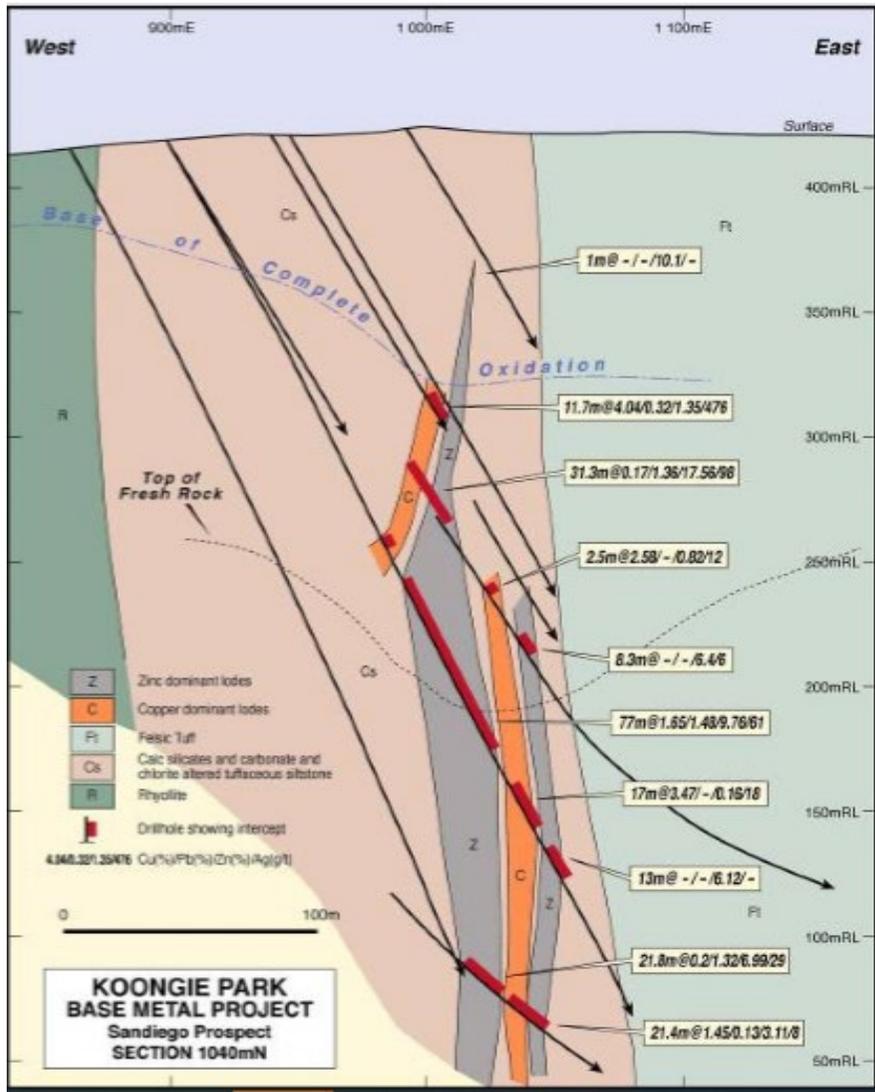
Environmental consultants at Onedin

ANNEXURE B
Anglo Resources' Koongie Park Tenures

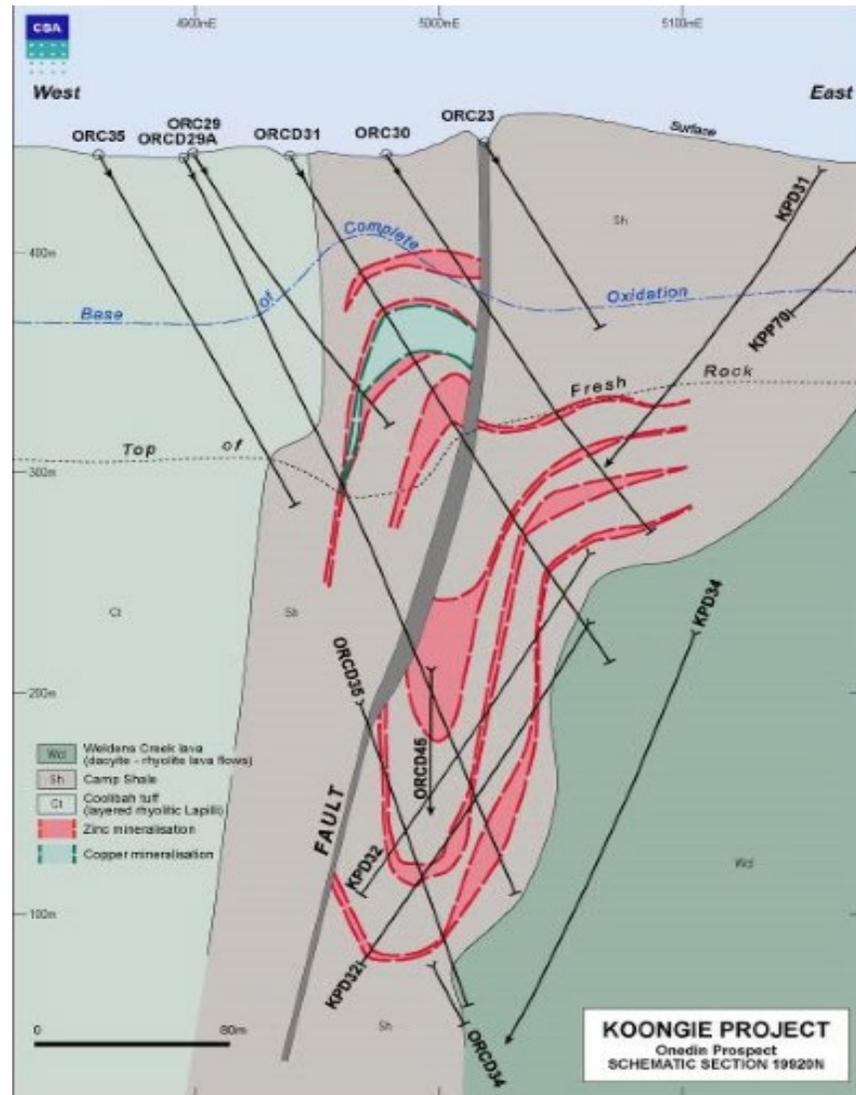


AAR's Koongie Park tenures (at Sept 2019)

ANNEXURE C Sandiego and Onedin Cross-section diagrams



Sandiego deposit cross-section



Onedin deposit cross-section