



25 June 2020

ANGLO AUSTRALIAN ENTERS FARM-OUT ARRANGEMENT FOR KOONGIE PARK BASE METALS PROJECT

Transaction consistent with strategic focus on Mandilla Gold Project

Summary & Highlights

- Anglo Australian Resources NL (**Anglo Australian** or the **Company**) is pleased to announce that it has entered a binding term sheet (**Agreement**) with AuKing Mining Limited (ASX: AKN) (**AuKing**) in respect of the Koongie Park Base Metals Project in the Kimberley region of WA (**Koongie Park Project** or the **Project**).
- AuKing can earn up to a 75% interest in the Koongie Park Project by making a \$1m cash payment to Anglo Australian and spending \$3m on exploration via two earn-in periods over an aggregate three-year period.
- **First Earn-In Period:** AuKing to earn a 50% interest in the Koongie Park Project over a period of two years, by meeting the following commitments:
 - Payment of \$100,000 as a non-refundable deposit upon execution of the Agreement;
 - Payment of \$900,000 immediately after satisfaction of Conditions Precedent (described below); and
 - Sole funding expenditure of \$1.5m on exploration and project development studies within the two-year earn-in period.
- **Second Earn-In Period:** AuKing to earn an additional 25% interest in the Koongie Park Project over a period of one year by sole funding \$1.5m of expenditure on exploration and project development studies within the one year earn-in period, with a view to establish mining operations on the Onedin and San Diego deposits.
- Anglo Australian retains the right to explore for and develop precious metals deposits on the Project, including gold and platinum group elements (**PGEs**).
- Anglo Australian shareholders retain exposure to this exciting base metal project, managed by a focussed team at AuKing.
- Proceeds received under the Agreement will be used to advance the Company's flagship Mandilla Gold Project.
- Significant reduction for the Company in annual holding costs of the Koongie Park Project.
- The Agreement is consistent with the Company's strategy of extracting value for shareholders from its portfolio of assets.

Anglo Australian Managing Director Marc Ducler said: *"This is a positive result for our shareholders at a number of levels. In addition to achieving a significant reduction in holding costs associated with this Project, the agreement provides a platform for a focused base metals explorer to progress the Koongie Park Project to a potential mining scenario within three years.*

"Shareholders will have exposure to the future upside at Koongie Park via a retained 25% interest, while also maintaining the rights to explore for precious metals, including gold and PGE's."



KOONGIE PARK GOLD AND BASE METALS PROJECT

Summary

The Koongie Park Project is located 25km south-west of Halls Creek in the North East Kimberley region of Western Australia, straddling the Great Northern Highway (refer to Figure 1). The port of Wyndham is located 400km to the north of the Project.

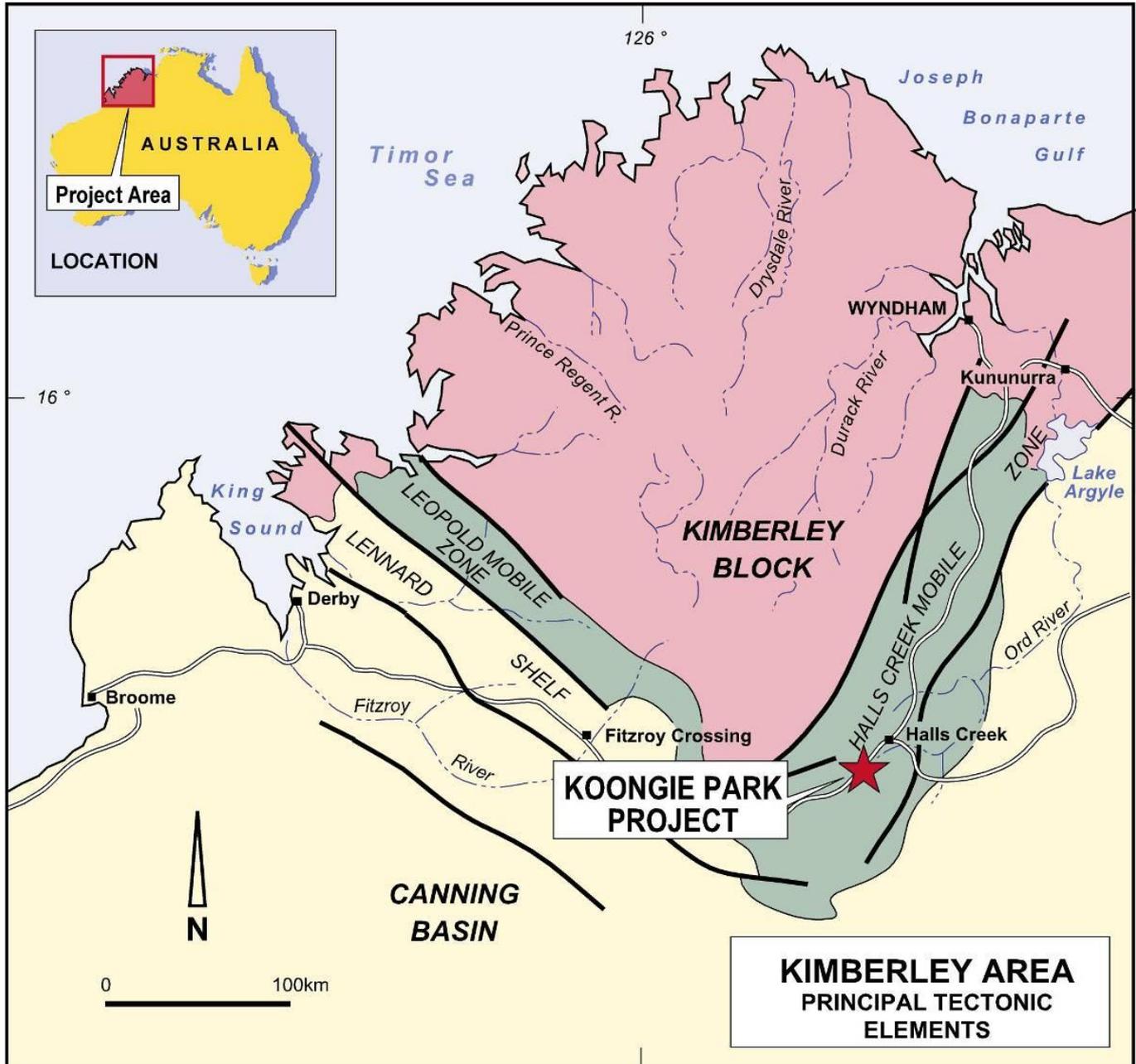


Figure 1 – Koongie Park, Location Map.

The Company obtained an interest in the Project in 1990 and moved to 100% ownership in 2002. The Company's substantial tenement ground position is illustrated in Figure 2.

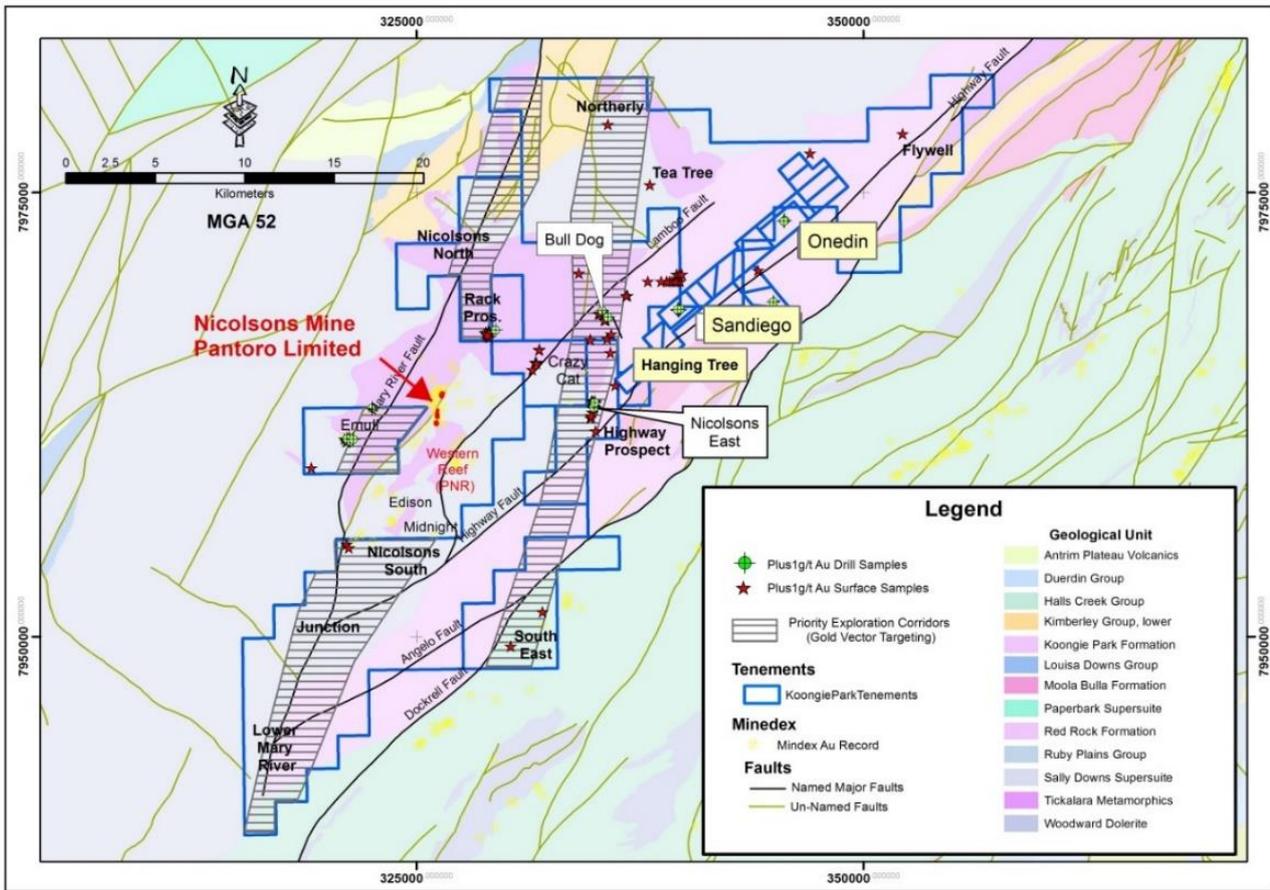


Figure 2 – Koongie Park, Tenement Map (illustrating key features)

Between 2006 and 2010, the Company completed extensive diamond drilling programs for resource delineation and metallurgical testing.

The Company completed a Pre-Feasibility Study (PFS) to assess the viability of a mining operation at the Sandiego deposit during October 2008. The completion of this study coincided with a sharp drop in copper and zinc commodity prices. The PFS focused on the underground extraction of deeper zinc-copper mineralisation, concluding that, based on median metal prices that prevailed over the period of 2006-2008 (Zn US\$3,136/t and Cu US\$7,840/t), the project would generate an operating surplus of A\$100 million.

During 2010, the development economics of the Sandiego Project were potentially improved with the discovery and definition by drilling of a cap of high-value, high-grade supergene copper mineralisation at relatively shallow depth above the deeper mineralisation that formed the basis of the PFS. As a result of the shallow position of the new mineralisation, the Company undertook a Scoping Study, incorporating an open pit optimisation study.

The Scoping Study concluded that, based on metal prices of \$US\$9,400/t for copper and US\$2,400/t for zinc (US\$1: AUD\$1), the project would generate an operating surplus (EBITDA) of \$60 million, an IRR of 31% and an NPV_{8%} of A\$36 million (refer to ASX Announcement dated 17 February 2011).

Neither the 2008 PFS nor the 2010 Scoping Study included provision for an open cut mining operation in the oxide and transition ores at the Onedin Zinc Copper deposit. A key hurdle was the development or identification of a suitable metallurgical process to unlock the value of the oxide resources at Onedin, however a suitable metallurgical process has never been identified.

In 2019, the Company completed an exploration program of 15 RC holes on targets at Bulldog and Nicolson East (refer to ASX Announcement dated 24 July 2019) for an aggregate 822m (average depth of approximately 55 metres per hole).



This demonstrated the presence of gold mineralisation beneath the mapped positions of quartz vein outcrops, with gold assays of up to 11.27g/t Au over 1 metre.

Historical Mineral Resource Estimates (JORC 2004 compliant)*

The Company has previously reported historical Mineral Resource estimates for the Sandiego deposit (refer to Table 1) and the Onedin deposit (refer to Table 2) at Koongie Park.

Sandiego Deposit Indicated & Inferred Resources									
Classification	Tonnes	Cu %	Zn %	Au g/t	Ag g/t	Cu Tonnes (Kt)	Zn Tonnes (Kt)	Au (K Oz)	Ag (K Oz)
Supergene Copper (0.8% Cu lower cutoff)									
Indicated	370,000	4.0	2.7	0.29	48	15	10	4	577
Inferred	10,000	1.0	0.1	0.05	3	0	0	0	1
Cu dominant Transitional/Primary Lodes (0.8% Cu lower cutoff)									
Indicated	1,140,000	2.8	1.5	0.43	12	32	17	16	427
Inferred	440,000	1.8	2.0	0.25	5	8	9	4	75
Zn dominant Transitional/Primary (3.0% Zn lower cutoff)									
Indicated	1,220,000	0.2	7.0	0.16	26	3	85	6	1042
Inferred	350,000	0.1	6.2	0.14	9	1	21	1	95

Table 1 - Mineral Resource Estimate – Sandiego Deposit (refer to ASX Announcement dated 1 November 2010, based on Sandiego Resource Estimate prepared by Coffey Mining Pty Ltd).

Onedin Indicated Resource						
Lode	Tonnes	Zn %	Cu %	Pb %	Ag g/t	Au g/t
Zinc Lode	1,326,000	5.40	0.15	0.62	24.87	0.25
Copper Lode	2,481,000	0.85	1.08	0.94	21.01	0.33
Mixed Zone	650,000	7.98	1.11	1.43	47.13	0.37
Total	4,458,000	3.24	0.81	0.92	25.97	0.31

Table 2 - Mineral Resource Estimate – Onedin Deposit (refer to March 2009 Quarterly Report dated 30 April 2009, based on Onedin Resource Estimate prepared by CSA Global Pty Ltd).

***Cautionary Statement:** The references to the previously reported historical Mineral Resource estimates for the Sandiego deposit and Onedin deposit are reported in accordance with the 2004 JORC Code and are not reported in accordance with the 2012 JORC Code. A competent person has not done sufficient work to classify these historical estimates as Mineral Resource estimates in accordance with the 2012 JORC Code and it is uncertain that following evaluation and/or further exploration work that these historical estimates will be able to be reported as Mineral Resources in accordance with the 2012 JORC Code.

KOONGIE PARK FARM-OUT AGREEMENT

General

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

- Anglo Australian retains the right to explore for and develop precious metals deposits within the project area; and
- AuKing 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).

AuKing Earn-in Rights

The Agreement provides for a two-staged earn-in process whereby AuKing 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

AuKing 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 AuKing 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.

During the First Earn-In Period of twenty four (24) months after the satisfaction of the Conditions Precedent, AuKing 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, AuKing 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. AuKing then has a 10 business day period to elect to proceed with the Second Earn-In Period.

If AuKing fails to satisfy the First Earn-in Milestone during the First Earn-in Period, AuKing 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 AuKing's election to proceed with the Second Earn-in after completion of the First Earn-In Period, AuKing 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, AuKing shall be deemed to have earned an additional 25% interest in the Joint Venture for a total 75% interest in the Joint Venture. If AuKing fails to satisfy the Second Earn-In Milestone during the Second Earn-in Period, then AuKing will retain its earned interest in the Joint Venture of 50%.

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

Any exploration costs incurred by Anglo Australian pursuant to the exercise of its precious metal rights does not constitute expenditure for the purposes of AuKing satisfying the First or Second Earn-In Milestones.

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:

- AuKing completing due diligence in respect of the Koongie Park Project within 30 days of the date of the Agreement;
- AuKing 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
- AuKing successfully raising a minimum of A\$6,000,000 pursuant to a capital raising.

(together, the **Conditions Precedent**)

AuKing and Anglo Australian 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.



This announcement has been authorised for release by the Managing Director.

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ABOUT ANGLO AUSTRALIAN RESOURCES

Anglo Australian Resources (ASX: AAR) is a gold-focused exploration company targeting the exploration, growth and development of its flagship Mandilla Gold Project, located 75km south of Kalgoorlie in Western Australia.

The Mandilla Gold Project lies on the western margin of a porphyritic granitic intrusion known as the Mandilla Syenite. The syenite intrudes volcanoclastic sedimentary rocks in the Project area which form part of the Spargoville Group as shown in Figure 3.

Significant NW to WNW-trending structures along the western flank of the project are interpreted from aeromagnetic data to cut through the Mandilla Syenite and may be important in localising mineralisation at Mandilla East. A second sub-parallel structure appears to host Mandilla South. The Mandilla Gold Project is covered by existing Mining Leases.

Over the period 2006 to 2007, Anglo Australian mined approximately 23,000 ounces of gold at a recovered grade of approximately 7.5 g/t Au from two shallow (less than 20 metres deep) open pits at Mandilla West targeting paleochannel gold deposits, the gold likely sourced from in-situ mineralised quartz vein deposits located nearby.

The recent focus of exploration activity at the Mandilla Gold Project has been targeting fresh rock within the Mandilla Syenite, where a combination of RC and diamond drilling has delineated a large gold mineralised footprint.

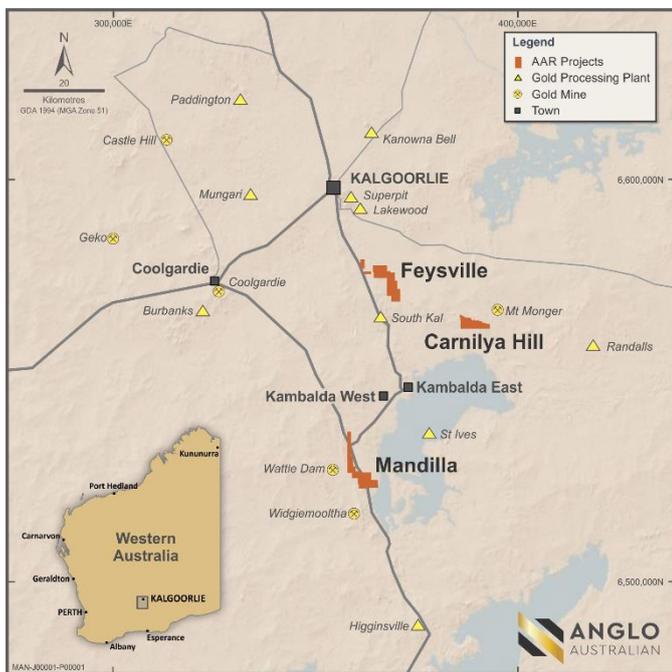


Figure 3 – Mandilla Gold Project location map

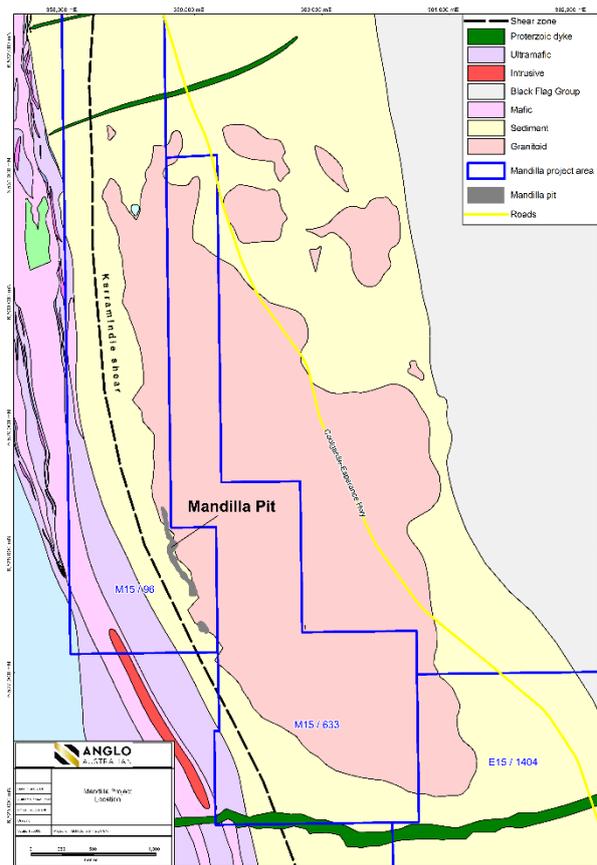


Figure 4 – Mandilla local area geology



Compliance Statement

The information in this announcement that relates to the Indicated and Inferred Mineral Resource for the Sandiego Deposit was first reported in accordance with JORC 2004 on 1 Nov 2010. The Company confirms that it is not in possession of any new information or data relating to these historical Mineral Resource estimates that materially impacts on the accuracy or reliability of these historical estimates. The Company also confirms that all material assumptions and technical parameters underpinning these historical Mineral Resource estimates continue to apply and have not materially changed.

The information in this announcement that relates to the Indicated and Inferred Mineral Resource for the Onedin Deposit was first reported in accordance with JORC 2004 on 30 April 2009. The Company confirms that it is not in possession of any new information or data relating to these historical Mineral Resource estimates that materially impacts on the accuracy or reliability of these historical estimates. The Company also confirms that all material assumptions and technical parameters underpinning these historical Mineral Resource estimates continue to apply and have not materially changed.

Previously Reported Results

There is information in this announcement relating to exploration results which were previously announced on 24 July 2019. Other than as disclosed in those announcements, the Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements.