

31 October 2017

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 copper/gold producer.

Issued Capital:

910,724,280
Ordinary shares

2,000,000
Performance shares

Directors:

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

Company Secretary:

Paul Marshall

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Activities during the three months to 30 September 2017 included:

- On 12 July 2017 AKN entered into formal agreements to acquire up to a 50% interest in Bonito Minerals Pty Ltd (“Bonito”). On the same day, AKN completed the purchase of an initial 14.2% shareholding in Bonito.
- Bonito holds an option to purchase the “La Dura” project area across five (5) mining concessions located in Durango State, Mexico. The La Dura concessions sit in the highly mineralised Sierra Madre Occidental – a region that has seen approximately 40M ounces of gold and 1.2Bn ounces of silver and other base metals produced over the past 400 hundred years.
- Bonito’s exploration team has been conducting various initial exploration activities at La Dura, in preparation for a 2000m RC drilling program, to commence in mid-November 2017.
- Completion of the second (and final) stage of the agreement with Hammer Metals for the sale of AKN’s remaining Mount Isa exploration tenements.
- Ongoing assessment of copper, gold and other precious metal project opportunities in Australia and other regions.
- Agreement with JCHX Group for the provision of an A\$1m unsecured loan facility to AKN.

The Board of AuKing Mining Limited (ASX:AKN) continues to focus on transforming the Company into a substantial mid-tier mining group, with a primary focus on acquiring and developing near-term copper, gold and other base metal production activities (both locally and overseas).

The activities of AuKing Mining Limited (“AuKing” or “AKN”) during the three months to 30 September 2017 were as follows:

La Dura (Mexico) Acquisition – Stage 1 Completion

On 27 April 2017, the Company announced that it had entered into a binding term sheet with Bonito Minerals Pty Ltd (“Bonito”), the holder of an option to purchase five (5) mining concessions that comprise the La Dura project in Mexico.

The La Dura project is located approximately 275kms NW of the city of Durango, Durango State and locally about 2.3km E of the village of El Durazno. Average altitude of the project area is 2,200m above sea level. The project sits within the famous Sierra Madre Occidental – a belt that has historically produced approximately 40million ounces of gold and 2billion ounces of silver over the last 400 years. The significant resources and production activities from the Sierra Madre Occidental help Mexico to become the largest producer of silver in the world, with 189.5Moz of silver produced in 2015 (20% of world production).



Formal agreements (based on the terms originally agreed in the 27 April 2017 binding term sheet between AKN and Bonito) were negotiated and eventually signed on 12 July 2017. Under these agreements the key acquisition terms are as follows:

- AKN to make an initial payment of A\$350k and the issue of A\$125k in AKN shares to acquire an initial 14.2% shareholding in Bonito – this Stage 1 acquisition was completed on 12 July 2017;
- AKN will then have the ability to acquire a further 15.8% shareholding in Bonito upon payment of A\$400k and the issue of A\$125k in AKN shares on or before 31 October 2017 – AKN has already notified Bonito of its intention to proceed with this Stage 2 acquisition;
- AKN has an option to purchase a further 20% of the Bonito shares upon payment of A\$1.5M in 2 stages – A\$500k by 31 January 2018 and the balance A\$1M on or before 31 October 2018;

- AKN has appointed a director to the Bonito Board (Paul Williams) and, if its future shareholding in Bonito exceeds 50% then additional Board members can be appointed by AKN;
- The number of AKN shares to be issued as part of the initial 30% acquisition will be calculated by reference to a 15% discount to the 20 day VWAP prior to issue;
- AKN has a pre-emptive right to participate in future issues of securities by Bonito (should there be any);
- AKN and Bonito also have an agreed process (by way of independent valuation) to allow for AKN to acquire up to 100% of the La Dura project at some future time.

Initial La Dura Drilling Program

The Bonito exploration team has identified priority drill targets that will be the subject for the proposed drilling program that will commence in mid-November 2017 (subject to final environmental drilling permit issue). The program is to include approximately 2,000m of RC (reverse circulation) drilling across multiple targets.

The primary focus of this initial drilling program will be to assess the grade and extent of mineralisation in and around four (4) key known areas of historic mine workings at La Dura, Plan 3, Polverin and Becerros. Additional holes within the program are designed to test the extent of potential strike length of the mineralisation along the NW-SE trending La Dura structural zone.

Contractual arrangements with the preferred drilling company are being finalised. The drilling program is expected to continue for a period of approximately 4 weeks. The ALS laboratory in Vancouver, Canada will be providing the assay results from the drilling program, following preparation of the samples at the ALS Chihuahua laboratory facility.

Sale of Mount Isa Tenements

On 15 December 2016 AKN announced that it had entered into an agreement with Hammer Metals Ltd (ASX Code - HMX) relating to that company's acquisition of all of AKN's existing mining tenement holdings in the Mount Isa region.

These tenement holdings comprised AKN's 100% interest in EPMs 12205, 14019 and 14022, together with a 51% joint venture interest in EPM 14467 (under the Mt Frosty Joint Venture with Mount Isa Mines Ltd – a Glencore Group company). All mining information, data, core samples and other materials relating to these mining tenements are also be sold to HMX.

The second (and final) stage of the HMX sale was completed on 17 August 2017. Under this second stage completion, AKN transferred its 51% joint venture interest in EPM 14467 and received 250,000 ordinary shares in HMX. Those shares are held by AKN in a voluntary escrow commitment until November 2017, together with the other 1,750,000 shares in HMX that were previously issued to AKN.

AKN now has no project interest remaining in the Mount Isa region.

Exploration Activities

La Dura, Mexico

In accordance with the Bonito acquisition arrangements, existing Bonito personnel continue to manage and conduct exploration activities at La Dura, while keeping AKN updated as to these activities. The primary focus of existing activities has been initial geological mapping and surveying, together with preparation for the November 2017 drilling program – identification of drill targets, preparation of drill pad sites etc.

Exploration Expenditure for September 2017 Quarter

Nil exploration expenditure was incurred for the September 2017 Quarter other than miscellaneous (and minor) tenure administration fees.

Corporate Update

Acquisition Activities

The AKN Board is pleased to have completed the first two stages of the Bonito acquisition, taking its shareholding to 30% and is looking forward to the development of the La Dura gold/silver project. This acquisition is an important first step in the Board's efforts to establish AKN as a mid-tier mining group.

The AKN Board continues to work closely with JCHX Group in the ongoing assessment and acquisition of new project opportunities – not just limited to copper projects but also gold and other metals. The Board continues to hold a view that the improving commodities market remain suitable for business development and acquisition activities. Further news about these activities will be made available to the market as soon as possible.

JCHX Group Loan

AKN has entered into an agreement with JCHX Group to provide for an A\$1m loan facility to be made available to AKN. The purpose of the loan agreement is to ensure that AKN maintains sufficient funds for activities such as:

- Ongoing project due diligence activities;
- Further stages of the proposed Bonito acquisition (a further A\$500k is due to be paid on or before 31 January 2018); and
- Working capital requirements,

until such time as AKN is in a position to successfully complete a further capital raising – likely to be in the first half of 2018, depending on market conditions and the current status of AKN's activities.

The primary features of the JCHX Group loan include:

- Interest is payable quarterly, in arrears at the rate of 8% per annum;
- The loan is unsecured;
- AKN intends to repay the loan as soon as possible out of the proceeds of a capital raising in the first half of 2018.

Board Composition

Dr Huaisheng Peng, Chairman
Mr Paul Williams, Managing Director
Mr Robert Yang, Executive Director
Mr Qinghai Wang, Non-Executive Director
Mr Paul Marshall, Company Secretary

Financial Position

As at 30 September 2017, AKN had cash reserves of \$800k. Together with the JCHX Group loan (referred to above) AKN will have sufficient funding to carry out project assessment review and transaction activities for the immediate future. However, it remains the intention of the AKN Board to carry out an additional fundraising in the first half of 2018, depending on market conditions and the current status of AKN's activities. Details of any future fundraising will be provided to shareholders and the market at the first available opportunity.

Further details of AKN's financial activities during the September 2017 quarter are set out in the Appendix 5B Quarterly Cashflow Statement which accompanies this Report.

Top 10 shareholders of AKN as 30 September 2017:

Rank	Name	Number of Shares	%
1	Biential International Industrial Co Ltd #	349,018,230	38.32%
2	Yunnan Copper Industry (Group) Co Limited #	299,922,326	32.93%
3	Mr Paul Robert Williams & Ms Jill Caroline Strachan	10,357,173	1.14%
4	Mr Peter Gerard Tighe & Mrs Patricia Joan Tighe	10,033,333	1.10%
5	Trimin Pty Ltd	7,936,481	0.87%
5	Dudley Roy Leitch	7,936,481	0.87%
5	Billy Fleshman	7,936,481	0.87%
8	Mr Barry Edward Tanton & Mrs Elizabeth Mary Tanton	7,500,000	0.82%
9	Elliott Nominees Pty Ltd	7,150,000	0.79%
10	Mr Norman Joseph Zillman	6,980,343	0.77%
TOTAL		714,770,848	78.48%

Denotes Substantial Shareholder

Share Information

Issued share capital of 910,724,280 ordinary shares (following the issue of 23.8 million shares on 14/7/17 in relation to the acquisition of the initial 14.2% interest in Bonito) and 2 million performance shares.

Quarter high traded price of \$0.01 (12 July 2017) and low of \$0.006 (on 18 days during the period most recently on 22 September 2017).

Market capitalisation – high \$8.869M, low \$5.321M.

Average daily volume of shares traded – 58,218 shares (\$386) average daily volume value).

Other Details:

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Phone: 1300 554 474

On behalf of the Board

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AKN's mining tenement interests

Project/Location	Tenement Reference	AKN % Interest	Comment
AUSTRALIA			
Pentland	ML 1631	100	Refer Note 1
MEXICO			
La Dura, Durango	Bonito Minerals Pty Ltd	30	Refer Note 2

Notes:

1. Steps are being taken by AKN to surrender this mining lease interest.
2. AKN is acquiring up to a 50% shareholding interest in Bonito Minerals Pty Ltd, the holder of an option to acquire the 5 mining concessions which comprise the La Dura project in Durango State, Mexico. Settlement of the 14.2% (Stage 1) acquisition took place on 14/7/17 and the 15.8% (Stage 2) acquisition is being completed now.