Notice of Annual General Meeting

&

Explanatory Memorandum

For the Meeting of Members to be held at
Suite 1204, 227 Elizabeth Street, Sydney NSW 2000 at 1000 hours (AEDT), Monday, 17 December 2018.

This page is intentionally left blank

Australia United Mining Limited
ACN 126 540 547

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of Shareholders of Australia United Mining Limited (ASX: AYM) will be held at Suite 1204, 227 Elizabeth Street, Sydney NSW 2000 on Monday, 17 December 2018 at 1000 hours (AEDT) (**Meeting**).

The Explanatory Memorandum provides additional information on the business of the Meeting. The Explanatory Memorandum and the Proxy Forms are included in this Notice.

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 as Shareholders of the Company at 1900 hours on Saturday, 15 December 2018.

Capitalised terms and abbreviations used in the Notice are defined in Schedule 1.

Business

ITEM 1. Company Financial Report

To receive the financial statements, Directors' report and auditor's report for the Company and its controlled entities for the financial year ended 30 June 2018.

ITEM 2. Remuneration Report*

To consider and if thought fit, pass the following resolution as an **ordinary resolution**:

"*That the Remuneration Report of Company and its controlled entities for the financial year ended 30 June 2018 as set out in the Annual Report be adopted.*"

*Note: this resolution is advisory only and does not bind the Company or the Directors. The Directors will consider the outcome of the vote and comments made by shareholders on the remuneration report at the meeting when reviewing the Company's remuneration policies. Restrictions on eligibility to vote apply pursuant to Section 250R.

ITEM 3 Re-election of Director – Jia YU

To consider and if thought fit, pass the following as an **ordinary resolution**:

"*That the following individual, having retired from her office as a Director pursuant to Article 59.1 of the Constitution, be re-elected as a Director pursuant to the Constitution:*

1) *Jia YU.*"

ITEM 4 Election of Director – Jun WANG

To consider and if thought fit, pass the following as an **ordinary resolution**:

"*That Mr. Jun WANG, having been appointed as a Director since the last Annual General Meeting and having retired from his office as a Director pursuant to Article 59.1 of the Constitution, be re-elected as a Director.*"

ITEM 5 Additional capacity to issue equity securities

To consider and if thought fit, pass the following as a **special resolution**:

"*That, pursuant to ASX Listing Rule 7.1A, the Company to have additional capacity to issue a further 10% of its issued share capital over and above the 15% placement capacity specified in ASX Listing Rule 7.1.*"

ITEM 6 **Issue of shares to W.Y. International (Australia) Pty Ltd ACN 102 362 121 to convert debt into equity**

To consider and if thought fit, pass the following as an **ordinary resolution**:

*"That, considering Xiaojing WANG ('**Wang**') and Jia YU ('**Yu**') are the Directors of the Company and are related parties; Wang and Yu control W.Y. International (Australia) Pty Ltd ACN 102 362 121; and Wang's and Yu's maximum voting powers, in the event of passing of Items 6 and 7, will be increased from 41.74% to 59.32% for the purposes of Listing Rule 10.11, Section 611, Item 7 of the Act, Chapter 2E of the Act and for all other purposes, approval be given for the Directors to issue 563,244,803 Shares to W.Y. International (Australia) Pty Ltd ACN 102 362 121 in full and final satisfaction of amounts owing by the Company to W.Y. International (Australia) Pty Ltd ACN 102 362 121 on account of loans and debt conversion agreements as at 30 September 2018 to the amount of $1,689,734.41."*

ITEM 7 **Issue of shares to New China Pty Ltd ACN 128 301 593 to convert debt into equity**

To consider and if thought fit, pass the following as an **ordinary resolution**:

*"That, considering Mr. Jun WANG ('**Jun**') is a Director of the Company and controls New China Pty Ltd ACN 128 301 593 (AFT The Wang Family Trust) for the purpose of the Listing Rule 10.11 and all other purposes, approval be given for the Directors to issue 9,800,000 Shares to New China Pty Ltd ACN 128 301 593 in full and final satisfaction of amounts owing by the Company to New China Pty Ltd ACN 128 301 593 on account of a director fee assignment agreement to the amount of $29,400.00."*

Australia United Mining Limited
ACN 126 540 547

Explanatory Memorandum

A. Introductions

This Explanatory Memorandum has been prepared for the information of Shareholders of the Company in connection with the business to be conducted at the annual general meeting of Shareholders to be held on at Suite 1204, 227 Elizabeth Street, Sydney NSW 2000 on Monday, 17 December 2018 at 1000 hours (AEDT).

This Explanatory Memorandum should be read in conjunction with and forms part of the accompanying Notice. The purpose of this Explanatory Memorandum is to provide information to Shareholders in deciding whether or not to pass the Resolutions in the Notice.

Capitalised terms and abbreviations used in the Explanatory Memorandum are defined in Schedule 1.

A Proxy Form is located at the end of the Explanatory Memorandum.

The Resolutions, if passed will have an impact on the Company. This Explanatory Memorandum provides the information considered necessary for Shareholders to make an informed decision whether to support the Resolutions. However it is also appropriate that shareholders consider the impact on the Company in the event that the Resolution(s) is/are passed.

B. Voting at the Meeting

Shareholders should read the Notice, including the Explanatory Memorandum carefully before deciding how to vote on each Resolution.

Votes by proxy

(a) a member of the Company entitled to attend and vote at the Meeting may appoint not more than two proxies to attend and vote at the general meeting on that member's behalf;

(b) A proxy needs not be a member of the Company;

(c) If a member appoints one proxy, that proxy may, subject to the Corporations Act, vote on a show of hands;

(d) If a member appoints two proxies and the appointment does not specify the proportion or number of the member's votes each proxy may exercise, each proxy may exercise half the votes;

(e) A proxy may demand or join in demanding a poll;

(f) A proxy may vote or abstain as he or she chooses except where the appointment of the proxy directs the way the proxy is to vote on a particular resolution. If an appointment directs the way the proxy is to vote on a particular resolution:

   a. The proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way;

   b. If the proxy has two or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands;

   c. If the proxy is the chair – the proxy must vote on a poll and must vote that way; and

   d. If the proxy is not the chair – the proxy need not vote on a poll, but if the proxy does so, the proxy must vote that way.

(g) If:

   a. A member nominates the chairperson of the meeting as the proxy; or

b. The chairperson is to act as proxy under Article 51 of the Constitution or otherwise under a default appointment according to the terms of the proxy form,

Then the person acting as chairperson in respect of an item of business at the meeting must act as proxy under the appointment in respect of that item of the business.

The proxy form

A Proxy Form is enclosed with the Notice. This is to be used by Shareholders if they wish to appoint a representative (a proxy) to vote in their place.

All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions thereon.

Lodgement of a proxy form will not preclude a Shareholder from attending the Meeting in person.

The enclosed Proxy Form provides further details on appointing proxies and Proxy Form lodgement.

ITEM 1. Financial Report

The financial statements, Directors' report and auditor's report for ASX for the year ended 30 June 2018 will be laid before the meeting.

There is no requirement for shareholders to approve these reports. However, the Chairman will allow a reasonable opportunity for shareholders to ask questions about, or make comments on, the operations and management of the Company.

Shareholders will be given a reasonable opportunity to ask the auditor questions about the conduct of the audit and the content of the auditor's report.

BOARD RECOMMENDATION

The board of directors recommends that you vote in favour of this item.

ITEM 2. Remuneration Report

Section 317(1) of the Act requires the Company's financial report, Director's report and the auditor's report for the financial year ended 30 June 2018 to be laid before the Meeting.

There is no requirement for a formal resolution on this item.

The Annual Report, which contains the Directors' Report, the Financial Report and the Remuneration Report, is available on the Company's website (http://australiaunitedmining.com.au/) and ASX's website (https://www.asx.com.au/asxpdf/20180913/pdf/43y9ddc346yvjb.pdf).

Voting exclusion:

In accordance with section 250R(4) of the Act, a vote on this resolution must not be cast (in any capacity, whether as proxy or as shareholders) by or on behalf of either of the following persons:

(a) a member of the key management personnel details of whose remuneration are included in the remuneration report;

(b) a closely related party of such a member.

However, the above persons may cast a vote on this resolution if:

(c) the person does so as a proxy appointed in accordance with the directions of the proxy form that specifies how the proxy is to vote on this resolution; and the vote is not cast on behalf a person described in subparagraph (a) and (b) above; or

(d) the person is the chair of the meeting appointed as proxy in accordance with the directions of the proxy form for a person

who is entitled to vote and such appointment on the proxy form expressly authorise the chair to exercise the proxy even if the resolution is connected directly with the remuneration report; and the vote is cast on behalf of a person described in subparagraph (a) and (b) above.

BOARD RECOMMENDATION

The board of directors recommends that you vote in favour of this item.

ITEM 3 Re-election of Director – Jia YU

Article 59.1 of the Constitution requires two (2) Directors to retire at the close of each Annual General Meeting.

Accordingly, Ms. Yu retires from her office as Director in accordance with Article 59.1 of the Constitution and, being eligible under Article 59.5 of the Constitution, offers herself for re-election as Director.

Please refer to the 2015 and 2014 Annual Reports for information about Ms Yu.

BOARD RECOMMENDATION

The board of directors recommends that you vote in favour of this item.

ITEM 4. Election of Director – Jun WANG

Mr. Jun WANG was appointed as a Director of the Company on 20 February 2018.

Article 59.1 of the Constitution requires two (2) Directors to retire at the close of each Annual General Meeting.

Accordingly, Mr. Wang retires from his office as Director in accordance with Article 59.1 of the Constitution and, being eligible under Article 59.5 of the Constitution, offers himself for re-election as Director.

Jun WANG graduated from Beijing University of Aeronautics and Astronautics and holds a Real Estate Licence and Australia Credit Licence.

Mr. Wang was the Chief Executive Officer of Credit Asset Management Limited T/A SAM Loans, and Director of Sam Real Estate Pty Ltd T/A SAM Real Estate and the Chairman of E-Property Group and E-Property Platform and E-Property Asset Management.

Mr. Wang also has 19 years experiences in the mortgage industry and 10 years experiences in Real Estate. Please refer to the 2017 Notice of Annual General Meeting for the detailed breakdown of Mr. Wang's past experiences.

The board of directors consider Mr. Wang's skills complement and are valuable to the board's existing skills and experience and that Mr. Wang's nomination had been accepted by the Company on 20 February 2018, being at least 35 business days before the date of the Meeting.

BOARD RECOMMENDATION

The board of directors recommends that you vote in favour of this item.

ITEM 5. Additional capacity to issue equity securities

Introduction

ASX Listing Rule 7.1A was introduced in 2012 and enables eligible entities (those which are not included in the S&P/ASX300 index and which have a market capitalisation equal to or less than $300 million) to

issue up to a further 10% of their issued share capital, over and above the 15% placement capacity specified in ASX Listing Rule 7.1.

The Company is an eligible entity as it is not included in the S&P/AX 300 index and has a current market capitalisation that is below $300 million. To date, The Company has never obtained approval under ASX Listing Rule 7.1A before as it had never been tabled at any annual general meetings.

The Company had also not issued any securities under listing rule 7.1A in the 12 months preceding the Meeting.

Any securities issued must be in the same class as an existing class of quoted securities. The Company currently has 1 class of securities on issue, being the shares (ASX: AYM).

The exact number of additional securities that the Company may issue with the passage of the resolution pursuant to Listing Rule 7.1A will be calculated according to the following formula:

(A x B) - C

Where:

A. Is the number of shares on issue 12 months before the date of issue or agreement:
1) Plus the number of shares issued in the previous 12 months under an exception in ASX Listing Rule 7.2;
2) Plus the number of partly paid shares that became fully paid in the previous 12 months;
3) Plus the number of shares issued in the previous 12 months with approval of Shareholders under Listing Rules 7.1 and 7.4 and not including issues of securities under the Company's 15% placement capacity without Shareholder's approval; and
4) Less the number of shares cancelled in the previous 12 months.

B. Is 10%

C. Is the number of securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of Shareholders under ASX Listing Rule 7.1 or 7.4.

The resolution is proposed as an approval at large for the purpose of allowing the Company to have an additional mean of raising capitals in the subsequent 12 months only. Pursuant to ASX Listing Rule 7.1A.1, an approval of this resolution allows the Company to have the option of issuing additional securities in the 12 months calculated from the date of the Meeting.

The benefit of being able to issue additional securities is that, before the capacity is raised, the Company would only able to issue up to 15% of its issued capital on a non-pro-rata basis without shareholder approval in any rolling 12 month period; after the passage of the resolution, the Company shall be allowed to issue an additional 10% of its issued capital, bringing its total head-room or placement capacity to 25%. Passing the said resolution will improve the Company's access to capital and funding, especially considering its narrow range of shareholders and the limited usefulness of pro-rata rights issues as a fundraising tool. Further, with speculative investments, the ability to return regularly to shareholders for further injections of capital on a pro-rata basis can also be limited. As such, placements are a very common and crucial source of capital for companies fitting the Company's profile. ASX analysis showed that in 2011, placements provided close to 70% of the secondary capital needs for small to mid-level companies.

At the moment, the Company does not have any plan nor has contemplated any specific parties to whom such additional securities shall be issued. Should the Company formulates or intends to make such issues, the Shareholders shall be duly notified of the following:

1) The proposed date of such issue(s);

2) The purpose(s) of such issue(s);

3) If any of the issue(s) is for non-cash consideration; as well as

4) The Company's allocation policies in relation to any such issue(s).

Issuance of new securities and its effect(s)

Notwithstanding the Company not having any specific intentions at the moment to issue additional securities, if the Company does intend to do so, such securities shall be issued with a minimum price calculated by reference to 80% of the volume weighted average price of the Company's securities of the relevant class, calculated over 15 ASX trading days on which trades in that class were recorded immediately before:

1) The date on which the price at which the securities are to be issued is agreed; or

2) If the securities are not issued within 5 ASX trading days of the date in the previous paragraph, the date on which the securities are issued.

Further, should new securities be issued, the Shareholders need to be advised that their voting powers will decrease (explained in paragraph a below) and there is a risk for the values of the Company's shares to decrease significantly (explained in paragraph b below). Whereas these risks exist whenever new securities are issued, the passage of the resolution has the ability to magnify the risks as the Company shall be able to issue 10% more securities than it would ordinarily issue.

(a) Dilution of voting power

Shareholders need to be advised that any issue of additional securities will dilute the interests of existing Shareholders who do not receive any shares under the issue.

If the resolution is approved and passed by the Shareholders and the Company issues the maximum number of shares it is able to issue, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders calculated in accordance with the formula outlined in ASX Listing Rule 7.1A(2), on the basis of the current market price of the Company's shares and the current number of the Company shares on issue as at the date of this Notice of Meeting.

The table also shows the voting dilution impact where the number of shares on issue (variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued pursuant to the passage of the resolution.[1]

Number of shares on issue	Issue price (per Share)	Dilution		
		$0.0015 50% decrease in Issued price	$0.003 Issued price	$0.0045 50% increase in Issued price
1,269,532,682 (Current)	10% of voting dilution	1,269,532,682 Shares	1,269,532,682 Shares	1,269,532,682 Shares
	Funds raised	$1,904,299.02	$5,078,130	$5,712,897.07
1,904,299,023 (50 increase)	10% of voting dilution	1,904,299,023 Shares	1,904,299,023 Shares	1,904,299,023 Shares
	Funds raised	$2,856,448.53	$7,617,196	$8,569,345.60
2,539,065,364 (100% increase)	10% of voting dilution	2,539,065,364 Shares	2,539,065,364 Shares	2,539,065,364 Shares
	Funds raised	$3,808,458.04	$10,156,261	$11,425,794.14

Figure 1

Figure 1 adopts the following assumptions:

1) There are 1,269,532,682 shares on issue;

[1] Shareholders should be advised that number of shares on issue (variable A in the formula) could increase as a result of the issue of shares that do not require Shareholder approval (such as under a pro-rata rights issue or those issued under a takeover offer) or that are issued with Shareholder approval under ASX Listing Rule 7.1.

2) The 10% voting dilution reflects the aggregate dilution against the issued share capital at the time of issue.

3) The Company issues the maximum possible number of securities pursuant with the passage of the resolution.

4) The Company has not issued any securities in the 12 months prior to the Meeting.

5) The calculations in Figure 1 do not show the dilution that any one particular shareholder will be subjected to. All shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.

(b) Risk of decreased share value

Shareholders should be advised that market price for the Company's shares may be significantly lower on the issue date than on the date of the Meeting as a result of the market's expectations.

Shareholders should also be advised that shares may be issued at a price that is at a discount to the market price for those shares on the date of issue.

Approval to issue additional securities may cease to be valid

Notwithstanding the passage of the resolution, ASX Listing Rule 7.1A.1 nevertheless sets out that the approval to issue additional securities must be for a period commencing on the date of the annual general meeting at which the approval is obtained and expiring on the first to occur of the following:

1) The date that is 12 months after the date of the annual general meeting at which the approval is obtained.

2) The date of the approval by holders of the eligible entity's ordinary securities of a transaction under rule 11.1.2 or rule 11.2.

Rule 11.1.2 events refer to the approval by Shareholders of significant changes (directly or indirectly) to the nature or scale of the Company's activities in a meeting.

Rule 11.2 events refer to the approval by Shareholders for the Company to dispose of its main undertakings in a meeting.

Purpose of issue

The Company may issue securities pursuant to the resolution for the following purposes:

1) As cash consideration in which case the Company intends to use funds raised for the acquisition of new resources, assets and investments (including associated expenses), continued project management expenditures and general working capital; or

2) As non-cash consideration for the acquisition of new resource assets and investment, for which the Company shall provide valuations for such non-cash consideration.

Allocation policy

The Company's allocation policy for the issue of additional securities pursuant to the resolution will be determined by the prevailing market conditions at the time of such propose placement(s) and/or issues.

The allottees of the securities for such additional securities have not been determined at present. However, the allottees of such securities could consist of current Shareholders or new investors or both, none of whom will be related parties of the Company unless specifically approved.

The Company shall determine the allottees at the time of the issue of such additional securities, having regard to the following factors:

1) The purpose of the issue;

2) Alternative methods for raising funds available to the Company at the time, including but no limited to any entitlement to issue or other offers where existing Shareholders may participate;

3) The effect of the issue on the control of the Company;

4) The circumstances of the Company, including but not limited to the financial position and solvency of the Company;

5) Prevailing market conditions; and

6) Any advice from any advisers if applicable.

ASX Listing Rules 7.1A.4 and 3.10.5A

When the Company issues additional securities pursuant to the resolution, it will give to ASX:

1) a list of the allottees of the securities and the number of securities allotted to each allottee in accordance with ASX Listing Rule 7.1A.4; and

2) the information required by the ASX Listing Rule 3.10.5A for release to the market.

Voting exclusion:

In accordance with ASX Listing Rule 14.11, the Company will disregard any votes in favour of the resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit[2] as a result of the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company) [3]

However, the Company need not disregard a vote if:

(a) 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

(b) 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.

BOARD RECOMMENDATION

The board of directors recommends that you vote in favour of this item.

ITEM 6. Issue of shares to convert debt to equity (W.Y.)

Background

Item 6 seeks Shareholder approval for the issue of Shares in full and final satisfaction of certain debt of the Company to W.Y. International (Australia) Pty Ltd ACN 102 362 121 ('**W.Y.**'). The Company's debt owed to W.Y. are in the forms of loans and debt assignments due to unpaid directors' fees. The relevant term sheet is contained in Schedule 2.

Loans

A summary of the Company's debt to W.Y. is as follows:

	Principal	Interest Rate	Date of agreement	Drawdown date	Maturity date
W.Y.	$300,000.00	6% pa	23-Sep-2016	26-Sep-2016	22-Feb-2018
		8% pa	23-Feb-2018	23-Feb-2018	22-Feb-2019
	$200,000.00	6% pa	23-Sep-2016	26-Sep-2016	22-Feb-2018

[2] The words "a person who may participate in the proposed issue" require more than the mere possibility that the person will participate in the proposed issue. For a person's vote to be excluded in these circumstances, it must be known that that person will participate in the proposed issue. At the moment, The Company does not have specific intentions to issue any additional securities notwithstanding the increased capacity.

[3] Pursuant to footnote 1 and the Company's non-intention to issue additional securities, Shareholders must consider the proposed resolution on the basis that the person whose vote shall be excluded may or may not get a benefit and that it is possible that their holding will be diluted.

	8% pa	23-Feb-2018	23-Feb-2018	22-Feb-2019
$200,000.00	8% pa	10-Mar-2017	13-Mar-2017	22-Feb-2019
$250,000.00	8% pa	28-Sep-2017	15-Mar-2018	27-Sep-2018
$250,000.00	8% pa	28-Sep-2017	30-Jun-2018	27-Sep-2018

Figure 2

The purpose of the loans was to provide the Company with financial support so that the Company was able to continue as a going concern. Alternative options to related party loans were not available because attempts to raise capital through private placements and non-related party loans were unsuccessful. In particular, low commodity prices and the Company's limited financial position have limited the Company's fundraising capability

An independent expert's report for the purpose of section 611 of the Act is contained in Schedule 4.

Shareholder approval was not obtained under Chapter 2E of the Act because the loans were entered into at arm's length and the Company relied on section 210(a) of the Act.

Importantly, if the loans were not approved, there would be a material uncertainty about the Company's ability to continue as a going concern.

Admittedly, the Company is yet to adopt policies and procedures in relation to related party arrangements. However, the loans were on arm's length terms given that the stubbornly low commodity price and the Company's precarious financial position have combined to limit the Company's fund raising capability.

The following factors in particular have been considered:

1) the principals were set at a moderate level to provide the Company with sufficient working capital;

2) the loans were not secured against any of the Company's assets;

3) the timetable for repayments indicated that the loans were extended to meet the Company's imminent working capital needs.

Debt assignments

The original debts were incurred as a result of unpaid director's fees to Wang and Yu. By transferring the debts and through the satisfactions of the debts through the above transaction, the Company is able to retain its liquidity and relieves itself of unpaid debts. The Company had been unsuccessful in raising capital through private placements and non-related party loans to satisfy the debts.

The material terms of the debt assignments are set out in the table below:

Debt	Nature	Period	Assignor	Assignee
$74,000.00	Director fee	The year of 2017	Yu	W.Y.
$74,000.00	Director fee	The year of 2018	Yu	W.Y.
$29,150.00	Director fee	The year of 2019 (up and including the date of the AGM)	Yu	W.Y.
$74,000.00	Director fee	The year of 2017	Wang	W.Y.
$74,000.00	Director fee	The year of 2018	Wang	W.Y.
$29,150.00	Director fee	The year of 2019 (up and including the date of the AGM)	Wang	W.Y.

Figure 5

Impacts and consequences – capital structure

If Shareholder approval is obtained, the Company will issue Shares at a price of $0.003 per Share being the volume weighted average market price of the Company's Shares calculated over the 15 trading days on which trades were recorded immediately before 18 Oct 2018 the date on which the price is agreed for the purpose of converting all of the above debts into equity.

The Company's capital structure as at 16 November is as follows:

Name	Number of Shares held	Percentage of issued Shares (%)
JIANBING ZHANG	277,546,752	21.86
WY AUSTRALIA INVESTMENT PTY LTD	249,952,507	19.69
XIAOJING WANG	236,120,663	18.60
CHAO MA	66,666,600	5.25
SHANDONG GOLD PTY LTD	61,072,709	4.81
XINHUA GENG	33,333,300	2.63
EVER RESOURCES PTY LTD	26,666,667	2.10
RYL NOMINEES PTY LTD	21,298,092	1.68
MR FANGFA HAN	20,091,351	1.58
MIGHTY INVESTMENT PTY LTD	14,872,973	1.17
J P MORGAN NOMINEES AUSTRALIA LIMITED	13,943,526	1.10
ROBERT MCLENNAN	13,500,000	1.06
STREAMFO INTERNATIONAL COMPANY LTD	12,500,000	0.98
W ASSETS GROUP LIMITED	12,500,000	0.98
MR CHER TZE HANG MATTHIAS	11,250,000	0.89
KENG CHUEN THAM	11,250,000	0.89
BEST EXPAND INVESTMENTS LIMITED	10,500,000	0.83
MR XIAOJING WANG	10,449,968	0.82
ABUNDANT WISDOM LTD	9,375,000	0.74
COMSEC NOMNIEES PTY LIMITED	6,759,722	0.53

Figure 3

It should be noted by the Shareholders, pursuant to section 12(2)(c) of the Act, that Ms. Jia YU, W Y Australia Investment Pty Ltd, W.Y. and Ever Resources Pty Ltd are Wang's associates, whereas Wang, Ms Jia Yu, W Y Australia Investment Pty Ltd and Ever Resources Pty Ltd are associate of W.Y.

Should Items 6 and 7 be passed, the new Company capital structure shall be as follows:

Name	Number of Shares held	Percentage of issued Shares (%)
W.Y. International (Australia) Pty Ltd	563,844,803	30.57
JIANBING ZHANG	277,546,752	15.06
W Y AUSTRALIA INVESTMENT PTY LTD	249,952,507	13.57
XIAOJING WANG	236,120,663	12.81
CHAO MA	66,666,600	3.62
SHANDONG GOLD PTY LTD	61,072,709	3.31
XINHUA GENG	33,333,300	1.81
EVER RESOURCES PTY LTD	26,666,667	1.45
RYL NOMINEES PTY LTD	21,298,092	1.16
MR FANGFA HAN	20,091,351	1.09
MIGHTY INVESTMENT PTY LTD	14,872,973	0.81
J P MORGAN NOMINEES AUSTRALIA LIMITED	13,943,526	0.76
ROBERT MCLENNAN	13,500,000	0.73
STREAMFO INTERNATIONAL COMPANY LTD	12,500,000	0.68
W ASSETS GROUP LIMITED	12,500,000	0.68
MR CHER TZE HANG MATTHIAS	11,250,000	0.61
KENG CHUEN THAM	11,250,000	0.61
BEST EXPAND INVESTMENTS LIMITED	10,500,000	0.57
MR XIAOJING WANG	10,449,968	0.57

NEW CHINA PTY LTD AFT THE WANG FAMILY TRUST	9,800,000	0.53

Figure 4

Impacts and consequences – voting power

Specifically, the table below identifies the impact on the maximum voting powers of W.Y., Wang and Yu after the passing of the resolutions:

	Current %	**After resolution %**
W.Y.	0	30.57
Wang and **Yu** (through their controls of W.Y., W Y Australia Investments, Ever Resources Pty Ltd and his own Shares)	41.74	59.32

Impacts and consequences – disadvantages

The disadvantages of the approving the resolution are as follows:

1) **Control effect:**

   Yu and Wang will be able to collectively pass ordinary resolutions, and control the composition of the Company's board.

2) **Dilutionary effect:**

   The interests of the Non-Associated Shareholders will be diluted from 58.26% to 40.68%.

3) **Deterrence effect:**

   The presence of significant shareholding of Wang and his associates and Yu both reduces the liquidity of the Company's share trading and the likelihood that the Company will be the target of potential takeover bids.

Listing Rules 10.11

Exception 14 of Listing Rule 7.2 provides that where shareholder approval is obtained under Listing Rule 10.11, additional shareholder approval is not required under Listing Rule 7.1. Listing Rule 10.11 provides that an entity must not issue, or agree to issue, equity securities to a related party without the approval of its shareholders.

With reference to section 228 of the Act, a 'related party' of the Company includes the directors of the Company, and any entities that the directors control. W.Y. is controlled by Wang and Yu, the Directors of the Company, and therefore are related parties.

The following information is provided in accordance with Listing Rule 10.13:

1. The Shares the subject of this Resolution will be issued to W.Y.
2. If this Resolution is passed, the Company will issue to W.Y. 563,244,803 Shares.
3. The price at which the Shares will be issued is $0.003 per share.
4. The Company intends issuing the Shares as soon as practicable following the date of the 2018 Annual General Meeting and in any event, not later than one month from the date of the meeting.
5. The Shares will be issued on the same terms as, and rank *pari passu* with, the existing issued Shares of the Company.
6. As the Shares will be issued in satisfaction of moneys owing, there will be no fresh funds raised from the issue of the Shares.

Chapter 2E of the Act

Part 2E.1 of the Act regulates the provision of 'financial benefits' by a public company and entities controlled by the public company to related parties of the public company. By section 208(1) of the Act, the public company can only give a 'financial benefit' to a 'related party' if it obtains the approval of its shareholders in accordance with the procedures set out in Part 2E.1 of the Act. With reference to section 228 of the Act, a 'related party' of the Company includes the directors of the Company, and any entities that the directors control. W.Y. is controlled by Wang and Yu, the directors of the Company, and therefore are related parties.

The following information is provided in accordance with Chapter 2E of the Act:

1. W.Y., as an entity controlled by Wang and Yu, the directors of the Company, is a related party.
2. The nature of the financial benefit is the issue of ordinary shares of the Company to W.Y.
3. The Directors of the Company do not wish to make a recommendation to shareholders about this Resolution. Wang and Yu are the directors of W.Y. and Yu is the spouse of Wang.
4. For the same reasons stated above, both directors of the Company have an interest in the outcome of this Resolution.
5. Please refer to the 'Background' section, the summary of the material terms of the debt conversion agreements and the independent expert report for other information that is reasonably required by shareholders to decide whether or not it is in the Company's interest to pass this Resolution and that is known to the Company or any of its directors.

Section 611, Item 7 of the Act

Section 606 of the Act prohibits a person from acquiring a relevant interest in issued voting shares in a company, if as a result of the acquisition; any person's voting power in the company would increase from:

(a) 20% or below to more than 20%; or
(b) a starting point that is above 20% and below 90%.

Section 611, Item 7 of the Act allows a person to acquire a relevant interest in shares that would otherwise be prohibited under section 606 if the proposed acquisition is approved in advance by a resolution passed at a general meeting of the company; and

(a) no votes are cast in favour of the resolution by the proposed acquirer or its associates;
(b) there was full disclosure of all information that was known to the proposed acquirer or its associates that was material to a decision on how to vote on the resolution.

The following information is provided in accordance with section 611, Item 7 of the Act:

1. W.Y. is proposing to make the acquisition.
2. As a result of the acquisition and assuming that items 6 and 7 are all passed, the maximum voting power of W.Y. would increase from 0% to 30.57%.
3. As a result of the acquisition and assuming items 6 and 7 passed, the maximum voting power of the associates of W.Y. including W Y Australia Investment, Mr Xiaojing Wang, Ever Resources Pty Ltd, and Yu would increase from 41.74% to 59.32%.
4. Please refer to the summary of the material terms of the debt conversion agreements and the independent expert's report for other information known to the person proposing to make the acquisition or known to the company, that was material to the decision on how to voting on the resolution.

RG 74.25(e)(ii) of the ASIC Regulatory Guide 74

W.Y. and its associate intend to inject further capital into the Company to support the Company's continued exploration of its current mineral assets if it is needed to meet on going concern requirements and no other source of funding is available.

RG 74.25(f) of the ASIC Regulatory Guide 74

W.Y. and its associate do not intend to significantly change the financial or dividend distribution policy of the Company.

Voting exclusion:

Shareholders should note that the Company will disregard any votes cast in favour on this Resolution 6 by Xiaojing WANG and Jia YU (and their associates including WYA and Ever Resources Pty Ltd), who through their controls of W.Y. can benefit directly from the increased voting power of the Resolution as well as any other person who may benefit from this Resolution.

However, the Company will not disregard the vote if:

(a) 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

(b) 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.

ITEM 7. Issue of shares to convert debt to equity (New China)

Background

Item 7 seeks Shareholder approval for the issue of Shares in full and final satisfaction of certain debt of the Company to New China Pty Ltd ACN 128 301 593 ('**New China**'). The relevant term sheet is contained in Schedule 3.

The original debts were incurred as a result of unpaid director's fees to Jun. By transferring the debts and through the satisfactions of the debts through the above transaction, the Company is able to retain its liquidity and relieves itself of unpaid debts. The Company had been unsuccessful in raising capital through private placements and non-related party loans to satisfy the debts.

The material terms of the agreement are set out in the table below:

Debt	Nature	Period	Assignor	Assignee
$17,400.00	Director fee	The year of 2018	Jun	New China
$12,000.00	Director fee	The year of 2019 (up and including the date of the AGM)	Jun	New China

Figure 6

Listing Rules 10.11

Exception 14 of Listing Rule 7.2 provides that where shareholder approval is obtained under Listing Rule 10.11, additional shareholder approval is not required under Listing Rule 7.1. Listing Rule 10.11 provides that an entity must not issue, or agree to issue, equity securities to a related party without the approval of its shareholders.

With reference to section 228 of the Act, a 'related party' of the Company includes the directors of the Company, and any entities that the directors control. New China is controlled by Jun; Jun is a Director of the Company; they are therefore related parties.

The following information is provided in accordance with Listing Rule 10.13:

1. The Shares the subject of this Resolution will be issued to New China.
2. If this Resolution is passed, the Company will issue to New China 9,800,000 Shares.
3. The price at which the Shares will be issued is $0.003 per share.
4. The Company intends issuing the Shares as soon as practicable following the date of the 2018 Annual General Meeting and in any event, not later than one month from the date of the meeting.
5. The Shares will be issued on the same terms as, and rank *pari passu* with, the existing issued Shares of the Company.
6. As the Shares will be issued in satisfaction of moneys owing, there will be no fresh funds raised from the issue of the Shares.

Chapter 2E of the Act

Part 2E.1 of the Act regulates the provision of 'financial benefits' by a public company and entities controlled by the public company to related parties of the public company. By section 208(1) of the Act, the public company can only give a 'financial benefit' to a 'related party' if it obtains the approval of its shareholders in accordance with the procedures set out in Part 2E.1 of the Act. With reference to section 228 of the Act, a 'related party' of the Company includes the directors of the Company, and any entities that the directors control. New China is controlled by Jun, a Director of the Company, and therefore are related parties.

The following information is provided in accordance with Chapter 2E of the Act:

1. New China, as an entity controlled by Jun, a Director of the Company, is a related party.
2. The nature of the financial benefit is the issue of ordinary shares of the Company to New China.

3. The Directors of the Company do not wish to make a recommendation to shareholders about this Resolution. Jun is a director of New China.
4. For the same reasons stated above, Jun has an interest in the outcome of this Resolution.
5. Please refer to the 'Background' section, the summary of the material terms of the debt conversion agreements and the independent expert report for other information that is reasonably required by shareholders to decide whether or not it is in the Company's interest to pass this Resolution and that is known to the Company or any of its directors.

Voting exclusion:

Shareholders should note that the Company will disregard any votes cast in favour on this Resolution 7 by Jun WANG, who will benefit from this Resolution.

However, the Company will not disregard the vote if:

(c) 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

(d) 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.

DECLARATION

Other than the information above and otherwise in this Explanatory Memorandum, the Company believes that there is no other information that would be reasonably required by Shareholders in order to decide whether or not it is in the Company's shareholder's best interests to pass the Resolution herein.

Australia United Mining Limited
ACN 126 540 547

Schedule 1 – Definitions

In the Notice of Meeting, words importing the singular include the plural and vice versa.

Act means the Corporations Act 2001 (Cth);

Annual Report means the report for the financial year ending on 30 June 2017 that is available at http://australiaunitedmining.com.au/ and http://www.asx.com.au/asxpdf/20171002/pdf/43mvyqn575cygz.pdf.

ASX means the ASX Limited (ABN 98 008 624 691) and where the context permits the Australian Securities Exchange operated by ASX Limited;

Company means Australia United Mining Limited ACN 126 540 547 (ASX: AYM);

Constitution means the constitution of the Company as at the date of the Meeting;

Director means a director of the Company;

Explanatory Memorandum means the explanatory memorandum attached to the Notice of Meeting;

Meeting means the meeting the subject of the Notice of Meeting;

Notice of Meeting means this notice of meeting dated 16 November 2018;

Proxy Form means the proxy form attached to this Notice of Meeting;

Resolution means a Resolution contained in this Notice of Meeting;

Shares means shares of the Company.

Australia United Mining Limited
ACN 126 540 547

Schedule 2 – W.Y.

Debt Conversion Agreement term sheet

(Non-binding and subject to formal legal contracts)

Parties	Australia United Mining Limited ABN 35 126 540 547 ('**the Company**') **AND** W.Y. International (Australia) Pty Ltd ABN 73 102 362 121 ('**W.Y.**')
Amounts Converted	A$ 1,689,734.41
Conversion Price	The conversion price is fixed at A$0.003 per share being the closing price the day before the conversion price been decided and the volume weighted average market price, calculated over the last 15 days before the date when the conversion price been decided.
Shares Issued	563,244,803
Terms of Shares Issued	The shares are issued on the same terms as, and rank pari passu with ordinary shares of the Company currently on issue and will be quoted on ASX.
Condition precedent	The conversion is subject to shareholders' approval by way of ordinary resolution in the 2018 General Meeting of the Company.
Assumptions	Financial assumptions on which the price was prepared: • Net assets of the Company: $1,071,833 (as on 30 Sep 2018); • Closing price when the day before the conversion price been decided: $0.003. • the volume weighted average market price, calculated over the last 15 days before the date when the conversion price been decided.
Representations and Warranties	W.Y. makes the following representations and warranties: • The Company and W.Y. have a genuine and valid creditor-debtor relationship. • The outstanding debts to be converted are genuine and valid.
Timetable	The conversion shall be effected not more than one month after the condition precedent is met.

Australia United Mining Limited
ACN 126 540 547

Schedule 3 – New China

Debt Conversion Agreement term sheet

(Non-binding and subject to formal legal contracts)

Parties	Australia United Mining Limited ABN 35 126 540 547 ('**the Company**') **AND** New China Pty Ltd AFT The Wang Family Trust ABN 75 806 608 875 ('**New China**')
Amounts Converted	A$ 29,400
Conversion Price	The conversion price is fixed at A$0.003 per share being the closing price the day before the conversion price been decided and the volume weighted average market price, calculated over the last 15 days before the date when the conversion price been decided.
Shares Issued	9,800,000
Terms of Shares Issued	The shares are issued on the same terms as, and rank pari passu with ordinary shares of the Company currently on issue and will be quoted on ASX.
Condition precedent	The conversion is subject to shareholders' approval by way of ordinary resolution in the 2018 General Meeting of the Company.
Assumptions	Financial assumptions on which the price was prepared: • Net assets of the Company: $1,071,833 (as on 30 Sep 2018); • Closing price when the day before the conversion price been decided: $0.003. • the volume weighted average market price, calculated over the last 15 days before the date when the conversion price been decided.
Representations and Warranties	New China makes the following representations and warranties: • The Company and New China have a genuine and valid creditor-debtor relationship. • The outstanding debts to be converted are genuine and valid.
Timetable	The conversion shall be effected not more than one month after the condition precedent is met.

Australia United Mining Limited
ACN 126 540 547

Schedule 4 – Section 611 Expert Report

INDEPENDENT EXPERT'S REPORT

Australia United Mining Limited

In relation to the proposed conversion of related party debt to ordinary shares in Australia United Mining Limited

26 October 2018

PRIVATE AND CONFIDENTIAL

BDO

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
SYDNEY NSW 2000
Australia

This Financial Services Guide is issued in relation to an independent expert's report ("**Report"** or **"IER"**) prepared by BDO Corporate Finance (East Coast) Pty Ltd (ABN 70 050 038 170) ("**BDOCF"**) at the request of the directors ("**Directors"**) of Australia United Mining Limited ("**AUML" or the "Company"**).

Engagement

The IER is intended to accompany the Explanatory memorandum ("**Transaction Document"**) required to be provided to the shareholders of AUML ("**Shareholders"**) who are entitled to vote on the proposed issue of ordinary shares of AUML to W.Y. International (Australia) Pty Ltd ("**WYI"**) and New China Pty Ltd.

Financial Services Guide

BDOCF holds an Australian Financial Services Licence (License No: 247420) ("**Licence"**). As a result of our IER being provided to you BDOCF is required to issue to you, as a retail client, a Financial Services Guide ("**FSG"**). The FSG includes information on the use of general financial product advice and is issued so as to comply with our obligations as holder of an Australian Financial Services Licence.

Financial services BDOCF is licensed to provide

The Licence authorises BDOCF to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues, to carry on a financial services business to provide general financial product advice for securities and certain derivatives (limited to old law securities, options contracts and warrants) to retail and wholesale clients.

BDOCF provides financial product advice by virtue of an engagement to issue the IER in connection with the issue of securities of another person.

Our IER includes a description of the circumstances of our engagement and identifies the party who has engaged us. You have not engaged us directly but will be provided with a copy of our IER (as a retail client) because of your connection with the matters on which our IER has been issued.

Our IER is provided on our own behalf as an Australian Financial Services Licensee authorised to provide the financial product advice contained in the IER.

General financial product advice

Our IER provides general financial product advice only, and does not provide personal financial product advice, because it has been prepared without taking into account your particular personal circumstances or objectives (either financial or otherwise), your financial position or your needs.

Some individuals may place a different emphasis on various aspects of potential investments and therefore, individuals should seek independent advice.

Benefits that BDOCF may receive

BDOCF will receive a fee based on the time spent in the preparation of the IER in the amount of approximately $15,910 (excluding GST). BDOCF will not receive any fee contingent upon the outcome of the Proposed Transaction, and accordingly, does not have any pecuniary or other interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in relation to the Proposed Transaction.

Remuneration or other benefits received by our employees

All our employees receive a salary. Employees may be eligible for bonuses based on overall productivity and contribution to the operation of BDOCF or related entities but any bonuses are not directly connected with any assignment and in particular are not directly related to the engagement for which our IER was provided.

Referrals

BDOCF does not pay commissions or provide any other benefits to any parties or person for referring customers to us in connection with the reports that BDOCF is licensed to provide.

Associations and relationships

BDOCF is the licensed corporate finance arm of BDO East Coast Partnership, Chartered Accountants and Business Advisers. The directors of BDOCF may also be partners in BDO East Coast Partnership, Chartered Accountants and Business Advisers.

BDO East Coast Partnership, Chartered Accountants and Business Advisers is comprised of a number of related entities that provide audit, accounting, tax and financial advisory services to a wide range of clients.

BDOCF's contact details are as set out on our letterhead.

BDOCF is unaware of any matter or circumstance that would preclude it from preparing the IER on the grounds of independence under regulatory or professional requirements. In particular, BDOCF has had regard to the provisions of applicable pronouncements and other guidance statements relating to professional independence issued by Australian professional accounting bodies and Australian Securities and Investments Commission ("**ASIC"**).

Complaints resolution

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, BDO Corporate Finance (East Coast) Pty Ltd, Level 11, 1 Margaret Street, Sydney NSW 2000.

On receipt of a written complaint we will record the complaint, acknowledge receipt of the complaint and seek to resolve the complaint as soon as practical. If we cannot reach a satisfactory resolution, you can raise your concerns with the Financial Ombudsman Service Limited ("**FOS"**). FOS is an independent body established to provide advice and assistance in helping resolve complaints relating to the financial services industry. BDOCF is a member of FOS. FOS may be contacted directly via the details set out below.

Financial Ombudsman Service Limited

GPO Box 3

Melbourne VIC 3001

Toll free: 1300 78 08 08

Email: info@fos.org.au

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
SYDNEY NSW 2000
Australia

The Directors
Australia United Mining Limited
189 Kent Street
Suite 3, Level 14
SYDNEY, NSW 2000

26 October 2018

Dear Directors

INDEPENDENT EXPERT'S REPORT IN RELATION TO THE PROPOSED CONVERSION OF RELATED PARTY DEBT TO ORDINARY SHARES IN AUSTRALIA UNITED MINING LIMITED

Introduction

Australia United Mining Limited **("AUML" or the "Company")** has entered into a debt conversion agreement term sheet **("Debt Conversion Agreement")** in relation to the conversion of $1.7m debt owing to W.Y. International (Australia) Pty Ltd and $29.4k debt owing to New China Pty Limited ("**Related Parties"**) into ordinary shares of AUML **("Proposed Transaction")**.

Subject to shareholder approval, AUML has proposed to convert debt owing to the Related Parties into 573,044,803 ordinary shares of AUML at a conversion price of $0.003 per share **("Conversion Price")**. As a result of the Proposed Transaction, the shareholding interests of Directors, Mr Xiaojing Wang **("Mr Wang")** (through his direct holdings and holdings through associated parties) and Mr Jun Wang in AUML will increase from 41.74% to 59.32% and from nil to 0.53%, respectively.

BDO Corporate Finance (East Coast) Pty Ltd (ABN 70 050 038 170) ("**BDOCF"**, we, us or our) has been engaged by the Directors to prepare an independent expert's report ("**Report" or "IER"**) setting out our opinion as to whether the Proposed Transaction is fair and reasonable to the shareholders at AUML whose votes are not to be disregarded in voting on the resolutions relating to the Proposed Transaction **("Non-Associated Shareholders")**.

Pursuant to Section 611 item 7 of the Corporations Act 2001 Cth ("**Corporations Act"** or "**the Act"**), Chapter 2E of the Act and the Chapter 10 of the ASX Listing Rules, the purpose of the IER is to accompany the Notice and the Transaction Document being provided to the Shareholders. Further, IER will assist the Directors in fulfilling their obligation to provide Shareholders with full and proper disclosure so as to enable them to assess the merits of the Proposed Transaction and to assist them in their voting consideration.

Full details of the Proposed Transaction are set out in the Notice of Meeting and Explanatory Memorandum ("**Transaction Documents"**) required to be provided to the Shareholders of AUML **("Shareholders")**.

PURPOSE OF THE REPORT

The Directors have engaged us to prepare a Report in relation to the Proposed Transaction to satisfy the requirements of:

- Section 611 of the Act.
- Chapter 10 of the ASX Listing Rules
- Chapter 2E of the Act

The regulatory requirements relevant to this IER are summarised below.

Section 611 of the Act

If the Proposed Transaction is approved and implemented, the shareholding interests of Mr Wang (through his direct holdings and holdings through related parties) in AUML will increase from 41.74% to 59.32%.

Section 606 of the Act expressly prohibits transactions that result in a person or entity that, with their associates, increases their voting power from:

- 20% or below to more than 20%; or
- A point that is above 20% and below 90%,

without making a full takeover offer to all shareholders or otherwise falling within another exception (such as Section 611 of the Act).

Item 7 of Section 611 of the Act provides an exception to the prohibition on the basis that the acquisition is approved by resolution at a general meeting.

While Section 611 does not explicitly state that an expert's opinion is required in relation to the Proposed Transaction, regulatory guidance issued by ASIC states that it is the Directors' obligation to provide shareholders with full and proper disclosure to enable them to assess the merits of a proposed transaction for the purpose of assisting them to decide whether to approve any resolutions relating to the transaction. This obligation may be satisfied by commissioning an independent expert's report on whether the proposed transaction is "fair and reasonable" to Non-Associated Shareholders.

The Non-Associated Shareholders are those shareholders in AUML whose votes are not to be disregarded in voting on the resolutions relating to the Proposed Transaction.

Chapter 10 of the ASX Listing Rules

The Proposed Transaction is subject to the provisions of the ASX Listing Rules.

ASX Listing Rule 10.11 requires that a Company must obtain shareholders' approval before it issues equity securities to a related party or a person whose relationship with the company or a related party of the company is, in ASX's opinion, such that approval should be obtained.

Mr Wang, Ms Yu and Mr Jun Wang are directors of AUML and are consequently related parties of the Company within the definition set out in ASX Listing Rule 19.12. WYI and New China Pty Ltd are also considered related parties of the Company as the Directors has the power to control the votes of the shares held by these entities.

Regulatory guidance issued by the Australian Securities and Investments Commission ("**ASIC"**) states that it is the Directors' obligation to provide shareholders with full and proper disclosure to enable them to assess the merit of the Proposed Transaction and to decide whether to agree by resolution to the Proposed Transaction. This obligation may be satisfied by commissioning an independent expert report on whether the proposed transaction is "fair and reasonable" to the Non-Associated shareholders.

ASX Listing Rule 10.10 requires AUML to issue to its Shareholders an independent expert report prior to obtaining shareholder approval for the Proposed Transaction.

The report must state the expert's opinion as to whether the transaction is fair and reasonable from the perspective of shareholders whose votes are not to be disregarded. The expert's opinion must be displayed prominently in the notice of meeting sent to the Shareholders and on the covering page of any accompanying documents.

Chapter 2E of the Act

Section 208 of Chapter 2E of the Act requires a Company to seek shareholder approval before giving a financial benefit to a related party unless the benefit falls within an exception provided for in Section 210 of the Act.

Regulatory guide 76: Related party transactions **("RG 76")** states that it is necessary for entities to include a valuation from an independent expert with a notice of meeting for member approval under Chapter 2E of the Act, where:

- The financial benefit is difficult to value;
- The transaction is significant from the point of view of the entity; or
- The independent directors do not have the expertise or resources to provide independent advice to members about the value of the financial benefit.

We note that the Proposed Transaction may result in financial benefits being provided to WYI and New China Pty Ltd, which are the entities being controlled by the Directors.

APPROACH

In preparing our IER, we have considered the requirements of:

- RG 76: Related party transactions;
- RG 111: Content of Expert Reports; and
- RG 112: Independence of Experts

RG 111 establishes guidelines in respect of independent expert reports under the Corporations Act. This regulatory guide provides guidance as to what matters an independent expert should consider to assist shareholders to make informed decisions about transactions.

RG 111 states that there should be a separate assessment of fairness and reasonableness.

Fairness

RG 111.11 indicates that an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities subject to the offer. The value of the securities the subject of the offer is determined assuming:

- A knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.
- 100% ownership of the target company, irrespective of the percentage holding of the bidder or its associates in the target company

Based on our interpretation of RG 111.11, we have compared:

- The fair market value **("FMV")** of AUML share pre-transaction on a control basis (being the value of the securities the subject of the offer, per RG 111.11); and
- The Conversion Price

Reasonableness

In accordance with paragraph 60 of RG 111, an offer is 'reasonable' if it is 'fair'. It might also be 'reasonable' if, despite being 'not fair', the expert believes there are sufficient reasons to accept the offer.

When deciding whether an offer is 'reasonable', factors an expert might consider include:

- the financial situation and solvency of the entity;
- the alternative options available to the entity;
- the entity's bargaining position;
- whether there is selective treatment of any shareholder; and
- any special value of the transaction to the purchaser

Summary of Opinion

We have considered the terms of the Proposed Transaction as outlined in the body of this Report and have concluded that the Proposed Transaction is fair and reasonable from the perspective of Non-Associated Shareholders.

A summary of our analysis informing the above opinion is provided below. A summary of our analysis in forming the above opinion is provided below.

Fairness Assessment

We have formed our opinion in relation to fairness by comparing the:

- Fair market value of AUML share before the Proposed Transaction (including a premium for control); and
- Fair market value of AUML share after the Proposed Transaction on a minority basis

The Proposed Transaction will be fair if the fair market value of AUML share after the Proposed Transaction on a minority basis is equal to or greater than the fair market value of AUML share before the Proposed Transaction (including a premium for control)

The result of our fairness analysis is summarised below.

Table 1: Fairness assessment

$	Section	Low	High
Fair market value of a share in AUML prior to the Proposed Transaction (control basis)	5.1	0.00002	0.0009
Fair market value of a share in AUML post the Proposed Transaction (minority basis)	5.2	0.0007	0.0013
Variance		**0.0006**	**0.0003**

Source: BDOCF analysis

Our analysis shows the value of an AUML share on a minority interest basis subsequent to the Proposed Transaction (incorporating the financial effects of the Proposed Transaction) to be in the range of $0.0007 to $0.0013 per share, which is greater than our assessment of the fair value of an AUML share on a controlling interest basis prior to the Proposed Transaction which is in the range of $0.00002 to $0.0009 per share. Hence, we conclude that the Proposed Transaction is fair to the Non-Associated Shareholders.

Reasonableness Assessment

In accordance with RG 111, an offer is reasonable if it is fair. On this basis, the Proposed Transaction is reasonable to Non-Associated Shareholders.

We have set out below a summary of reasonableness factors we consider relevant in assisting the Non-Associated Shareholders in deciding whether or not to vote in favour of the Proposed Transaction.

Advantages of approving the Proposed Transaction

We consider the following to be advantages of approving the Proposed Transaction:

- **The Proposed Transaction is fair**: We have assessed the Proposed Transaction to be "fair";
- **Strengthening of the Company's balance sheet**: A reduction in debts from the conversion of loan will improve the net assets of AUML.
- **Major shareholder support**: Following the completion of the Proposed Transaction, Mr Wang (through his direct and related party holdings) will hold 59.32% of AUML's issued shares. Management has advised us that Mr Wang will continue to support AUML's continued exploration of its mineral assets following completion of the Proposed Transaction.

Disadvantages of approving the Proposed Transaction

We consider the following to be disadvantages of approving the Proposed Transaction:

- **Non-Associated Shareholders' interests in the Company will be diluted**: By approving the Proposed Transaction the interests of the Non-Associated Shareholders will be diluted from 58.26% to 40.1%.
- **Potential lower liquidity of shares**: The Proposed Transaction will result in Mr Wang's combined interest of 59.32% in AUML. The presence of such significant shareholdings generally reduces the liquidity of a Company's share trading and reduces the likelihood that the Company will be the target of any potential takeover activity.

AUML appears to have very little access to funding at this point in time. Capital raising for early stage gold exploration projects, such as AUML, is very challenging in the current economic environment. This view is corroborated by the findings of Geos Mining's valuation of AUML's exploration and evaluation assets.

The conversion of related party debts to equity will strengthen AUML's balance sheet and one of the existing directors has indicated further support will be available for AUML to continue to develop its exploration and evaluation assets.

Other Matters

Shareholders' individual circumstances

Our analysis has been undertaken, and our conclusions are expressed at an aggregate level. Accordingly, BDOCF has not considered the effect of the Proposed Transaction on the particular circumstances of individual shareholders. Some individual shareholders may place a different emphasis on various aspects of the Proposed Transaction from those adopted in this IER. Accordingly, individual shareholders may reach different conclusions as to whether or not the Proposed Transaction gives a fair value in their individual circumstances.

The decision of an individual shareholder in relation to the Proposed Transaction may be influenced by their particular circumstances and accordingly the Non-Associated Shareholders are advised to seek their own independent advice.

The decision to object to vote in favour of the Proposed Transaction is a matter for the Non-Associated Shareholders to consider based on their expectations as to the expected value, future prospects and market conditions. The Non-Associated Shareholders should carefully consider the Transaction Documents. Non-Associated Shareholders who are in doubt as to the action they should take in relation to the Proposed Transaction should consult their professional adviser.

Current Market Conditions

Our opinion is based on economic, market, and other conditions prevailing at the date of this IER. Such conditions can change significantly over relatively short periods of time.

Changes in those conditions may result in any valuation or other opinion becoming quickly outdated and in need of revision. We reserve the right to revise any valuation or other opinion, in light of material information existing at the date of this Report that subsequently becomes known to us.

Sources of Information

Appendix 2 to the IER sets out details of information referred to and relied upon by us during the course of preparing this IER and forming our opinion.

As the assets of AUML primarily comprise exploration and evaluation assets, in accordance with ASIC Regulatory Guide 112 we have utilised the services of the mineral valuation firm GM Minerals Consultants Pty Ltd **("Geos Mining")** for the purpose of valuing the exploration and evaluation assets held by AUML.

The statements and opinions contained in this IER are given in good faith and are based upon our consideration and assessment of information provided by AUML.

Under the terms of our engagement, AUML agreed to indemnify the partners, directors and staff (as appropriate) of BDO East Coast Partnership and BDOCF and their associated entities, against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided by AUML which is false or misleading or omits any material particulars, or arising from failure to supply relevant information.

Limitations

This IER has been prepared at the request of the Directors to accompany the Transaction Documents to be sent to the Shareholders.

Accordingly, this IER and the information contained herein may not be relied upon by anyone other than the Shareholders without our written consent. We accept no responsibility to any person other than the Directors and Shareholders in relation to this IER.

This IER should not be used for any other purpose and we do not accept any responsibility for its use outside this purpose. Except in accordance with the stated purpose, no extract, quote or copy of our IER, in whole or in part, should be reproduced without our written consent, as to the form and context in which it may appear.

We have consented to the inclusion of the IER within the Transaction Documents. Apart from this IER, we are not responsible for the contents of the Transaction Documents or any other document associated with the Proposed Transaction. We acknowledge that this IER may be lodged with regulatory authorities.

Summary

This summary should be read in conjunction with the attached IER that sets out in full, the purpose, scope, basis of evaluation, limitations, information relied upon, analysis and our findings.

Glossary

Capitalised terms used in this Report have the meanings set out in the glossary. A glossary of terms used throughout this IER is set out in **Appendix 1**.

Financial Services Guide

BDOCF holds an Australian Financial Services Licence which authorises us to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or unit issues. A financial services guide is attached to this IER.

Yours faithfully

BDO CORPORATE FINANCE (EAST COAST) PTY LTD

Daniel Coote

Director

TABLE OF CONTENTS

1. PURPOSE AND BACKGROUND

1.1. Purpose of the Report

We have been appointed by the Directors to prepare an IER setting out our opinion as to whether the Proposed Transaction is fair and reasonable from the perspective of the Non-Associated Shareholders.

This report will accompany the Explanatory Memorandum and Notice of Meeting (**"Transaction Document"**) required to be provided to the Shareholders of AUML to assist them in voting of whether or not to approve the Proposed Transaction.

A summary of the background to the terms of the Proposed Transaction is set out below.

1.2. Background of the Proposed Transaction

AUML (ASX:AYM) is a public company listed on the ASX engaged in the exploration and development of mineral properties in New South Wales **("NSW")** and Queensland **("QLD")**. The Company primarily explores for gold, copper, silver and nickel ores.

AUML and its wholly owned subsidiaries, Fortius Mines Pty Ltd and Icarus Mines Pty Ltd, hold a 100% registered interest in three granted mineral tenements in QLD and three granted exploration licences in NSW.

The current directors of AUML are Mr. Xiaojing Wang ("**Mr Wang"**), Ms. Jia Yu ("**Ms Yu"**) and Mr. Jun Wang. Hence, Mr Wang, WYI and New China Pty Ltd are considered as related parties of AUML within the definition set out in ASX Listing Rule 19.12.

As on 30 September 2018, AUML owed debts of $1.7m to WYI and $29.4k to New China Pty Ltd (collectively referred as "R**elated Party Debts")**. We understand that;

1. WYI is an entity which is wholly controlled by Mr Wang; and
2. New China Pty Ltd is an entity wholly controlled by Mr Jun Wang

AUML entered into a Debt Conversion Agreement in relation to the conversion of related party debts into ordinary shares of AUML at an offer price of $0.003 per share **("Proposed Transaction").**

As a result of the Proposed Transaction, the shareholding interests of Mr Wang (through his direct holdings and holdings through related parties) and Mr Jun Wang in AUML will increase from 41.74% to 59.32% and from nil to 0.53%, respectively.

The Proposed Transaction requires the approval of Non-Associated Shareholders pursuant to Section 611 item 7 of the Corporations Act 2001 Cth, Chapter 2E of the Act and Chapter 10 of the ASX Listing Rules.

We have been engaged by the Directors to prepare an IER to state whether or not, in our opinion, the terms of the Proposed Transaction, as outlined in the Transaction Documents, is fair and reasonable to the Non-Associated Shareholders. A copy of the IER is to be included in the Transaction Documents.

1.3. AUML Capital structure and shareholding prior to the Proposed Transaction

As on the date of this report, AUML has 1,269,532,682 ordinary shares which are issued and outstanding. The following table summarises the shareholding of the Company as at the date of this Report.

Table 2: Shareholding prior to the Proposed Transaction

Shareholder	Shares number	Ownership %
Jianbing Zhang	277,546,752	21.86%
WY Australia Investment Pty Ltd	249,952,507	19.69%
Xiaojing Wang	246,570,631	19.42%
Chao Ma	66,666,600	5.25%
Shandong Gold Pty Ltd	61,072,709	4.81%
Xinhua Geng	33,333,300	2.63%
Jia Yu	6,666,667	0.53%
Ever Resources Pty Ltd	26,666,667	2.10%
	968,475,833	**76.29%**
Others	301,056,849	23.71%
Total shares	**1,269,532,682**	**100%**

Source: Management Information

As the date of this Report, Mr Wang held relevant interests of 41.74% in the issued shares of AUML, as set out in the table below:

Table 3: Mr Wang's and Mr Jun Wang's relevant interest in AUML prior to the Proposed Transaction

Shareholder	Shares number	Ownership %
Xiaojing Wang	246,570,631	19.42%
WY Australia Investment Pty Ltd	249,952,507	19.69%
Jia Yu	6,666,667	0.53%
Ever Resources Pty Ltd	26,666,667	2.10%
Mr Wang's relevant interest in AUML	**529,856,472**	**41.74%**
Mr Jun Wang's relevant interest in AUML	**-**	**nil**

Source: Management Information

1.4. Debt Conversion Agreement

As at 30 September 2018, AUML owed debt amounting to $1.7m to WYI and $29.4k to New China Pty Limited ("**Related Parties")**

Further, subject to the Shareholders' approval, AUML has entered into a Debt Conversion Agreement to convert debt owing to the Related Parties into ordinary shares of AUML at a price of $0.003 per share **("Conversion Price")**.

As a result, WYI will be issued 563,244,803 ordinary shares for the total debt of $1.7m and New China Pty Ltd will be issued 9,800,000 ordinary shares for the total debt of $29.4k owed by AUML. We understand that WYI and New China Pty Ltd are the entities wholly controlled by the Directors. Hence, as a result of the Proposed Transaction, shareholding interests of Directors, Mr Xiaojing Wang **("Mr Wang")** (through his direct holdings and holdings through associated parties) and Mr Jun Wang in AUML will increase from 41.74% to 59.32% and from nil to 0.53%, respectively.

1.5. AUML Capital structure post the Proposed Transaction

The following table sets out AUML's current and potential issued share capital assuming completion of the Proposed Transaction.

Table 4: Shareholding post the Proposed Transaction

Shareholder	Shares number	Issue of Conversion shares	Shares number	Ownership %
W.Y. International (Australia) Pty Ltd	-	563,244,803	563,244,803	30.57%
Jianbing Zhang	277,546,752	-	277,546,752	15.06%
WY Australia Investment Pty Ltd	249,952,507	-	249,952,507	13.57%
Xiaojing Wang	246,570,631	-	246,570,631	13.38%
Chao Ma	66,666,600	-	66,666,600	3.62%
Shandong Gold Pty Ltd	61,072,709	-	61,072,709	3.31%
Xinhua Geng	33,333,300	-	33,333,300	1.81%
Jia Yu	6,666,667	-	6,666,667	0.36%
Ever Resources Pty Ltd	26,666,667	-	26,666,667	1.45%
New China Pty Ltd	-	9,800,000	9,800,000	0.53%
	968,475,833	**573,044,803**	**1,541,520,636**	**83.66%**
Others	301,056,849	-	301,056,849	16.34%
	1,269,532,682	**573,044,803**	**1,842,577,485**	**100%**

Source: Management Information

Following the completion of the Proposed Transaction, Mr Wang's interests (through his direct and related party holdings) in AUML's shares will increase from 41.74% to 59.32% and Mr Jun Wang's interest will increase from nil to 0.53%.

Table 5: Mr Wang's and Mr Jun Wang relevant interest in AUML post the Proposed Transaction

Shareholder	Shares number	%	Issue of Conversion shares	Shares number	%
W.Y. International (Australia) Pty Ltd	-	0.00%	563,244,803	563,244,803	30.57%
Xiaojing Wang	246,570,631	19.42%	-	246,570,631	13.38%
WY Australia Investment Pty Ltd	249,952,507	19.69%	-	249,952,507	13.57%
Jia Yu	6,666,667	0.53%	-	6,666,667	0.36%
Ever Resources Pty Ltd	26,666,667	2.10%	-	26,666,667	1.45%
Mr Wang's relevant interest in AUML	**529,856,472**	**41.74%**	**563,244,803**	**1,093,101,275**	**59.32%**
Mr Jun Wang's relevant interest in AUML	**-**	**nil**	**9,800,000**	**9,800,000**	**0.53%**

Source: Management Information

2. SCOPE AND LIMITATIONS

2.1. Scope

The scope of the procedures we undertook in forming our opinion on whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders has been limited to those procedures we believe are required in order to form our opinion. Our procedures did not include verification work nor constitute an audit or assurance engagement in accordance with Australian Auditing and Assurance Standards.

Our assessment involved determining the fair value of various securities, assets and liabilities. For the purposes of our opinion, the term fair market value is defined as the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing, but not anxious purchaser and a knowledgeable, willing, but not anxious vendor, acting at arm's length.

2.2. Summary of Regulatory Requirements

The Directors have engaged us to prepare a Report in relation to the Proposed Transaction to satisfy the requirements of:

- Section 611 of the Act.
- Chapter 10 of the ASX Listing Rules
- Chapter 2E of the Act

The regulatory requirements relevant to this IER are summarised below.

2.2.1. Section 611 of the Act

If the Proposed Transaction is approved and implemented, the shareholding interests of Mr Wang (through his direct holdings and holdings through related parties) in AUML will increase from 41.74% to 59.32%.

Section 606 of the Act expressly prohibits transactions that result in a person or entity that, with their associates, increases their voting power from:

- 20% or below to more than 20%; or
- A point that is above 20% and below 90%,

without making a full takeover offer to all shareholders or otherwise falling within another exception (such as Section 611 of the Act).

Item 7 of Section 611 of the Act provides an exception to the prohibition on the basis that the acquisition is approved by resolution at a general meeting.

While Section 611 does not explicitly state that an expert's opinion is required in relation to the Proposed Transaction, regulatory guidance issued by ASIC states that it is the Directors' obligation to provide shareholders with full and proper disclosure to enable them to assess the merits of a proposed transaction for the purpose of assisting them to decide whether to approve any resolutions relating to the transaction. This obligation may be satisfied by commissioning an independent expert's report on whether the proposed transaction is "fair and reasonable" to Non-Associated Shareholders.

The Non-Associated shareholders are those shareholders in AUML whose votes are not to be disregarded in voting on the resolutions relating to the Proposed Transaction.

2.2.2. Chapter 10 of the ASX Listing Rules

The Proposed Transaction is subject to the provisions of the ASX Listing Rules.

ASX Listing Rule 10.1 requires that a Company must obtain shareholders' approval before it issues equity securities to a related party or a person whose relationship with the company or a related party of the company is, in ASX's opinion, such that approval should be obtained.

Mr Wang, Ms Yu and Mr Jun Wang are the directors of AUML and consequently related parties of the Company within the definition set out in ASX Listing Rule 19.12. WYI and New China Pty Ltd are also considered related parties of the Company as the Directors has the power to control the votes of the shares held by these entities.

Regulatory guidance issued by the ASIC states that it is the Directors' obligation to provide shareholders with full and proper disclosure to enable them to assess the merit of the Proposed Transaction and to decide whether to agree by resolution to the Proposed Transaction. This obligation may be satisfied by commissioning an independent expert report on whether the proposed transaction is "fair and reasonable" to the Non-Associated shareholders.

ASX Listing Rule 10.10 requires AUML to issue to its shareholders an independent expert report prior to obtaining shareholder approval for the Proposed Transaction.

The report must state the expert's opinion as to whether the transaction is fair and reasonable from the perspective of shareholders whose votes are not to be disregarded. The expert's opinion must be displayed prominently in the notice of meeting sent to Shareholders and on the covering page of any accompanying documents.

2.2.3. Chapter 2E of the Act

Section 208 of Chapter 2E of the Act requires a Company to seek shareholder approval before giving a financial benefit to a related party unless the benefit falls within an exception provided for in Section 210 of the Act.

Regulatory guide 76: Related party transactions **("RG 76")** states that it is necessary for entities to include a valuation from an independent expert with a notice of meeting for member approval under Chapter 2E of the Act, where:

- The financial benefit is difficult to value;
- The transaction is significant from the point of view of the entity; or
- The independent directors do not have the expertise or resources to provide independent advice to members about the value of the financial benefit.

We note that the Proposed Transaction may result in financial benefits being provided to WYI and New China Pty Ltd, which are the entities being controlled by the Directors.

2.3. Basis of assessment

In determining whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders, we have had regard to:

- Regulatory Guide 76: Related Party Transactions (**"RG 76"**).
- Regulatory Guide 111: Content of expert reports ("**RG 111"**).
- Regulatory Guide 112: Independence of experts (**"RG 112"**).

In particular, RG 111 establishes guidelines in respect of independent expert reports under the Act.

RG 111 establishes two distinct criteria for an expert analysing a control transaction. The tests are:

- Is the offer 'fair'?
- Is it 'reasonable'?

The terms fair and reasonable are regarded as separate elements and are not regarded as a compound phrase.

2.3.1. Fair

RG 111.11 indicates that an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities subject to the offer. The value of the securities the subject of the offer is determined assuming:

- A knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.
- 100% ownership of the target company, irrespective of the percentage holding of the bidder or its associates in the target company.

For situations that involve financial distress, ASIC's interpretation in RG 111 is that:

- In assessing fairness, the expert should assume an orderly market for the asset being valued, even if such market circumstances do not exist at the time of the fairness assessment.
- Factors such as financial distress of the asset and the current state of the market in which the asset operates are appropriate matters to be taken into account when assessing the reasonableness of the proposal under consideration

In relation to the interpretation of RG111.11, ASIC have advised that the appropriate assessment is to compare:

- The fair market value of a share pre-transaction on a control basis (being the value of the securities the subject to the offer per RG111.11).
- The fair market value of a share post-transaction on a minority basis

The basis for the above form of comparison is to ensure our analysis is in line with RG111.5 to RG111.7 which includes statements as follows:

- The main purpose of the report is to adequately deal with the concerns that could reasonably be anticipated of those persons affected by the proposed transaction; and
- The form of analysis an expert uses to evaluate a transaction should address the issues faced by security holders

The Proposed Transaction is fair if the fair value of an AUML share after the Proposed Transaction on a minority basis is equal to or greater than the fair value of an AUML share before the Proposed Transaction (including a premium for control).

2.3.2. Reasonable

In accordance with paragraph 60 of RG 111, an offer is 'reasonable' if it is 'fair'. An offer could be considered 'reasonable' if there are valid reasons to approve it (in the absence of any higher bid before the close of the offer), notwithstanding that it may not be regarded as 'fair'.

When deciding whether an offer is 'reasonable', factors an expert might consider include:

- the financial situation and solvency of the entity;
- the alternative options available to the entity;
- the entity's bargaining position;
- whether there is selective treatment of any shareholder; and
- any special value of the transaction to the purchaser.

General requirements in relation to the IER

In preparing the IER, ASIC requires the independent expert when deciding on the form of analysis for a report, to bear in mind that the main purpose of the report is to adequately deal with the concerns that could reasonably be anticipated of those persons affected by the Proposed Transaction. In preparing the IER we considered the necessary legal requirements and guidance of the Act, ASIC regulatory guides and commercial practice.

The IER also includes the following information and disclosures:

- Particulars of any relationship, pecuniary or otherwise, whether existing presently or at any time within the last two years, between BDO East Coast Partnership or BDOCF and any of the parties to the Proposed Transaction.
- The nature of any fee or pecuniary interest or benefit, whether direct or indirect, that we have received or will or may receive for or in connection with the preparation of the IER.
- We have been appointed as independent expert for the purposes of providing an IER for the Notice.
- That we have relied on information provided by the Directors and management of AUML ("**Management"**) and that we have not carried out any form of audit or independent verification of the information provided.
- That we have received representations from the Directors and the Management in relation to the completeness and accuracy of the information provided to us for the purpose of our IER.

2.4. Special value

We have not considered special value in forming our opinion. Special value is the amount that a potential acquirer may be prepared to pay for a business in excess of the fair market value. This premium represents

the value to the particular potential acquirer of potential economies of scale, reduction in competition, other synergies and cost savings arising from the acquisition under consideration not available to likely purchasers generally. Special value is not normally considered in the assessment of fair market value as it relates to the individual circumstances of special purchasers.

2.5. Reliance on information

This IER is based upon financial and other information provided by the Board and Management of AUML. We have considered and relied upon this information. Unless there are indications to the contrary, we have assumed that the information provided was reliable, complete and not misleading, and material facts were not withheld. The information provided was evaluated through analysis, inquiry and review for the purpose of forming an opinion as to whether the Proposed Transaction is fair and reasonable.

We do not warrant that our inquiries have identified or verified all of the matters which an audit, extensive examination or due diligence investigation might disclose. In any event, an opinion as to whether an offer gives a fair value from the perspective of Non-Associated Shareholders is in the nature of an overall opinion rather than an audit or detailed investigation.

It is understood that the accounting information provided to us was prepared in accordance with generally accepted accounting principles.

Where we relied on the views and judgement of management the information was evaluated through analysis, inquiry and review to the extent practical. However, such information is often not capable of direct external verification or validation.

Under the terms of our engagement, the directors of AUML have agreed to indemnify BDOCF and BDO East Coast Partnership, and their partners, directors, employees, officers and agents (as applicable) against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided, which is false or misleading or omits any material particulars, or arising from failure to supply relevant documentation or information.

2.6. Independent specialist valuation

In valuing AUML, we have relied on the Independent Valuation Report prepared by GM Minerals Consultants Pty Ltd ("**Geos Mining**") in accordance with the Australasian Code of Public Reporting of Technical Assessments and Valuations of Mineral Assets (2015 Edition) ("Valmin Code") and the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 Edition) **("JORC Code") ("Independent Valuation Report")**

We are satisfied with the valuation methodologies adopted by Geos Mining which we consider to be in accordance with industry practices and compliant with the requirements of the Valmin Code and the JORC Code. The specific valuation methodologies used by Geos Mining are referred to the respective sections in our Report and in further detail in the Independent Valuation Report contained in Appendix 4.

2.7. Limitations

We acknowledge that this IER may be lodged by Directors with regulatory and statutory bodies and will be included in the Notice to be sent to the Shareholders. The Board acknowledges that our IER has been prepared solely for the purposes noted in the Notice and accordingly we disclaim any responsibility from reliance on the IER in regard to its use for any other purpose. Except in accordance with the stated purposes, no extract, quote or copy of the IER, in whole or in part, should be reproduced without our prior written consent, as to the form and context in which it may appear.

It was not our role to undertake, and we have not undertaken any commercial, technical, financial, legal, taxation or other due diligence, other similar investigative activities in respect of AUML. We understand that the Directors have been advised by legal, accounting, tax and other appropriate advisors in relation to such matters as necessary. We provide no warranty or guarantee as to the existence, extent, adequacy, effectiveness and/or completeness of any due diligence or other similar investigative activities by the Board or their advisors.

We note that the IER does not deal with the individual investment circumstances of Non-Associated Shareholders and no opinion has been provided in relation to same.

Apart from the IER, we are not responsible for the contents of the Notice or any other document. We have provided consent for inclusion of the IER in the Notice. Our consent and the Notice acknowledge that we have not been involved with the issue of the Notice and that we accept no responsibility for the Notice apart from the IER.

2.8. Assumptions

In forming our opinion, we have made certain assumptions and outline these in our IER, which include:

- Assumptions outlined in the valuation sections.
- That matters such as title to all relevant assets, compliance with laws and regulations and contracts in place are in good standing, and will remain so, and that there are no material legal proceedings, other than as publicly disclosed.
- Information sent out in relation to the Proposed Transaction to the Shareholders or any regulatory or statutory body is complete, accurate and fairly presented in all material respects.
- Publicly available information relied on by us is accurate, complete and not misleading.
- If the Proposed Transaction is implemented, that they will be implemented in accordance with the stated terms.
- The legal mechanisms to implement the Proposed Transaction are correct and effective.

3. PROFILE OF AUML

3.1. Company history & overview

AUML (ASX:AYM) is a public company listed on the ASX engaged in the exploration and development of mineral properties in New South Wales and Queensland. The Company is currently focused on its three main NSW projects Sofala, Karangi and Honeybugle and the Forsayth Project in QLD.

3.2. Directors

The current board of directors consists of three members, as indicated below:

Table 6: Existing directors of AUML

Name	Capacity
Mr Xiaojing Wang	Executive Chairman
Ms Jia Yu	Non-Executive Director
Mr Jun Wang	Non-Executive Director

Source: Management Information

3.3. AUML Mineral Assets and Exploration activities

As on the date of this report, AUML holds a 100% registered interest in three granted mineral tenements and three granted exploration licences in Australia, being NSW and QLD. In NSW, the Company holds three exploration licences with an area under exploration of 286 square kilometres. In QLD, AUML holds one exploration and two mining licences with an area under exploration of 59 square kilometres.

Table 7: AUML Mineral assets

Tenement	Name	Location	Area	Grant Date	Expiry Date	Status
EL7041	Honeybugle	NSW	21 km2	24-Jan-08	23-Jan-20	Granted
EL7423	Sofala	NSW	40 km2	30-Nov-09	29-Nov-19	Granted
EL8402	Karangi	NSW	225 km2	29-Oct-15	28-Oct-18	Granted
EPM14498	Forsayth - EPM	QLD	59 km2	16-Jan-06	15-Jan-21	Granted
ML3417	Forsayth - Ropewalk 1	QLD	130 ha	1-Apr-87	31-Mar-18	Renewal Pending
ML3418	Forsayth - Ropewalk 2	QLD	110 ha	1-Apr-87	31-Mar-18	Renewal Pending

Source: Geos Mining's Independent Valuation Report

AUML has commenced preparations for diamond drilling at the Sofala Project but no ground exploration has commenced.

3.3.1 Forsayth Project

The Forsayth Project comprises granted exploration permit EPM 14498 and includes mining licences ML 3417 and ML 3418.

The project is centred around and to the southeast of the small mining/grazing community of Forsayth on the Georgetown-Forsayth road in Far-North Queensland

Table 8: AUML Mineral assets

Tenement	ML 3417	ML 3418	EPM 14498
Permit Name	Ropewalk 1	Ropewalk 2	Forsayth EPM
Status	Granted	Granted	Granted
Application Date	5-Nov-84	5-Nov-84	28-Jan-04
Grant date	1-Apr-87	1-Apr-87	16-Jan-06
Last renewal	11-Sep-10	11-Sep-10	10-Feb-16
Expiry Date	31-Mar-18 (renewal lodged)	31-Mar-18 (renewal lodged)	15-Jan-21
Area	130 ha	110 ha	18 sub blocks (~ 59 km²)
Mineral sought	Copper, lead, silver, zinc, gold	Copper, lead, silver, zinc, gold	All except coal
Purpose	Mining	Infrastructure	Exploration

Source: Geos Mining's Independent Valuation Report

3.3.2 Sofala Project (EL 7423)

The Sofala Project is located, approximately 30 kilometres north of Bathurst in Central NSW. The exploration licence was granted on 30 November 2009 and expires on 29 November 2019

3.3.3 Honeybugle Project (EL 7041)

The Honeybugle Project is located approximately 40 kilometres south-southwest of Nynan in the Central Western region of NSW. The exploration licence was granted on 24 January 2008 and expired on 24 January 2016. The licence has now been renewed till 23 January 2020.

3.3.4 Karangi Project (EL 8402)

The Karangi Project is located approximately eight kilometres north-west of the town of Coffs Harbour in the North-Eastern region of NSW. The exploration licence was granted on 29 October 2015 and expires on 29 October 2018.

3.4. Historical financial information

3.4.1. Historical financial performance

The historical income statements of AUML are set out in the table below. We note that the income statements for the financial years ended 30 June 2017 ("**FY17"**), 30 June 2018 ("**FY18"**) and three months ending 30 September 2018 ("**YTD19")** represent information from the annual report and the management accounts.

Table 9: Statements of financial performance of AUML

$'000	Notes	FY17	FY18	YTD19
Revenue		-	-	-
Less: Operating expenses				
Employee cost including director fees	1	(267)	(278)	(82)
Rental expense	2	(71)	(87)	(19)
Legal & corporate fees		(22)	(20)	(16)
Other general & admin expenses	3	(210)	(142)	(95)
EBITDA		**(570)**	**(528)**	**(212)**
Revaluation of exploration assets		31	12	-
Depreciation expense		(7)	(23)	(1)
EBIT		**(547)**	**(539)**	**(213)**
Finance charges	4	(77)	(87)	(26)
Other income	5	5	202	2
Profit before tax		**(619)**	**(424)**	**(238)**

Source: Annual report for FY18 and management accounts for three months ended 30 September 2018

In relation to AUML's financial performance we note:

1. Employee benefits expenses remained consistent at c. $0.3m during FY17 and FY18 and primarily consists of salary costs and director fees.
2. Rent and rates primarily comprises of monthly lease payments for the Corporate office in Sydney.
3. Other general and admin expenses are primarily comprised of accounting & auditing fee, insurance expenses, travel and other office expenses.
4. Finance charges primarily comprises of interest payable on debt owing to the related parties.
5. Other income increased significantly from $5k in FY17 to $202k during FY18. This was primarily driven by forgiven debt of $133k by Shandong Geology & Mineral Equipment. Also, Mr Jianbing Zhang, one of the previous directors forfeited his outstanding director fees of $64k upon his resignation on 30 October 2017.

3.4.2. Historical statements of financial position

The historical statements of financial position of AUML are set out in the table below. We note that the statements of position for the financial years ended 30 June 2017, 30 June 2018 and three months ending 30 September 2018 represent information from the annual report dated 12 September 2018 and management accounts for the period ended 30 September 2018.

Table 10: Statements of financial position

$'000	Notes	FY17	FY18	YTD19
Cash and cash equivalents	1	349	393	243
Other receivables		28	22	21
Other assets		112	21	23
Current Assets		**489**	**436**	**287**
Other assets including cash-backed environmental bonds	2	246	243	243
Property, plant & equipment		155	131	127
Exploration and evaluation assets	3	2,150	2,230	2,230
Non-Current Assets		**2,551**	**2,605**	**2,600**
Total Assets		**3,040**	**3,040**	**2,887**
Trade and other payables		126	65	82
Other financial liabilities		16	15	6
Provisions		4	6	9
Current Liabilities		**146**	**87**	**96**
Financial liabilities	4	1,160	1,644	1,719
Non-Current Liabilities		**1,160**	**1,644**	**1,719**
Total Liabilities		**1,307**	**1,730**	**1,815**
Net Assets		**1,734**	**1,310**	**1,072**
Issued Capital		39,218	39,218	39,218
Accumulated Losses		(37,485)	(37,908)	(38,147)
Total Equity		**1,734**	**1,310**	**1,072**

Source: Annual report for FY18 and management accounts for 3 months ended 30 September 2018

In relation to AUML's financial position we note:

1. Cash and cash equivalents declined from $349k in FY17 to $243k during YTD19 primarily due to funding the operating expenses of the Company.
2. Other assets reduced significantly during FY18 primarily on account of maturity of term deposits of $100k. As at 30 September 2018, other assets comprised of environmental bond deposits paid in relation to the granted exploration licences for tenement Sofala (EL 7423), Karangi (EL 7332) and Forsayth (3427 & 3418).
3. AUML reported exploration and evaluation assets of $2.2m at 30 June 2018 and 30 September 2018. For the purpose of this IER, we engaged Geos Mining to assess the fair market value of AUML's exploration and evaluation assets. Based on Geos Mining's analysis and valuation, the fair value of these assets falls into a range of $1.2m to $2.3m, with a preferred value of $2.2 million. Further details regarding valuation of exploration and evaluation assets are set out in Section 5.1.1.

The carrying amount of the tenements as at 30 September 2018 are summarised below:

Table 11: Reported value of AUML mineral assets

Tenements ($'000)	Book Value
Forsayth	1,000
Sofala	620
Honeybugle	270
Karangi	340
Book carrying value	**2,230**

Source: Management Information

4. Financial liabilities of $1.7m comprise of related party debts used for working capital in the business, as summarised below;

Table 12: Summary of financial liabilities

$'000	30-Jun-18	30-Sep-18
Xiaojing Wang	603	-
W.Y. International (Australia) Pty Ltd	506	1,690
WY Australia Investment Pty Ltd	296	-
Jia Yu	221	-
Jun Wang	17	-
New China Pty Ltd	-	29
Total related party debts	**1,644**	**1,719**

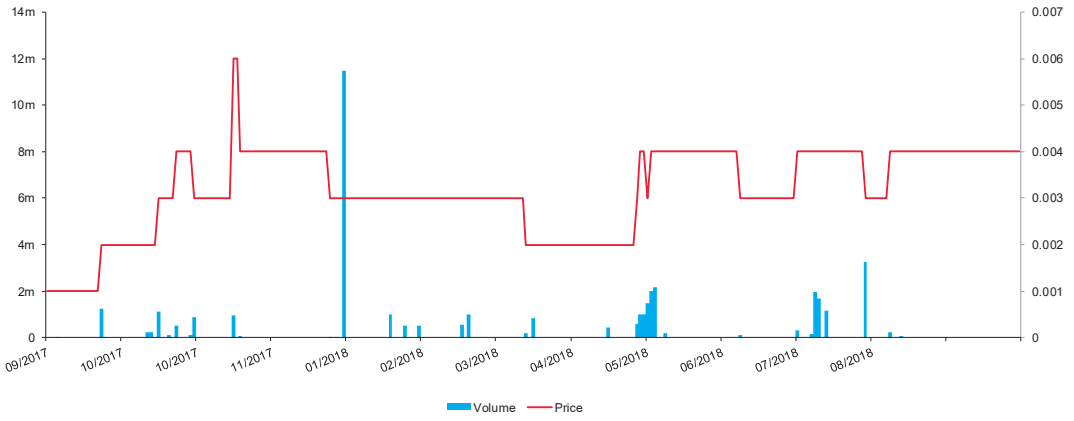
Source: Annual report for FY18 and management accounts for three months ending 30 September 2018

Note: During YTD19, Mr. Xiaojing Wang, WY Australia Investment Pty Ltd and Ms Jia Yu assigned their loans to W.Y. International (Australia) Pty Ltd. Similarly, Mr Jun Wang assigned his loan to New China Pty Ltd.

The Proposed Transaction pertains to the conversion of debt shown in the above table.

3.5. Historical share price analysis

We have analysed the historical ASX share price movements of AUML for the twelve months ended 30 September 2018. The following chart provides a summary of the share price movement over this period.



Source: Capital IQ and BDOCF Analysis

The daily price of AUML shares in the past 12 months ranged from $0.001 to $0.006. During November 2017, the share price of AUML experienced a significant increase from $0.003 per share to $0.006 per share.

The most significant trading volumes were experienced between September 2017 and March 2018 with the highest single day of trading on 29 December 2017, where 11,481,990 shares were traded.

An analysis of the volume of trading in AUML shares for the twelve months to 30 September 2018 is set out below:

Table 13: AUML historical share price analysis

Period	Volume Traded	Value ($)	Low $	High $	VWAP ($)	Turnover
As at 30 Sept 2018	-	-	-	0.004	-	-
10 days to 30 Sept 2018	-	-	0.004	0.004	-	-
1 month to 30 Sept 2018	-	-	0.004	0.004	-	-
2 month to 30 Sept 2018	300,000	1,200	0.003	0.004	0.004	0.00%
3 month to 30 Sept 2018	8,817,276	32,021	0.003	0.004	0.004	0.70%
6 month to 30 Sept 2018	17,830,922	64,962	0.002	0.004	0.004	1.40%
12 month to 30 Sept 2018	39,445,955	130,586	0.001	0.006	0.003	3.10%

Source: Capital IQ and BDOCF Analysis

The table above shows that AUML's shares demonstrated a very low level of liquidity, with 3.1% of the Company's current issued capital being traded in a twelve-month period.

Given the extremely low liquidity in AUML's shares, its historical quoted share prices cannot be used as a reliable indicator of value for the purposes of this Report. For the quoted market price methodology to be reliable there needs to be a deep market in the shares.

4. VALUATION METHODOLOGY

4.1. Fairness assessment overview

The Proposed Transaction is fair if the fair value of an AUML share after the Proposed Transaction on a minority basis is equal to or greater than the fair market value of an AUML share before the Proposed Transaction (including a premium for control).

Accordingly, to undertake this comparison we have undertaken an assessment of the value of an AUML share before and after the Proposed Transaction.

The available valuation methods for the above analyses are considered below.

4.2. Valuation methods

Details of common methodologies for valuing businesses and assets are included at Appendix 3.
The principal methodologies which can be used are as follows:

- Discounted cash flow ("**DCF**");
- Capitalisation of future maintainable earnings ("**FME**");
- Net asset value ("**NAV**"); and
- Quoted market price basis ("**QMP**").

Set out below is a discussion around the valuation method we consider appropriate for the purposes of undertaking our valuation assessment of AUML.

4.3. Selected valuation methods for AUML

In accordance with RG 111.15, we have considered the fair market value of AUML on the basis of a knowledgeable and willing, but not anxious, seller.

We have assessed the value of AUML using the NAV methodology. We consider our approach to be appropriate, based on the following considerations:

- The FME methodology is particularly applicable to business with relatively steady earnings and a sustainable level of growth. Given that AUML is currently loss making, and has historically been in losses, the FME method is not considered to be appropriate;

- The DCF methodology is appropriate where the future cash flows of the business are expected to vary (i.e. start-up companies, limited life assets, companies with irregular cash flows). While this would be the preferred method for the valuation of AUML, Management are not able to provide a forecast of its future earnings. Therefore, the DCF methodology could not be applied;
- The NAV method determines the value of a business by identifying assets or components of the business which could be sold, ascribing a value to each component and then off-setting from these the value of any liabilities.
- We understand that AUML is an exploration company and its core value exists in the exploration assets that it holds. Also, we have sufficient information to reliably determine the value of the assets and liabilities of AUML, we consider the NAV methodology to be appropriate in the valuation of a AUML's share; and
- The Quoted Market Price method is the application of the price that a company's shares trade on the ASX. It is an appropriate basis for valuation where:
    i. The shares trade in an efficient market place where 'willing' buyers and sellers readily trade the company's shares; and
    ii. the market for the company's shares is active and liquid.

  However, as discussed in section 3.7 above, given the extremely low liquidity in AUML's shares, its historical quoted share prices cannot be used as a reliable indicator of value for the purposes of this Report.

4.4. Overview of NAV

Asset based valuations involve the determination of the fair market value of a business based on the net realisable value of the assets used in the business.

Valuation of net realisable assets involves:

- separating the business or entity into components which can be readily sold, such as individual business units or collection of individual items of plant and equipment and other net assets; and
- ascribing a value to each based on the net amount that could be obtained for this asset if sold.

The net realisable value of the assets can be determined on the basis of:

- orderly realisation ("**NRV"**): this method estimates fair market value by determining the net assets of the underlying business including an allowance for the reasonable costs of carrying out the sale of assets, taxation charges and the time value of money assuming the business is wound up in an orderly manner. This is not a valuation on the basis of a forced sale where the assets might be sold at values materially different from their fair market value;
- liquidation: this is a valuation on the basis of a forced sale where the assets might be sold at values materially different from their fair market value; or
- going concern ("**NAV"**): the net assets on a going concern basis estimates the market value of the net assets but does not take into account any realisation costs. This method is often considered appropriate for the valuation of an investment or property holding entity. Adjustments may need to be made to the book value of assets and liabilities to reflect their going concern value.

The net realisable value of a trading entity's assets will generally provide the lowest possible value for the business. The difference between the value of the entity's identifiable net assets (including identifiable intangibles) and the value obtained by capitalising earnings is attributable to goodwill.

The net realisable value of assets is relevant where an entity is making sustained losses or profits but at a level less than the required rate of return, where it is close to liquidation, where it is a holding entity, or where all its assets are liquid. The net realisable assets methodology is also used as a check for the value derived using other methods.

We understand that AUML is an exploration company and its core value is in the exploration assets that it holds. We have engaged Geos Mining to act as an independent specialist and to provide an independent technical valuation of the Company's exploration assets in accordance with the Code for the Technical

Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports 2015 (the "VALMIN Code"). Geos Mining's full report is attached in Appendix 4. We have considered this in the context of AUML's other assets and liabilities on a NAV basis.

Further, we understand that AUML is currently loss making, however Management has no intention of winding up or liquidating the business and have confirmed that the Directors (who are also the shareholders of AUML) will continue to fund the operations of the Company.

Accordingly, we have considered the NAV method on a going concern basis for AUML as an appropriate valuation methodology.

4.5. Other valuation considerations

4.5.1. Future events

The business of AUML to be considered in this valuation is that which exists at the current date.

Growth potential, which may result from new activities, business initiatives, acquisitions and the like (which are not capable of estimation), is not within the scope of this valuation.

4.5.2. Valuation in accordance with APES 225

This engagement has been conducted in accordance with professional standard APES 225 Valuation Services, as issued by the Australian Professional and Ethical Standards Board.

5. NAV VALUATION OF AUML

5.1. Net Asset Position prior to the completion of Proposed Transaction

In determining the fair market value of the issued shares in AUML prior to completion of the Proposed Transaction, we have given primary consideration to its net asset is on a going concern basis at the valuation date.

The NAV method requires a determination of the Company's net assets as on the Valuation date. We have selected net asset position of AUML as at 30 September 2018 as:

- this is the latest date for which the balance sheet is available;
- based on our discussions with Management the book value of the assets and liabilities are considered to appropriately reflect their fair value; and
- no material intangible assets have been identified which need to be adjusted for within the NAV.

As set out above, AUML reported a net asset position of $1.1m as at 30 September 2018. We have made adjustments to AUML's reported 30 September 2018 net assets value as follows:

Table 14: AUML's adjusted net assets value of and value per share

$	Section	Low	High
Reported net assets	3.4	1,071,833	1,071,833
Adjustment: Market value of exploration assets	Table 16	(1,050,000)	120,000
Adjusted net assets		**21,833**	**1,191,833**
No. of shares outstanding	1.3	1,269,532,682	1,269,532,682
Adjusted net asset value per share		**0.00002**	**0.0009**

Source: BDOCF Analysis

The table above indicates the value of an AUML share, based on adjusted net assets, is in the range of $0.00002 to $0.0009 on a controlling interest basis, taking into account Geos Mining valuation of AUML's exploration and evaluation assets.

5.1.1 Exploration and evaluation assets

We engaged Geos Mining to provide an independent technical valuation ("Independent Valuation Report") of the exploration assets held by AUML in accordance with the VALMIN Code 2015 and the Australasian Code for Reporting of Exploration Results, Mineral Resources ("JORC Code").

The premise of value employed by Geos Mining is "Market Values" as defined in the VALMIN Code. The VALMIN Code defines "Market Value" as "the estimated amount (or the cash equivalent of some other consideration) for which the Mineral Asset should exchange on the date of valuation between willing buyer and a willing seller in an arm's length transaction after appropriate marketing where the parties had each acted knowledgeable, prudently and without compulsion." This definition of "Market Values" equates to "fair values" as defined in ASIC RG 111. Geos Mining has assessed each project's "technical value", using the methods described below, in terms of each asset's reasonable potential to generate income in its highest and best use, which is as future operating mines.

Geos Mining utilised two methods to value the AUML assets: Attributable Exploration Expenditure (**"AEE")** method (applied to the NSW projects only) and the Comparable Transaction ("**CT"**) method (applied to all projects).

In addition, Geos Mining has utilised a modified version of comparable transaction method for both QLD and NSW projects, based on identifying projects with similar mineralisation styles in Eastern Australia. The comparable transaction method requires allocating a value to the mineral resource in the ground and applying appropriate discounts for JORC category, operating factors and average acquisition cost for mineral projects.

In forming its conclusion regarding AUML's project values, Geos Mining has applied a weighting factor to the project values assigned using the comparable transaction method and project values assigned using the attributable exploration expenditure method, being 70% and 30%, respectively.

We are satisfied with the valuation methodologies adopted by Geos Mining, which are in accordance with industry practices and compliant with the requirements of the VALMIN Code.

The accompanying table indicates a value for AUML's exploration assets in the range of $1.2m and $2.3m, with a preferred value of $2.2m.

Table 15: Exploration assets valuation

$'000	Comparable Transaction (unweighted)			Attributable Exploration Expenditure (unweighted)			Weighted Preject Values		
Tenement	Low Value	High Value	Preferred Value	Low Value	High Value	ferred Value	Low Value	High Value	Preferred Value
Forsayth	350,000	1,000,000	1,000,000	-	-	-	350,000	1,000,000	1,000,000
Sofala	175,000	500,000	500,000	890,000	1,030,000	890,000	390,000	660,000	620,000
Honeybugle	100,000	200,000	150,000	440,000	560,000	560,000	200,000	300,000	270,000
Karangi	100,000	200,000	150,000	560,000	790,000	790,000	240,000	380,000	340,000
Variance	**725,000**	**1,900,000**	**1,800,000**	**1,890,000**	**2,380,000**	**2,240,000**	**1,180,000**	**2,340,000**	**2,230,000**

Source: Geos Mining Independent Valuation Report

Geos Mining's opinion is that there is very good opportunity for AUML to upgrade the quality of its project portfolio by the application of sound geological methods to enable estimation of its mineral assets that are compliant with the JORC Code 2012. Mineral Resources will attract a premium in terms of project value, whereas currently projects can only be assessed on the basis of much lower confidence.

Geos Mining also considered that the technical advancement of the projects has suffered as a result of staff changes within AUML resulting in successive project geologists having to gain familiarity with the projects.

As at 30 June 2018 and 30 September 2018, AUML has updated the carrying value of these assets to the preferred value of $2.2m assessed by Geos Mining for the purpose of this Report.

The difference between AUML's reported book value of exploration and evaluation assets and Geos Mining's assessment of the value of these assets is set out in the following table:

Table 16: Difference between AUML's reported value and Geos Mining's assessment

Tenements ($)	Low	High	Book Value
Forsayth	350,000	1,000,000	1,000,000
Sofala	390,000	660,000	620,000
Honeybugle	200,000	310,000	270,000
Karangi	240,000	380,000	340,000
Book carrying value	**1,180,000**	**2,350,000**	**2,230,000**
Net asset adjustment	**(1,050,000)**	**120,000**	

Source: Geos Mining Independent Valuation Report

5.2. Net Asset Position subsequent to the completion of Proposed Transaction

Our valuation of an AUML share subsequent to the Proposed Transaction on a going concern basis is set out below:

Table 17: Assessed value of AUML subsequent to the Proposed Transaction

$	Section	Low	High
Adjusted net assets prior to the Proposed Transaction	5.1	21,833	1,191,833
Add: Conversion of related party debt	Note 1	1,719,134	1,719,134
Net assets of AUML subsequent to the Proposed Transaction (controlling interest basis)		**1,740,967**	**2,910,967**
Less: Minority Interest discount	Note 2	-30%	-20%
Net assets of AUML subsequent post the Proposed Transaction (minority interest basis)		**1,218,677**	**2,328,774**
No. of shares on issue	Note 3	1,842,577,485	1,842,577,485
AUML value per share post the Proposed Transaction (minority interest basis)		**0.0007**	**0.0013**

Source: BDOCF analysis and Management Information
Notes:

1. *Conversion of related party debts of $1.7m per the terms of the Debt Conversion Agreement. Related party debts will be converted to 573,044,803 ordinary shares of AUML.*
2. *Minority interest discount reflecting an appropriate control premium for AUML in the range of 20% to 30%, calculated as [1-(1/ (1+control premium))].*
3. *Issued shares subsequent to the Proposed Transaction equal to 1,269,532,682 as at 30 September 2018 plus 573,044,803 per terms of Debt Conversion Agreement*

As shown in the table above, the value of an AUML share following the Proposed Transaction on a minority interest basis is between $0.0007 and $0.0013.

6. Fairness Assessment

6.1. Fair value of AUML's shares

We have formed our opinion in relation to fairness by comparing the:

- Fair market value of AUML share before the Proposed Transaction (including a premium for control); and
- Fair market value of AUML share after the Proposed Transaction on a minority basis

The Proposed Transaction will be fair if the fair market value of AUML share after the Proposed Transaction on a minority basis is equal to or greater than the fair market value of AUML share before the Proposed Transaction (including a premium for control)

The result of our fairness analysis is summarised below.

Table 18: Fairness assessment

$	Section	Low	High
Fair market value of a share in AUML prior to the Proposed Transaction (control basis)	5.1	0.00002	0.0009
Fair market value of a share in AUML post the Proposed Transaction (minority basis)	5.2	0.0007	0.0013
Variance		**0.0006**	**0.0003**

Source: BDOCF analysis

Our analysis shows the value of an AUML share on a minority interest basis subsequent to the Proposed Transaction (incorporating the financial effects of the Proposed Transaction) to be in the range of $0.0008 to $0.0014 per share, which is greater than our assessment of the fair value of an AUML share on a controlling interest basis prior to the Proposed Transaction which is in the range of $0.00002 to $0.0009 per share. Hence, we conclude that the Proposed Transaction is fair from the perspective of the Non-Associated Shareholders.

7. Reasonableness Assessment

In accordance with RG 111, an offer is reasonable if it is fair. On this basis, the Proposed Transaction is reasonable to Non-Associated Shareholders.

We have set out below a summary of reasonableness factors we consider relevant in assisting the Non-Associated Shareholders in deciding whether or not to vote in favour of the Proposed Transaction.

Advantages of approving the Proposed Transaction

We consider the following to be advantages of approving the Proposed Transaction:

- **The Proposed Transaction is fair**: We have assessed the Proposed Transaction to be "fair";
- **Strengthening of the Company's balance sheet**: A reduction in debts from the conversion of loan will improve the net assets of AUML.
- **Major shareholder support**: Following the completion of the Proposed Transaction, Mr Wang (through his direct and related party holdings) will hold 59.32% of AUML's issued shares. Management has advised us that Mr Wang will continue to support AUML's continued exploration of its mineral assets following completion of the Proposed Transaction.

Disadvantages of approving the Proposed Transaction

We consider the following to be disadvantages of approving the Proposed Transaction:

- **Non-Associated Shareholders' interests in the Company will be diluted**: By approving the Proposed Transaction the interests of the Non-Associated Shareholders will be diluted from 58.26% to 40.1%.
- **Potential lower liquidity of shares**: The Proposed Transaction will result in Mr Wang's combined interest of 59.32% in AUML. The presence of such significant shareholdings generally reduces the liquidity of a Company's share trading and reduces the likelihood that the Company will be the target of any potential takeover activity.

AUML appears to have very little access to funding at this point in time. Capital raising for early stage gold exploration projects, such as AUML, is very challenging in the current economic environment. This view is corroborated by the findings of Geos Mining's valuation of AUML's exploration and evaluation assets.

The conversion of related party debts to equity will strengthen AUML's balance sheet and one of the existing directors has indicated further support will be available for AUML to continue to develop its exploration and evaluation assets.

8. Conclusion

We consider the Proposed Transaction to be fair and reasonable to the Non-Associated Shareholders.

9. QUALIFICATIONS, DECLARATIONS AND CONSENTS

9.1. Qualifications

BDOCF is the licensed corporate finance arm of BDO East Coast Partnership, Chartered Accountants and Business Advisers. BDOCF provides advice in relation to all aspects of valuations and has extensive experience in the valuation of corporate entities and provision of expert's reports.

Mr Daniel Coote, B.Com, CA, MAppFin is a Director of BDOCF. Mr Coote is also a partner of BDO East Coast Practice.

Mr Coote is the Director responsible for the preparation of this IER. Mr Coote has over 15 years of experience in a number of specialist corporate advisory activities including company valuations advising on independent expert reports, due diligence investigations, preparation and review of business feasibility studies, public company floats, advising on mergers and acquisitions, preparation of information memoranda and other corporate investigations. Accordingly, Mr Coote is considered to have the appropriate experience and professional qualifications to provide the advice offered.

9.2. Independence

BDOCF is not aware of any matter or circumstance that would preclude it from preparing this IER on the grounds of independence either under regulatory or professional requirements. In particular, we have had regard to the provisions of applicable pronouncements and other guidance statements relating to professional independence issued by Australian professional accounting bodies and ASIC.

BDOCF considers itself to be independent in terms of RG 112 independence of experts, issued by ASIC. Neither BDOCF, nor its owner practice, BDO East Coast Partnership, has acted in any capacity for AUML with regard to any matter in the past.

BDOCF was not involved in advising on, negotiating, setting, or otherwise acting in any capacity for AUML in relation to the Proposed Transaction. Further, BDOCF has not held and, at the date of this IER, does not hold any shareholding in, or other relationship with AUML that could be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transaction.

BDOCF will receive a fee of up to $15,910, excluding Goods and Services Tax for the preparation of this IER. BDOCF will not receive any fee contingent upon the outcome of the Proposed Transaction, and accordingly, does not have any pecuniary or other interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in relation to the Proposed Transaction.

A draft of this IER was provided to the Directors and their advisors for review of factual accuracy. Certain changes were made to the IER as a result of the circulation of the draft IER. However, no changes were made to the methodology, conclusions, or recommendations made to the Unitholders as a result of issuing the draft IERs.

Disclaimer

This IER has been prepared at the request of the Directors and was not prepared for any purpose other than that stated in this IER. This IER has been prepared for the sole benefit of the Directors and Unitholders. Accordingly, this IER and the information contained herein may not be relied upon by anyone other than the Directors and Unitholders without the written consent of BDOCF. BDOCF accepts no responsibility to any person other than the Directors and Unitholders in relation to this IER.

The statements and opinions contained in this IER are given in good faith and are based upon BDOCF's consideration and assessment of information provided by the Directors, executives and Management of all the entities.

APPENDIX 1: GLOSSARY

Term	Definition
$	Australian Dollar(s)
$'000/$k	Australian Dollars in thousands
Act	Corporations Act 2001
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
APES 225	Accounting Professional & Ethical Standards Board Limited issued professional standard APES 225 on valuation services
AUML or Company	Australia United Mining Limited
BDOCF, we, our or us	BDO Corporate Finance (East Coast) Pty Ltd (ABN 70 050 038 170)
Board	Board of directors of AUML
Conversion Price	The Conversion price is $0.003 per ordinary share
DCF	Discounted cash flow method
Debt Conversion Agreement	Debt conversion agreement entered between AUML, WYA and New China Pty Limited
Directors	Directors of AUML
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
FME	Future maintainable earnings
FOS	Financial Ombudsman Service Limited
FYxx	Financial year ended/ending 30 June 20xx
Geos Mining	GM Minerals Consultants Pty Ltd
Licence	Australian Financial Services Licence No: 247420
m	Millions
Management	Management of AUML
Mr Wang	Xiaojing Wang, Executive Chairman
Ms Yu	Jia Yu, Director
NAV	Net asset value
nil	0.00%
Non-Associated Shareholders	Those shareholders in AUML whose votes are not to be disregarded in voting on the resolutions relating to the Proposed Transaction
Notice	Notice of general meeting for the Shareholders
NPV	Net present value
Proposed Transaction	Conversion of related party debt of $1.7m to ordinary shares AUML
QMP	Quoted market price
QLD	Queensland
Report or IER	Independent expert's report
Report date	26 October 2018
Related Parties	W.Y. International (Australia) Pty Ltd and New China Pty Ltd
RG 111	ASIC Regulatory Guide 111 Content of expert reports
RG 112	ASIC Regulatory Guide 112 Independence of experts
Shareholders	Existing shareholders of AUML
VALMIN Code	Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports 2005
WYA	WY Australia Investment Pty Ltd
WYI	W.Y. International (Australia) Pty Ltd
YTD19	3 months ending 30 September 2018

Source: BDOCF

APPENDIX 2: SOURCES OF INFORMATION

In preparing this IER, we had access to and relied upon the following principal sources of information:

- AUML annual report for the year ended FY18
- AUML management accounts from 1 July 2018 to 30 September 2018
- Debt Conversion agreement between AUML and WYI
- Debt Conversion agreement between AUML and New China Pty Limited
- Notice and Explanatory memorandum regarding the Proposed Transaction
- Information supplied by management
- Information sourced from AUML's website
- ASIC guidance notes and regulatory guides as applicable

APPENDIX 3: VALUATION METHODS - BUSINESSES AND ASSETS

In conducting our assessment of the fair market value of AUML shares, the following commonly used business valuation methods have been considered:

Discounted Cash Flow Method

The discounted cash flow method is based on the premise that the value of a business or any asset is represented by the present value of its future cash flows. It requires two essential elements:

- the forecast of future cash flows of the business asset for a number of years (usually five to 10 years); and
- the discount rate that reflects the riskiness of those cash flows used to discount the forecast cash flows back to net present value.

DCF is appropriate where:

- the businesses' earnings are capable of being forecast for a reasonable period (preferably 5 to 10 years) with reasonable accuracy;
- earnings or cash flows are expected to fluctuate significantly from year to year;
- the business or asset has a finite life;
- the business is in a 'start up' or in early stages of development;
- the business has irregular capital expenditure requirements;
- the business involves infrastructure projects with major capital expenditure requirements; or
- the business is currently making losses but is expected to recover.

FME method

The FME Methodology is particularly applicable to businesses with relatively steady growth histories and forecast, regular capital expenditure requirements and non-finite lives. This method places a value on the business by estimating the likely FME. The FME is then capitalised at an appropriate rate which reflects:

- Business outlook;
- Business risk;
- Investor expectations;
- Future growth prospects; and
- Other entity-specific factors

Capitalisation of Earnings Method

This method involves the capitalisation of normalised earnings by an appropriate multiple. Normalised earnings are the assessed sustainable profits that can be derived by the vendor's business and excludes any one off profits or losses. An appropriate earnings multiple is assessed by reference to market evidence as to the earnings multiples of comparable companies.

This method is suitable for the valuation of businesses with indefinite trading lives and where earnings are relatively stable or a reliable trend in earnings is evident.

Quoted Market Prices

The application of the price that an entity's units' trade on the ASX is an appropriate basis for valuation where:

- the units' trade in an efficient market place where 'willing' buyers and sellers readily trade the entity's units; and
- the market for the entity's units is active and liquid.

APPENDIX 4: TECHNICAL EXPERT REPORT – Geos Mining

GEOS MINING
MINERALS CONSULTANTS

Suite 301,
68 Alfred Street,
Milsons Point NSW 2061
Australia

T 61 2 9929 6868
E info@geosmining.com
www.geosmining.com

EXPLORATION MANAGEMENT | MINING DATA MANAGEMENT | MINING TENEMENT MANAGEMENT
INDEPENDENT TECHNICAL REPORTS & VALUATIONS | RESOURCES ESTIMATION | DUE DILIGENCE

Valuation of AUML Mineral Assets (as at 15/08/2018)

Queensland and NSW Projects

Australia United Mining Limited

Job No. **2683-21a**

Report Date: **18 October 2018**

Prepared for:

Daniel Coote, Director

BDO Corporate Finance (East Coast) Pty Ltd

Prepared by:

Jeff Randell

BSc (Hons), MAIG, RPGeo

Senior Consultant

Reviewed by:

Murray Hutton

BA (Hons, Geology), MAIG

Principal Consultant

Executive Summary

Geos Mining was commissioned by BDO Corporate Finance (East Coast) Pty Ltd (BDO) to prepare a valuation of Australia United Mining Limited (AUML)'s mineral assets in Queensland and New South Wales for inclusion in the notice of meeting of AUML in relation to the conversion of $1.3m debt and $0.3m unpaid director fees to ordinary shares of AUML.

This report has been prepared in accordance with the principles of the VALMIN Code 2015. Mineral Resources quoted in this report are reported in accordance with the JORC Code 2012. Where tonnage/ grade estimates are not considered to meet the requirements of the JORC Code 2012, then they are not referred to as Mineral Resources. A draft of this report has been presented to AUML and BDO for comment and correction of any errors of fact.

This report was prepared by Jeff Randell (primary author) and peer reviewed by Murray Hutton. Both have the required qualifications and relevant recent experience to be regarded as Specialists under the VALMIN Code 2015 for the styles of deposits and stages of development of the AUML Mineral Assets.

AUML Mineral Assets

AUML and its wholly owned subsidiaries, Fortius Mines Pty Ltd and Icarus Mines Pty Ltd, hold a 100% registered interest in three granted mineral tenements in Queensland and three granted exploration licences in New South Wales. A site inspection was carried out at the Forsayth Project on 12 July 2016, but site inspections were not carried at any of the NSW projects specifically for this valuation. However, Geos Mining inspected the Sofala Project in 2015 and 2017 as part of exploration preparations.

There has been no exploration completed by AUML since the date of the last valuation or valuation update. AUML has commenced preparations for diamond drilling at the Sofala Project but no ground exploration has commenced.

Forsayth Project, Qld

The project (EPM14498, ML3417, ML3418) is located within the Forsayth Province of the Georgetown Inlier. The Etheridge gold field produced about 600,000 oz gold, but of the two largest mines at Forsayth, the Caledonian produced 10,900 oz gold and the Ropewalk 1,931 oz gold. The Ropewalk mine is held by AUML but the Caledonian is held under mining lease by an unrelated company. Over 50 historical gold workings, prospects and significant past producing mines occur within the project area.

In Geos Mining's opinion, none of the tonnage/ grade estimates within the project area can be classified as Mineral Resources, in accordance with the JORC Code 2012. However, we believe that this could be achieved through a careful scientific approach and targeted exploration. Based on information provided, an Exploration Target of 110,000 - 170,000 tonnes @ 5-10 g/t Au for ~20,000 - 50,000 oz Au is estimated for the Ropewalk, Flying Cow and Queenslander deposits. There has been insufficient data made available to consider the Lady Franklin, New Gossan, Nil Desperandum or other workings.

NSW PROJECTS

The Honeybugle Project (EL7041) is centred over a large mafic intrusive complex and, although mainly concealed, is well defined by aeromagnetic survey images. This area is deeply weathered and contains metalliferous lateritic soil profiles enriched in platinum, nickel, cobalt and scandium.

The Sofala Project (EL7423) covers a portion of Sofala Volcanics and younger sediments on the eastern side of the Hill End Trough. The area is host to a large number of vein style gold occurrences especially within the central portion of the project and these are likely to be the source area for much of the alluvial gold historically mined about the villages of Sofala and Wattle Flat and along the Turon River. Hard-rock gold workings occur at Surface Hill, the Queenslander mine, Solitary Reef and other locations.

The Karangi Project (EL8402) is considered to have potential for epigenetic vein, stratabound massive sulphide and exhalative-hosted gold and base metals deposits. There are a very large number of gold, copper, mercury and manganese occurrences within the project area. The Illabo mine and the Beacon Group were the largest past gold producers. At the Mount Brown mine, copper is the predominant metal, while native mercury occurs at the Woolgoola prospect.

There are no Mineral Resources identified within any the NSW projects. In Geos Mining's opinion, tonnage/ grade estimates compiled for the Spring Gully deposit within the Sofala Project in 2002 and 2009 do not meet the requirements of the JORC Code 2012 and cannot be considered as Mineral Resources.

VALUATION OF THE QLD AND NSW PROJECTS

The Valuation Date is 15 August 2018.

Geos Mining has utilised two methods to value the AUML assets: Attributable Exploration Expenditure (AEE) method (applied to the NSW projects only) and the Comparable Transaction (CT) method (applied to all projects).

The range of values ascribed to the NSW Projects by the AEE method is between $1.9 million - $2.4 million with a preferred value of $2.2 million. However, we consider that this range reflects a Technical Value range only and is not in line with the current market expectations.

For the CT method, we have compared a total of 23 transactions involving Eastern Australian gold projects with similar mineralisation styles. For the advanced stage Sofala and Forsayth projects, we have assigned project values based upon the value of potential mineable ounces gold. For the early stage NSW projects we have assigned project values based upon recent transactions where no Mineral Resources are defined.

Our Market Valuation of the AUML projects, as at the Valuation Date, is summarised in the table below.

Project	Low Value A$'000	High Value A$'000	Preferred Market Value A$'000
Forsayth	350	1,000	1,000
Sofala	390	660	620
Honeybugle	200	300	270
Karangi	240	380	340
	1,180	**2,340**	**2,230**

In summary, we consider that the Market Value of the AUML projects at the date of this valuation update (15/08/2018) is **between A$1.2 million and A$2.3 million with a preferred Market Value of A$2.2 million**. This is essentially the same as our previous valuation update (15/08/2017) but slightly higher than our earlier valuation (21/07/2016) of between A$1.5 million and A$2.5 million with a preferred Market Value of A$1.9 million. We re-iterate that this valuation does not include any value placed on plant, equipment or infrastructure associated with any of AUML's tenements.

Our valuation of the AUML projects has been constrained by the stringent requirements of the JORC Code 2012 in terms of classifying mineral deposits as Mineral Resources. The lack of compliance with these requirements, in the cases of the Sofala and Forsayth Projects, has resulted in a significant reduction in project value. However, we consider that, with careful data analysis and ongoing targeted exploration, those projects values could be upgraded, notwithstanding that the current market conditions do not indicate that a premium price could be paid for smaller deposits.

Declarations

Principles

This Valuation Report (VR) has been prepared in accordance with the principles and requirements of the VALMIN Code 2015. No opinion has been expressed on matters that require legal or other specialized expertise or knowledge. The conclusions assume continuation of prudent management over whatever period that is reasonable and necessary to maintain the character and integrity of the assets valued.

Limitations, Indemnities & Consent

This report is provided to AUML solely for the purpose of assisting AUML Directors and their auditors to value the company's mineral assets as at the reporting date.

The opinions expressed herein are given in good faith and Geos Mining believes that any assumptions or interpretations are reasonable. The opinion expressed in the VR is based on information provided to Geos Mining by AUML throughout the course of the investigations that reflect the various technical and economic conditions as at the time of writing.

As far as can be determined, Geos Mining believes that the information provided by AUML is complete and not incorrect, misleading or irrelevant in any material aspect. While every effort has been made to ensure the accuracy of this VR, we take no responsibility if the conclusions of this Valuation Report are based on incomplete or misleading data provided by AUML, subject to applicable law and the VALMIN Code 2015.

With respect to this report and its use by AUML, AUML agrees to indemnify and hold harmless Geos Mining, its shareholders, directors, officers and associates against any and all losses, claims, damages, liabilities or actions to which they or any of them may become subject under any securities act, statute or common law, except in respect to fraudulent conduct, negligence or wilful misconduct, and will reimburse them on a current basis for any legal or other expenses incurred by them in connection with investigating any claims or defending any actions, except where they or any of them are found liable for, or guilty of fraudulent conduct, negligence or wilful misconduct.

This report does not constitute a full technical audit, but rather it seeks to provide an independent overview and technical appreciation of the AUML mineral assets. This report may be reproduced only in its entirety and then only with Geos Mining's prior written consent. This report must not be released to the general public without the prior written consent of Geos Mining.

Statement of Competence

This report has been prepared by Geos Mining, a Sydney-based geological consultancy that has been operating since 1998, and has been compiled and edited by:

- Jeff Randell, BSc (Hons), MAIG, RPGeo - Senior Consultant

- Murray Hutton, BA (Hons Geology), MAIG – Principal Consultant

Each author has the requisite experience and expertise to be considered a Specialist under the VALMIN Code 2015 for the respective sections that they have compiled.

Jeff Randell is a Specialist, as defined by the VALMIN Code 2015, and is responsible for the preparation and contents of this report. Murray Hutton is a Specialist, as defined by the VALMIN Code 2015, and is responsible for the peer review of this report.

Jeff Randell:

- graduated from Flinders University in 1974 with Bachelor of Science Degree with Honours;
- has 41 years' experience in exploration, mining and evaluation of nickel, gold, copper, lead, zinc, and bauxite projects
- has had at least ten years of relevant and recent experience in Technical Assessment and at least an additional five years of recent and relevant experience in the valuation of Mineral Assets
- is a Member of Australian Institute of Geoscientists (AIG) (membership number 3944) and is a Registered Professional Geoscientist (membership number 10,113).

Murray Hutton:

- graduated from Macquarie University in 1976 with Bachelor of Arts Degree in Geology with Honours,
- has 40 years' experience in exploration, mining and evaluation of gold, copper, lead, zinc and tin projects
- has had at least five years of relevant and recent experience in the assessment and valuation of Mineral Assets;
- is a Member of Australian Institute of Geoscientists (AIG) (membership number 3732).

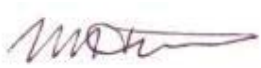
STATEMENT OF INDEPENDENCE

Geos Mining and its Directors, the authors and immediate families are independent of BDO Corporate Finance (East Coast) Pty Ltd and have no financial interests in:

- BDO Corporate Finance (East Coast) Pty Ltd,
- any associated companies,
- any joint venture partners involved in the mineral assets
- any of the mineral assets that are the subject of the valuation.

Geos Mining completed an initial valuation in 2016 and two valuation updates in 2017.

Signature:			
Name:	Jeff Randell	Position:	Senior Consultant
Qualifications:	BSc (Hons), MAIG, RPGeo	Date:	15 August 2018

Signature:			
Name:	Murray Hutton	Position:	Principal Consultant
Qualifications:	BA (Hons, Geology), MAIG	Date:	15 August 2018

COSTS

Geos Mining is being remunerated for this report on a standard fee for time basis, with no remuneration or provision of further work dependent on the outcome of the valuation or the success or failure of the transaction for which the Independent Expert Report was required. The cost of the report update is $3,000.

REASONABLENESS STATEMENT

In undertaking this valuation, Geos Mining has assessed the Technical and Financial inputs pertaining to the AUML projects in an impartial, rational, realistic and logical manner. We believe that the inputs, assumptions, overall Technical Assessment, Valuation Approach and Valuation Method are in line with industry standards and meet the Reasonable Grounds Requirement of the VALMIN Code 2015.

Contents

Tables

Figures

Photos

Introduction

Commissioning Entity

Geos Mining was commissioned by BDO Corporate Finance (East Coast) Pty Ltd (BDO) to prepare a valuation of Australia United Mining Limited (AUML)'s mineral assets in Queensland and New South Wales.

for inclusion in the notice of meeting of AUML in relation to the conversion of $1.3m debt and $0.3m unpaid director fees to ordinary shares of AUML.

Scope & Purpose of Report

The purpose of the report is to prepare a market valuation of Australia United Mining Limited (AUML)'s mineral assets in Queensland and New South Wales for inclusion in the notice of meeting of AUML in relation to the conversion of $1.3m debt and $0.3m unpaid director fees to ordinary shares of AUML.

Geos Mining has previously prepared a valuation and valuation updates for AUML (Randell, 2016) (Randell, 2017a) (Randell, 2017b).

Principles

The appropriate professional standards for the preparation of valuation and independent expert reports relating to mineral assets are encompassed in the provisions of the VALMIN Code 2015[1]. This report[2] has been prepared in accordance with the principles and relevant sections of that Code. Mineral Resources quoted in this report are reported in accordance with the JORC Code 2012[3]. Where tonnage/ grade estimates are not considered to meet the requirements of the JORC Code then they are not referred to as Mineral Resources.

A draft of this report has been presented to AUML and BDO for comment and correction of any errors of fact.

Geos Mining's assessment of the projects and proposed exploration programs and budgets is based on technical reviews of relevant data, including data provided by the company. Geos Mining has accepted this data as being provided in good faith and we have no reason to believe that any technical information obtained or provided is erroneous or misleading.

Geos Mining has conducted limited checks on the status of the various tenements concerned, but we have not undertaken a full legal due diligence of the tenements.

[1] Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Mineral and Petroleum Securities for Independent Expert Reports, 2015 (the "VALMIN Code 2015") published by AusIMM (http://www.ausimm.com/codes/valmin.asp)

[2] For the purposes of the VALMIN Code 2015, the present report is a Valuation Report, which deals with the Valuation of Mineral Assets

[3] Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2012 published by the Joint Ore Reserves Committee

Date of Valuation

The Valuation Date is 15 August 2018.

Disclosure by Geos Mining

Geos Mining was appointed as tenement agent for AUML's NSW projects on 20 October 2015 and for the Queensland project on 22 June 2016. Geos Mining's responsibilities are to:

- Act as authorised tenement agent, including the signing of documents, on behalf of the Company
- Administer the Company's tenements as required under all prescribed governing bodies
- Lodge statutory reports, dealings and assignments as requested by the Company
- Obtain copies of the Company's technical reports and tenement documents, as requested
- Make applications on behalf of the Company, including renewals, partial and full relinquishments and variations

Geos Mining is recompensed for this work on an hourly rate basis with no success fee.

AUML Mineral Assets

AUML and its wholly owned subsidiaries, Fortius Mines Pty Ltd and Icarus Mines Pty Ltd, hold a 100% registered interest in three granted mineral tenements in Queensland and three granted exploration licences in New South Wales (Figure 1 and Table 1).

Tenement	Name	Location	Registered Holder	Area	Grant Date	Expiry Date	Status
EL7041	Honeybugle	NSW	Icarus Mines P/L	21 km^2	24/01/2008	23/01/2020	Granted
EL7423	Sofala	NSW	Fortius Mines P/L	40 km^2	30/11/2009	29/11/2019	Granted
EL8402	Karangi	NSW	Fortius Mines P/L	225 km^2	29/10/2015	28/10/2018	Granted
EPM14498	Forsayth - EPM	Qld	Australia United Mining Ltd	59 km^2	16/01/2006	15/01/2021	Granted
ML3417	Forsayth - Ropewalk 1	Qld	Australia United Mining Ltd	130 ha	01/04/1987	31/03/2018[4]	Renewal Pending
ML3418	Forsayth - Ropewalk 2	Qld	Australia United Mining Ltd	110 ha	01/04/1987	31/03/2018[5]	Renewal Pending

Table 1: AUML Tenements (as at 15 August 2018)

[4] Application for renewal lodged 27/09/2017
[5] Application for renewal lodged 27/09/2017

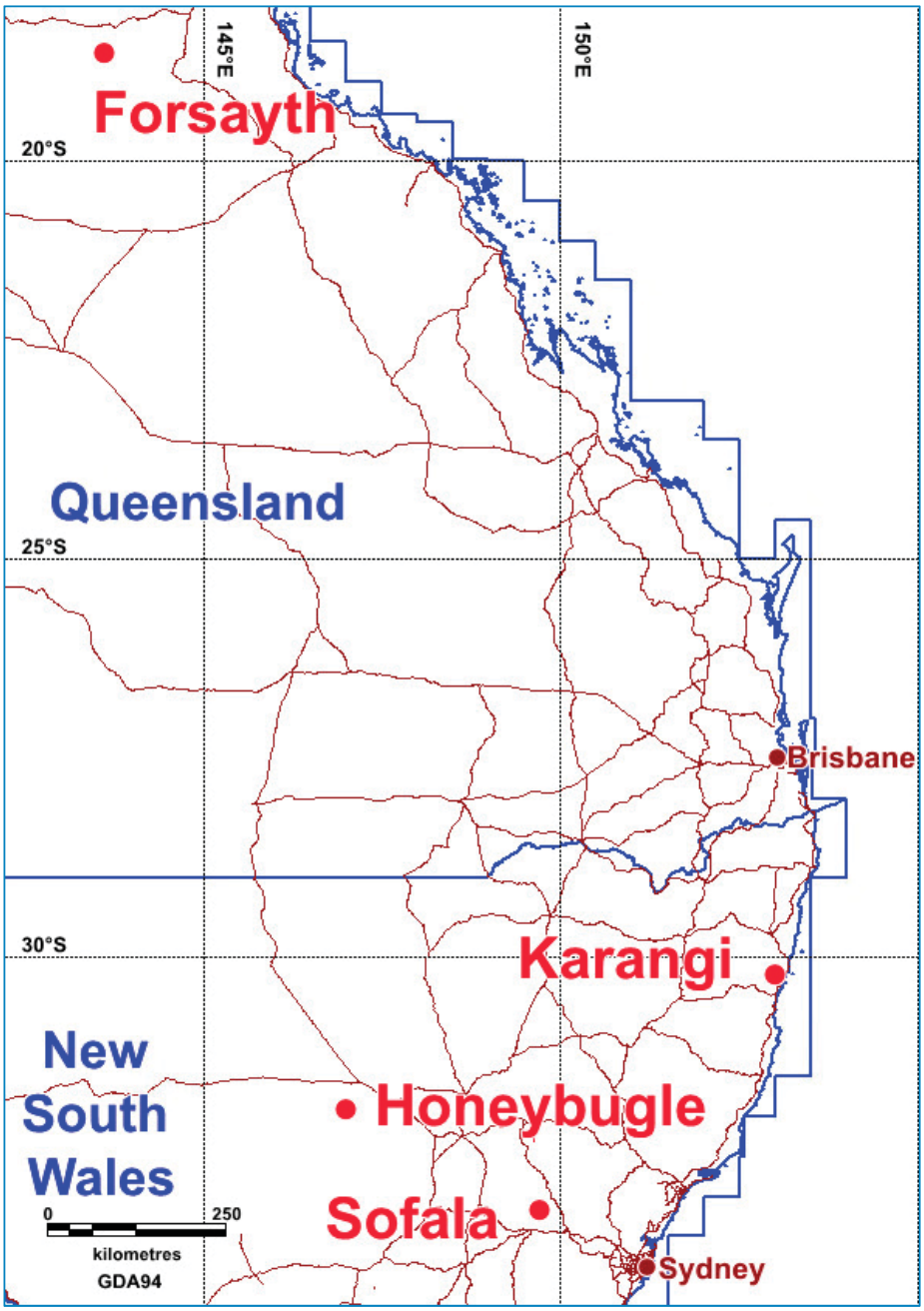


Figure 1: Location of AUML's Queensland and New South Wales Projects

Due Diligence of AUML's Mineral Assets

Geos Mining has not undertaken a full legal due diligence of the AUML tenements or agreements pertaining to those tenements. However, we have conducted independent searches of AUML's tenements by accessing the various Government databases. Tenement information has been collected from the Queensland Department of Natural Resources and Mines (DNRM) mapping website at https://minesonlinemaps.business.qld.gov.au/SilverlightViewer/Viewer.html?Viewer=momapspublic and the NSW Planning & Environment titles website at http://minview.minerals.nsw.gov.au/mv2web/mv2?cmd=MainMap&topic=ttl.

We have also sighted for each tenement 'Resource authority public report' downloaded from the Queensland DNRM and a 'full report' from the NSW Titles Administration System.

Australia United Mining Limited (AUML) is an Australian company that listed on the Australian Stock Exchange on 19 September 2011. The company has a current market capitalisation of A$5.1m. AUML formerly traded as Altius Mining Limited until 29 September 2014.

Fortius Mines Pty Ltd and Icarus Mines Pty Ltd are unlisted companies registered with the Australian Securities and Investments Commission (ASIC). Both companies are stated as 100% subsidiaries of AUML (Australia United Mining Limited, 2016).

Data Sources

Sources of Information

This report has been based on data, reports and other information provided by AUML, supplemented by data obtained through publicly available sources.

AUML provided digital copies of their project data from the server in the AUML Sydney office. In addition, the tenement agent for the Forsayth project provided relevant data relating to the administrative management of the Queensland tenements. Data made available for this Valuation Report include:

Forsayth Project

- Numerous historical exploration reports, including plans, pre AUML for the area covering EPM14498
- Various prospect geological maps
- Large number of GIS files in Mapinfo format, including tenement, geology, geophysical and topographic data
- Landholder 'notice of entry' forms and deceased access agreements
- Various mining related documents, including plant assessments and scoping study proposals from several independent consultants
- Annual technical reports for EPM14498 from 2009-2018 (2015 report missing)
- Compilation maps, notes from consultant C. Green
- Geophysical interpretation report on aeromagnetic survey
- Tenement data, including licence documents, renewal applications, variations to conditions
- Valuation report dated 2009 (Minnelex Pty Ltd, 2009)
- Mineral resource estimation report dated 2008 (MU Geological Consulting, 2008)

Data not provided or sighted include:

- Validated drilling database
- Evidence of recent mineral resource estimation documentation
- Inventory of infrastructure on site

Sofala Project

- Numerous historical exploration reports, including plans, pre-AUML for the area covering EL7423

- Large number of GIS files in Mapinfo format including tenement, geology, geophysical and topographic data
- Landholder lot/DP title searches
- Drillhole data in Micromine format
- Geophysical data files from aeromagnetic survey
- Annual technical reports for EL7423 from 2010-2017
- Tenement data including licence documents, renewal applications, variations to conditions
- Draft resource estimation report

HONEYBUGLE PROJECT

- Large number of GIS files in Mapinfo format including tenement, geology, geophysical and topographic data
- Numerous historical exploration reports, including plans, pre AUML for the area covering EL7041
- Various prospect geological and field maps
- Annual technical reports for EL7041 from 2009-2018
- Tenement data including licence documents, renewal applications, variations to conditions

KARANGI PROJECT

- Annual technical reports for former EL7332
- Annual technical report for EL8402 for 2016-2017

PROJECT SITE INSPECTIONS

The VALMIN Code 2015, Clause 11.1, requires that site inspections be carried out where such inspection is likely to reveal information that is material to a report. For the purposes of this report, a site inspection was carried out at the Forsayth Project on 12 July 2016.

Recent site inspections were not carried at any of the NSW projects for the following reasons:

- The Honeybugle and Karangi Projects are early stage exploration projects with little on ground exploration completed. There are no Mineral Resources identified.
- The Sofala Project has considerable previous exploration, including drilling, completed and a tonnage/ grade estimate was prepared (draft only). The author visited the project in late 2015 for landholder relations at the two main prospects, Wattle Flat and Queenslander. Planned drilling sites were inspected and some previous drilling collars located. The Wattle Flat prospect was also visited in 2017, again for landholder access negotiations.

Forsayth Project

Tenements

The Forsayth Project comprises granted exploration permit EPM14498 (area 59km^2) and included mining leases ML3417 and ML3418 (Figure 2 and Table 2).

Error! Reference source not found. Figure 2: Location of Forsayth Project

We note that Restricted Area 408 covers the northern half of the northern block of EPM14498; the grant of any mining tenure is prohibited in this area, excluding EPM14498 and its successor mining titles.

Tenement	ML3417	ML3418	EPM14498
Permit Name	Ropewalk 1	Ropewalk 2	Forsayth EPM
Status	Granted	Granted	Granted
Application Date	05/11/1984	05/11/1984	28/01/2004
Grant date	01/04/1987	01/04/1987	16/01/2006
Last renewal	11/09/2010	11/09/2010	10/02/2016
Expiry Date	31/03/2018 (renewal lodged)	31/03/2018 (renewal lodged)	15/01/2021
Holder	AUML	AUML	AUML
Area	130 ha	110 ha	18 sub blocks (~59 km^2)
Minerals Sought	Copper, lead, silver, zinc, gold	Copper, lead, silver, zinc, gold	All except coal
Purpose	Mining	Infrastructure	Exploration

Table 2: Tenement Details, Forsayth Project

There are five Mining Leases held by other parties either within or adjacent to EPM14498 (unfilled red boxes on Figure 2). These tenements are not included as part of this valuation report.

Location, Access & Topography

The project is centred around and to the southeast of the small mining/grazing community of Forsayth on the Georgetown-Forsayth road in Far-North Queensland (Figure 3). Access to the licence area is very good, via the above road and various council-controlled gravel roads and locally, farm tracks.

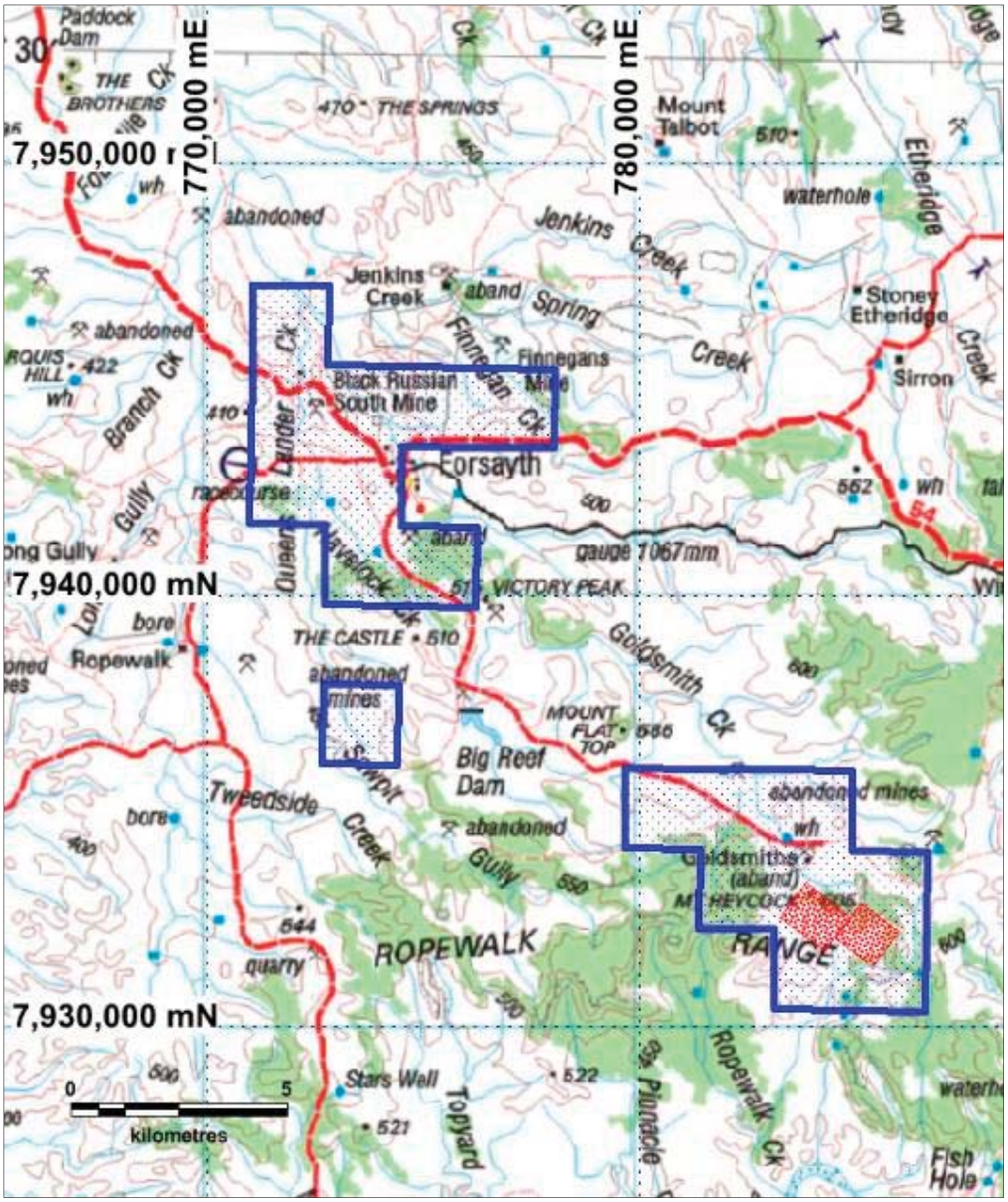


Figure 3: Topography within Forsayth Project region (MGA94 Zone 54 co-ordinates)

Site Visit

A site visit was undertaken by Jeff Randell on 12 July 2016 (Figure 4). The visit included the inspection of:

- the Ropewalk open cut, main lode and infrastructure within the mine environs
- selected drill core from AUML drilling campaigns available on site within ML3417
- the Lady Franklin, Flying Cow and New Gossan prospect areas within ML3417 and ML3418
- selected drill collar sites from AUML drilling campaigns
- the Nil Desperandum workings within EPM14498
- general layout of other prospects areas within EPM14498, including Caledonian (Canadian West) and Goldsmiths (Canadian East)

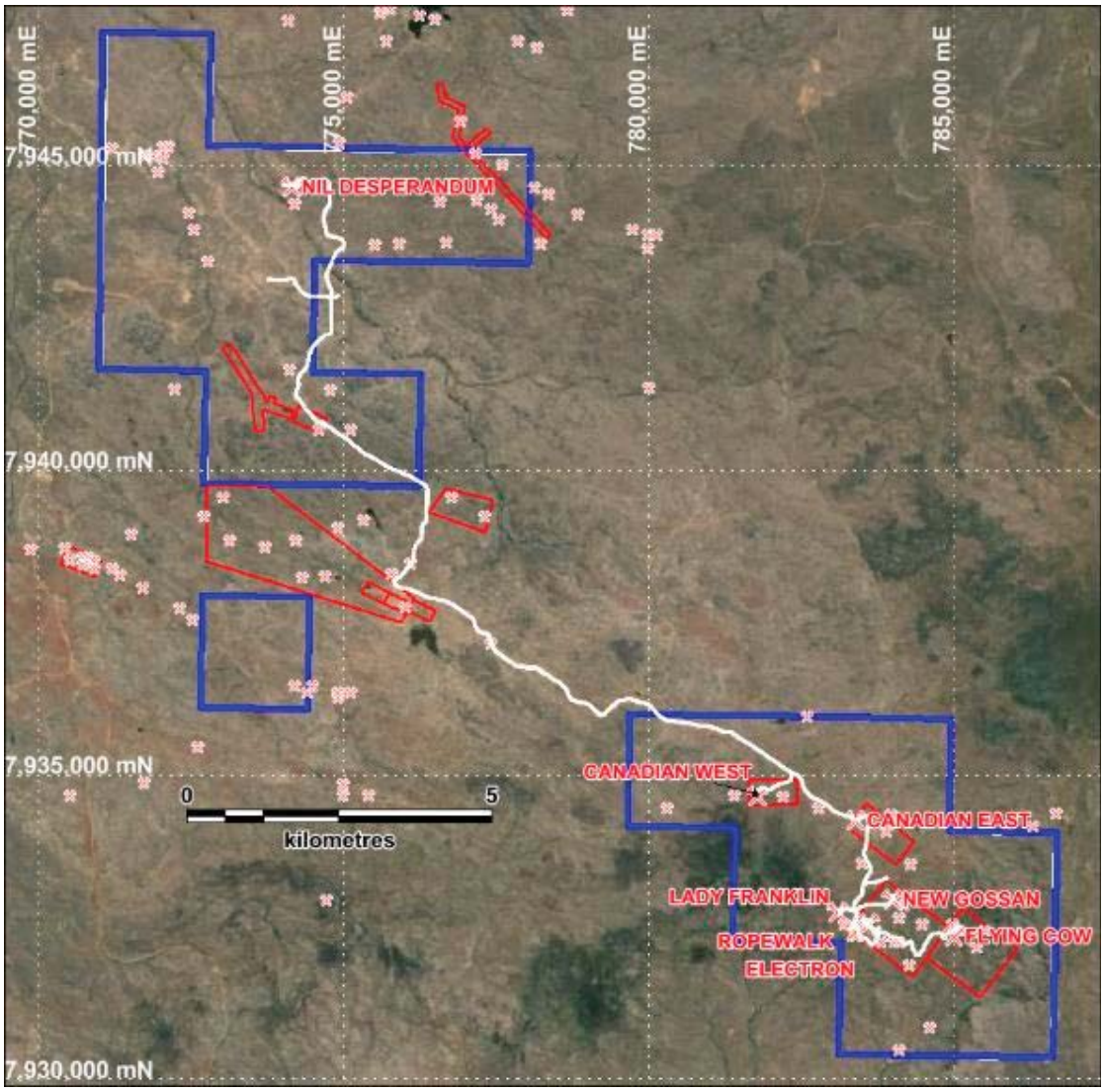


Figure 4: Location of Forsayth Prospects (MGA94 Zone 55)

Other small prospects were not visited due to lack of landholder permission and time constraints. However, it is our opinion that, based upon the information provided, most the project value is contained within ML3417 and to a lesser extent ML3418. This does not imply that future exploration should avoid the other prospect areas.

Native Title

A search of the National Native Title Tribunal Register indicates that the Forsayth Project tenements overlap two determined Native Title claims (Table 3 and Figure 5). QCD2013/006 covers the immediate area around the township of Forsayth while QCD2013/007 covers the entire region shown on the map outside of QCD2013/006.

Tribunal No	Name	Status	Date registered	Applicant
QCD2013/006	Ewamian People No.2	Determined	03/12/2013	Barry Fisher & Others on behalf of the Ewamian People No.2 vs State of QLD
QCD2013/007	Ewamian People No.3	Determined	03/12/2013	Barry Fisher & Others on behalf of the Ewamian People No.2 vs State of QLD

Table 3: Forsayth Project - Native Title Status

There are also five Indigenous Land Use Agreements (ILUA's) registered over the entire project area (Table 4).

ILUA No	Name	Type	Date registered	Applicant
QI2003/044	Ewamian Small Scale Mining and Exploration	Mining (small mining)	07/10/2004	State of Queensland
QI2005/004	Ewamian-Etheridge Shire Area ILUA No. 3	Government (Infrastructure, Tenure resolution)	25/02/2008	Etheridge Shire Council
QI2011/024	Ewamian Renison Exploration ILUA	Mining (medium mining)	28/10/2011	Ewamian Native Title Party
QI2013/087	Ewamian People Small Scale Miners ILUA	Mining (medium mining)	24/04/2014	State of Queensland
QI2014/023	Ewamian People and Ergon Energy ILUA	Infrastructure (Energy)	17/06/2014	Ergon Energy Corporation Limited

Table 4: Registered ILUA's within Forsayth Project

Geos Mining has not sighted any evidence that AUML has commenced negotiations with the Native Title claimants.

A search of the cultural heritage register makes no mention of any significant cultural objects within the project area.

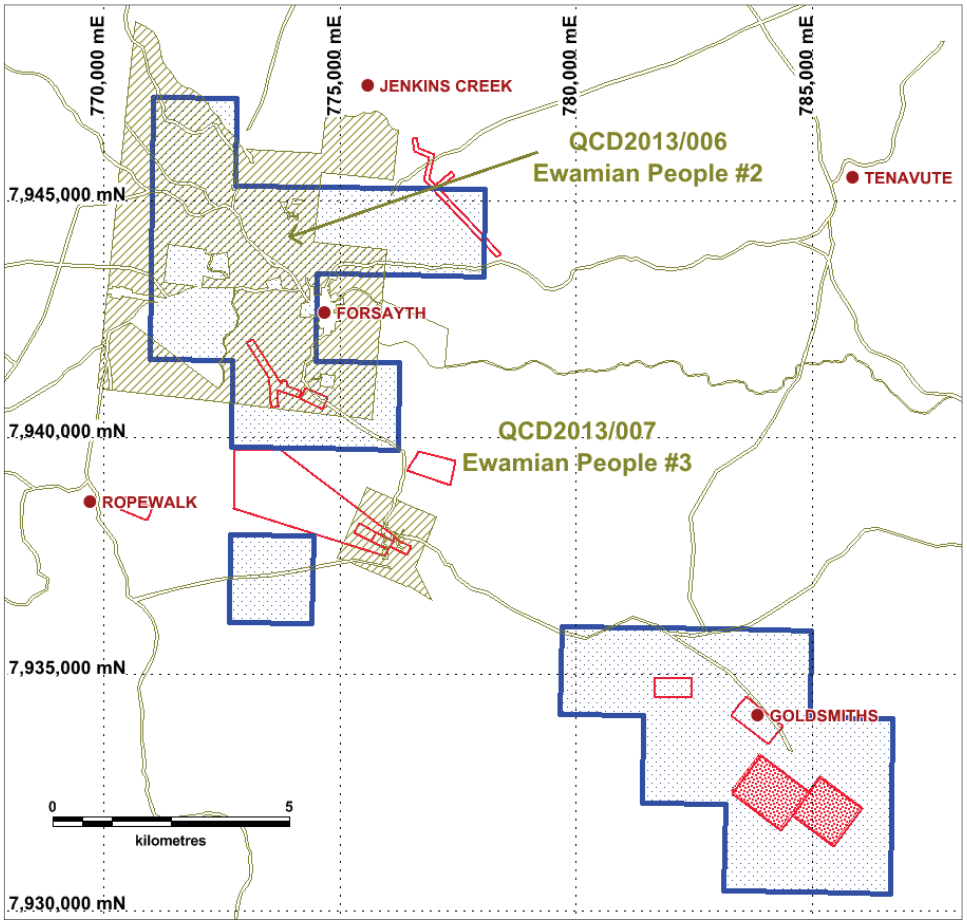


Figure 5: Location of Native Title Claims

Environmental Considerations

There are no environmental constraints noted within the Forsayth Project in terms of Environmentally Sensitive Areas. The environmental authorities of both granted tenements include a condition of compliance with the Code of Environmental Compliance for Exploration, Mineral Development and Mining Lease projects.

EPM14498 has been granted a Level 2 Code Compliant Environmental Authority (MIC200692808).

ML3417 and ML3418 have been granted a Level 2 Non-Code Compliant Environmental Authority (MIN201876810). We have not sighted the Environmental Authority instrument but surface disturbance on a 2012 Annual Return was stated as 8.715 ha. A document dated April 2009 and titled "Transitional Environment Program – Ropewalk Project" describes the actions proposed by ReMine Limited to commence rectification of the environmental issues neglected by previous mine operators. Geos Mining has sighted follow up correspondence from the Department of Environment and Heritage Protection dated 19 May 2016 indicating that the site is now compliant with the Environmental Protection Order.

Project History

Information on the history of exploration within the Forsayth Project area has been sourced from (MU Geological Consulting, 2008) and (Minnelex Pty Ltd, 2009), but has not been reviewed in detail. At least 18 companies, as well as a number of individuals, have explored in the area, with the most notable in terms of AUML's tenement being summarised below.

Howard-Smith Exploration/ Queensland Metals Corporation (1982-1985)

- comprehensive stream sediment program
- detailed soil sampling, IP/Resistivity surveys, aeromagnetics
- percussion drilling (120 holes) and diamond drilling (6 holes)

Australian Magnesium Corporation (1980-1984)

- stream and soil sampling and grid mapping
- percussion and diamond drilled giving encouraging results at several prospects. No mineral resource estimations were carried out.

Castlegold Pty Ltd/ Sedimentary Holdings Ltd (1990s)

- shallow drilling on the old workings and deeper drilling at the Queenslander mine
- examined several historic veins in the Forsayth area
- completed diamond drilling at the Queenslander mine.

Union Mining NL (1992-2000)

- built a small gold treatment mill close to Georgetown and developed several satellite mines from within the Altius tenements and elsewhere to feed the mill
- mapping, dump sampling, trenching, RAB drilling
- mining was generally limited to a depth of 20m depth. No deep drilling was undertaken
- carried out some limited open slot mining on an extension of the Queenslander line of lode.

John Sainsbury Consultants Pty Ltd (2003)

- purchased the two MLs in 2003 and took out two EPMs to cover the historic gold reefs in the area
- started gold mining from the MLs and 30,000t of reef material was dug and stockpiled. Through the latter half of 2006, the stockpiled rock was taken from site and trucked to Charters Towers for treatment through the gold mill owned by BMA Gold. Approximately 4000t of rock were trucked and treated.

Altius Mining (2008-2013)

- constructed a small treatment plant incorporating crushing and grinding, shaking tables and cyclones and mined an unknown tonnage of the Ropewalk oxide mineralisation. This mineralisation was stockpiled but none was treated.

Work completed by AUML has included:

- land access, literature search, geophysical data interpretation
- airborne magnetics/ radiometrics survey and interpretation
- lode sampling/ geological mapping
- IP surveying
- Soil sampling
- Diamond drilling

Geological Setting & Mineralisation

The discussion of the regional setting and mineralisation style is comprehensively reported in (Minnelex Pty Ltd, 2009).

Geological Setting

The tenements lie within the Forsayth Province of the Georgetown Inlier. The inlier has a complex structural history involving six deformation episodes of the Archean to Proterozoic Etheridge Group. Basement rocks are affected by regional brittle faults, some of tens of kilometres in length, that are of at least early to mid Paleozoic age. Within the project area, the northwest trend of the Big Reef Fault is the predominant control, south of Forsayth. North of Forsayth, predominant fault control appears to be east-west. The low to high grade metamorphic Proterozoic metasediments are of generally shallow water terrestrial origin with an increase in metamorphic grade from west to east up to granulite facies (Figure 6: Local Regional Setting).

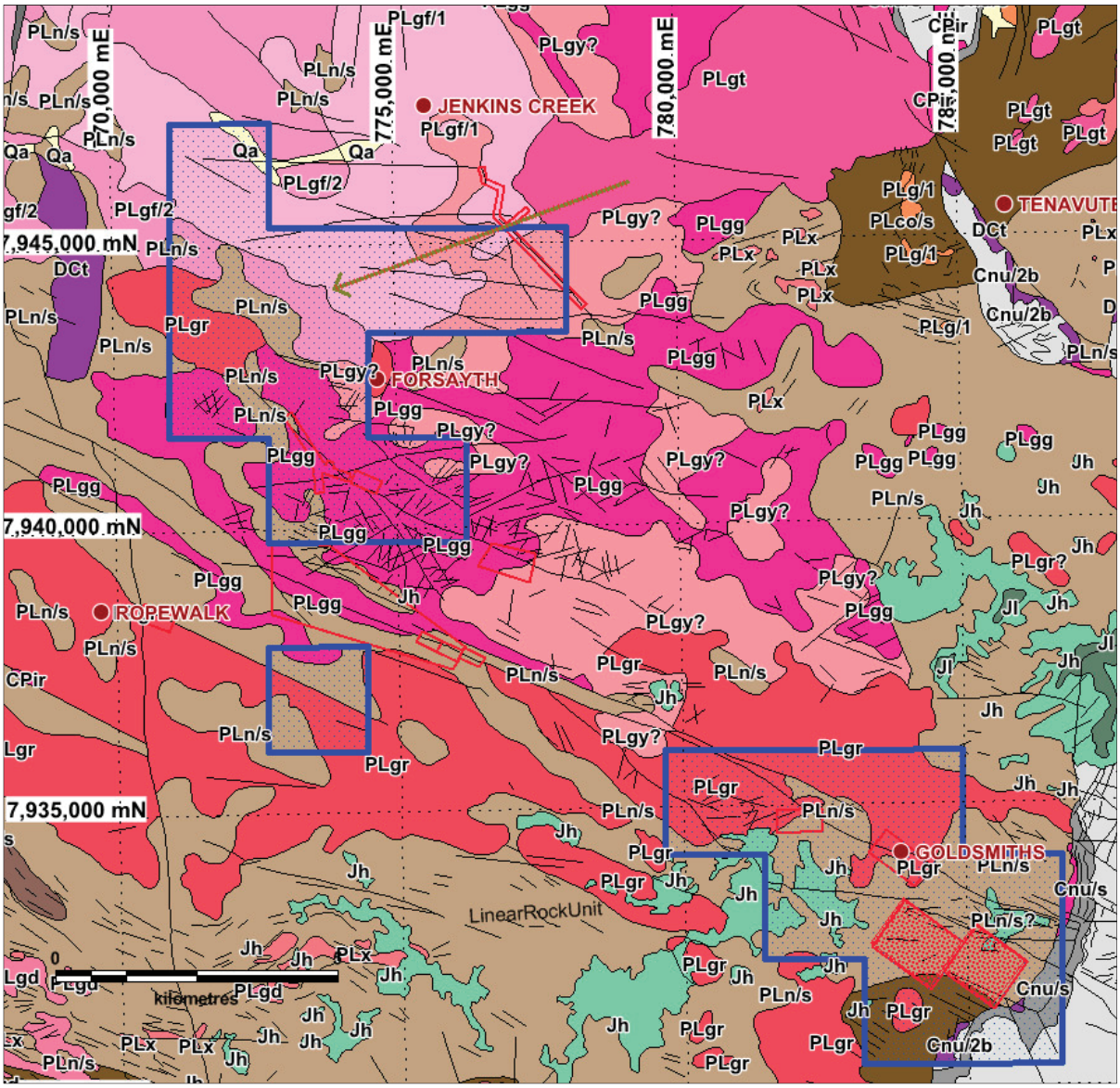


Figure 6: Local Regional Setting

The Georgetown Province has excellent potential for bulk tonnage low grade gold mineralisation and for smaller tonnage but much higher gold grades, possibly exceeding 30 g/t Au. At the time, Altius expected to outline several deposits of 100,000t — 250,000t with a grade of 8 g/t Au or better (Minnelex Pty Ltd, 2009).

The mineralisation is classified as being part of the intrusion related gold deposit style ("IRGD") that is related to pluton sourced mineral rich volatiles. This model includes diverse mineral deposit types and, for the Georgetown region, they vary from epithermal quartz Au-Ag in veins and breccias to carbonate base-metal Au-Cu veins. Brittle faulting and fracturing related to the emplacement of regional scale granite batholiths during the Siluro-Devonian provided the means for the gold mineralisation of the Etheridge Goldfield. The gold is generally hosted by 1m-3m wide quartz veins with low sulphide content. South of Forsayth, the tenements cover a 15 km length of the Big Reef Fault. Gold reefs occur in faults of all orientations. This fault zone is the locus for several historic gold occurrences in the region and probably includes the Ropewalk Mining Leases 3417 and 3418. A broader corridor of shear-hosted mineralisation

occurs sub-parallel to the Big Reef Fault and hosts all the main gold occurrences in EPM14498. The gold mineralisation is usually accompanied by significant silver and lesser base metal mineralisation.

Sulphide and gold-bearing quartz veins typically infill the major fracture faults and zones of sub parallel faults. Commonly the quartz veins occur in well-defined zones bounded by steeply dipping faults, fractures and silicified cataclasites. Most mineralised prospects occur along a single well-defined fault zone that is traceable through the exposure for several metres. The Just in Time and Ropewalk workings each consist of at least two sub-parallel fault zones several metres apart.

Most of the mineralised prospects are hosted in either NE- or WNW-striking fault zones. The two most notable exceptions are Flying Cow, which is hosted in a N-S structure, and the Lead Prospect, which is hosted in an E-W-striking fault zone. The dominant structural trend of the Forsayth area is defined by a set of regional scale WNW-striking faults and lineaments. An additional set of N and NE-striking faults cuts the region and is interpreted as part of the same conjugate set as the WNW-striking faults.

The origin of gold deposits in the Georgetown Inlier is thought to be allied to late stage derivatives of the Forsayth Granite, probably remobilised by subsequent events and concentrated in structural traps.

Gold Production and Prospects

Information discussed below has been summarised from (MU Geological Consulting, 2008), (Minnelex Pty Ltd, 2009) and (Leu, 2010).

The Etheridge Goldfield, discovered in 1867, produced about 600,000 oz gold, although recorded production in the Forsayth area is apparently at least 50% incomplete. Of the two largest mines, the Caledonian produced 10,900 oz gold from 9,200t of ore and the Ropewalk, 1,931 oz gold from 2,263t of ore.

Over 50 historical gold workings, prospects and significant past producing mines occur within EPM14498 and the surrounding region. Most modern exploration concentrated on a vein, subsequently called the Ropewalk, that was first worked from 1890-1910.

Lady Franklin – Ropewalk - Electron

Howard Smith located many high-grade gold occurrences (gossanous quartz-carbonate-pyrite-galena-chalcopyrite veins about 200m in length and 1-2m wide. Only two veins were developed, despite high outcrop values, the best being the Ropewalk mine, which had a recorded production history of 1,352t @ 24.9 g/t Au. Ropewalk is a well-defined lode or shear zone structure (Photo 1, Photo 2, Figure 7) at least 360m in length and between 2m and 3.5m in width, as exposed in trenches, the open cut and old pits. The Electron workings were not located during the site inspection and appear to have been destroyed during road works.

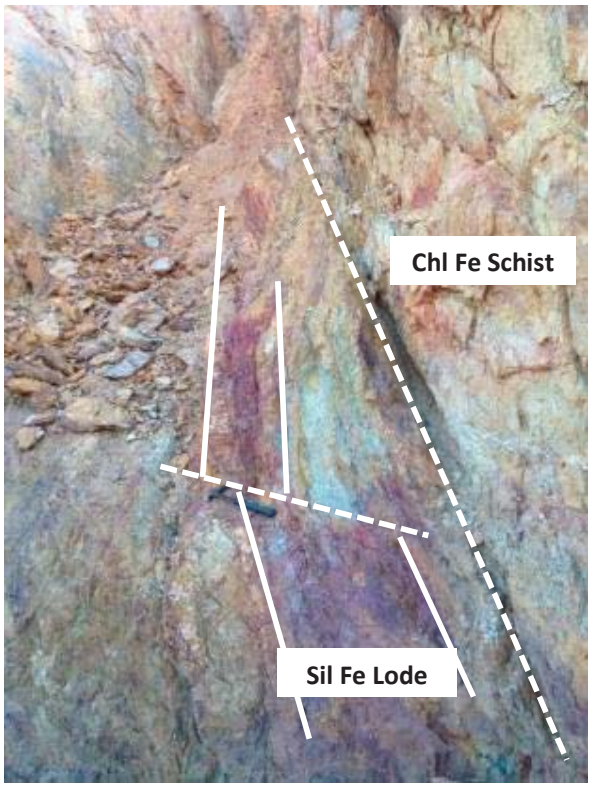


Photo 1: Ropewalk Lode in upper slot of open cut (hammer for scale)

Photo 2: Detail of Photo 1

AUML established a small mining operation at Ropewalk during 2010-2012 and set up considerable infrastructure on site including crushing and treatment facilities and accommodation (Photo 3).

Photo 3: Ropewalk, part of infrastructure setup

Details of actual production have not been located, but we note that (Laing, 2012) estimated 232,500t of material was removed from the Ropewalk Pit and an 'ore stockpile' of ~3,000t remains near the open pit. (Laing, 2012) recorded a scathing summary on the outcome of the mining operation at Ropewalk and, for this discussion, suggested a notional grade of only 2.1 g/t Au for this material (Photo 4, Photo 5). Reliable

details of grades have not been located by AUML and, without supporting tonnage or grade data, we have not included this material in the valuation.

Photo 4: Crushed Ropewalk 'ore'

Photo 5: Detail of Photo 4

AUML reported that the lode in the bottom of the pit was sampled and returned high grade gold values. Geos Mining inspected this site and observed three mineralised lodes as follows:

- Main lode 0.75m to 1.0m wide (Photo 6)
- Second lode, 7m to the east of Main lode 0.4m wide
- Third lode, 5m to the east of Second lode, 0.4m wide

We have sighted the original laboratory certificates that reported values of 5.41 g/t Au and 15.65 g/t Au from two rock samples taken from this lode position.

Photo 6: Ropewalk Main Lode, bottom slot in open pit

QMC drilled at least 80 shallow holes in the Ropewalk area in the early 1980s and reported significant intersections[6] such as:

- 2m @ 33.75 g/t Au from hole RWP43
- 1m @ 24.0 g/t Au from hole RWP29
- 2m @ 12.75 g/t Au from RWP17.

The Lady Franklin mine produced 911t @ 29.0 g/t Au and is a westerly extension of the Ropewalk lode. Workings comprise a shaft and pits that extend over a strike of 250m (Photo 7, Photo 8) and may connect with or intersect the Ropewalk lode, or be fault offset. Between the Ropewalk and Lady Franklin workings, the lodes may form a localised intersection-breccia zone. QMC drilled 6 percussion holes for 229m into the prospect.

Photo 7: Lady Franklin shaft

Photo 8: Lady Franklin dump showing mineralised quartz

QMC drill tested 160 metres of strike along the main line of old workings. The best results were 1.2 metres @ 5.96 g/t Au and 2 metres @ 3.03 g/t Au, although other lower grade intersections included 4 metres @ 1.96 g/t Au and 7.3 metres @ 1.61 g/t Au. It was concluded that the higher grades define a possible west-north-west pitch to the main auriferous zone. QMC noted that considerable potential along strike had not been tested. In 2014, AUML carried out diamond drilling along strike from the Lady Franklin workings (Figure 7). Core from one hole, L27ZK1, was inspected to compare the reported assays against the lithological visual description.

[6] Hole depths were not reported

Figure 7: AUML drilling completed at Lady Franklin

The assayed intersections were recorded as:

- 80.0m to 80.7m - 0.53 g/t Au: silicified carbonate veined quartz eye schist (Photo 9)
- 80.7m to 81.2m – 20.0 g/t Au: quartz vein with stockwork of ferruginous veinlets (Photo 10)
- 81.2m to 82.2m – 15.0 g/t Au: strongly ferruginous silicified chloritic schist (Photo 11)

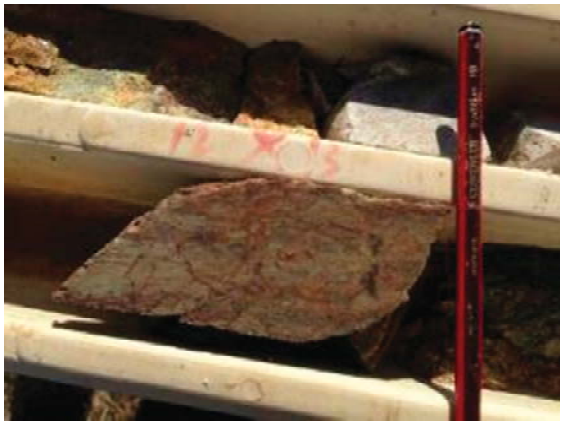


Photo 9: Drill hole L27ZK1, 80.1m

Photo 10: Drill hole L27ZK1, 81.2m

Photo 11: Drill hole L27ZK1, 82.2m

In Geos Mining's opinion, the observations of core mineralogical characteristics are consistent with the reported zones of mineralisation. Without independent sampling and assaying, however, we cannot verify the grades of mineralisation reported.

Flying Cow

Exploration carried out since 1980 located several outcropping high-grade gold-bearing veins that apparently had never been mined. QMC dug seven trenches (390m) on the Flying Cow prospect and drilled 18 percussion holes for 748m and one 10m diamond drill hole. Drillhole and trench locations were reported relative to a local grid. However, there is a lack of grid reference points and so the locations are not accurately known.

Four holes produced intercepts with grades greater than 1 g/t Au:

- FCP6: 6.0 m true width @ 5.9 g/t Au and 17 g/t Ag from 8m
- FCP7: 2.0 m true width @ 2.1 g/t Au and 12 g/t Ag from 10m
- FCP13: 2.0 m true width @ 24.9 g/t Au and 84 g/t Ag from 34m
- FCP15: 1.5 m true width @ 6.9 g/t Au and 18 g/t Ag from 35m

AUML attempted to access some workings in the vicinity through an old adit. It is unclear what work was done; there appears to have been no production but it was noted that air compressor facilities are still located on site (Photo 12). A document dated 16 August 2012 noted that the objective was to "re-furbish the Flying Cow underground mine and re-commence underground operations to mine and stockpile sulphide ore one [sic] the relevant regulatory approvals are in place." We have sighted several documents that attempt to estimate mineralisation grade and tonnes and from which mine plans were designed. These appear to be based on grab sample assay results together with some underground surveying/ mapping to determine mineable panels. There appears to have been no validated geological or geochemical evidence to support a mining proposition in terms of identifying mineral resources, determining metallurgical characteristics of the mineralisation or other modifying factors necessary to commit to a viable mining operation.

Photo 12: Flying Cow prospect showing adit and compressed air line

New Gossan Prospect

This occurs about 500m north of the Ropewalk mine and was examined briefly by the QMC group from 1982-83. The prospect originally consisted of a line of historic prospecting pits along some 250m to 300m of a shear zone structure. QMC collected nineteen rock chip samples of gossanous lode material that averaged 9.3 g/t Au and 10.0 g/t Ag. The presence of multiple lodes and quartz stockworks is evidence for a potentially wider zone of gold mineralisation. The prospect does not appear to have been the target of previous exploration drilling.

Some minor production appears to have been completed here by AUML in line with the observed surface disturbance and the comment made in a note dated 14 August 2012: "The plan now is to still pull out the small amount of exposed ore in the upper bench, and to pull out a small pod of high grade ore from the surface at Flying Cow, plus treat some ore stockpiles at New Gossan." We have not sighted any production records or evidence of grades obtained from these 'ore stockpiles'.

Nil Desperandum

This was mined intermittently between 1878 and 1942 by means of open cut and underground workings over a length of about 600m and maximum depth of 152.5m. The average mine width was 2m and the lode

shear, which can be traced for 2 km east of the Delaney River, is marked by limonitic gossanous quartz outcrop, pits and shafts (Photo 13). The reef is reported to be heavily mineralised with galena, pyrite, chalcopyrite and sphalerite.

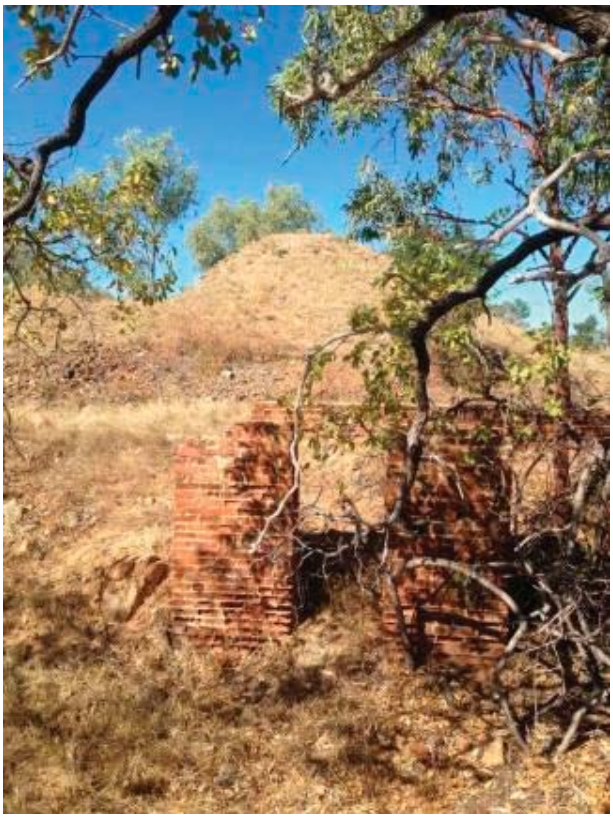


Photo 13: Nil Desperandum main shaft showing probable winder foundations

Production figures suggest an average recovered grade of 50.4 g/t Au; above 85m depth it was reported to average 53.7 g/t Au, while between the 85m and 116m levels the average grade dropped to 30.4 g/t Au. During 1993 Union Mining constructed 11 trenches and completed 5 drillholes[7], two of which returned significant assays:

- ND1: 6m @ 9.14 g/t Au from 7m, including 2m @ 18.87 g/t Au from 7m
- ND2: 2m @ 1.84 g/t Au from 9m.

Queenslander

Mining was conducted from a series of shafts on several levels to a depth of 110m and for a length of 460m. Two converging lodes occur: the Queenslander and Little Queenslander. The Little Queenslander line appears to have been worked over a strike length of 200m. The individual lodes consisted of mineralized quartz veins within a shear zone, and were 0.3 to 0.75m in width. Production figures suggest

[7] Drill type not documented

an average recovered grade of around 44-47 g/t Au from the oxide ore (up to 20m depth), while the sulphide ores yielded 45 g/t Au by crushing and amalgamation and considerably more when concentrates were smelted. Grades are believed to have become more variable with depth in the sulphide zone.

Castlegold mapped the area and sampled the dumps with a view to processing the available material. They also drilled seven diamond holes into the mine deeps below 110m level and established continuity of the ore zone to depth. The drilling suggests there is considerable potential at depth and along strike. Some of the more interesting intersections include:

- DH1: 0.25m @ 14.2 g/t Au
- DH4: 0.33m @ 15.9 g/t Au
- DH5: 1.7m @ 19.9 g/t Au

The Queenslander group of workings was thought to offer significant potential for further high grade mineralisation along strike from the historic workings on both lines of lode. A total combined strike length more than 600m was evident to depths more than 100m.

Pinnacles Workings

The Pinnacles workings occur along strike from the Nil Desperandum workings some 3 km to the east. Production was 787.9t at an average grade of 70.0 g/t Au. The reef was 1.0 to 2.0m in width and mined to a depth of 43m over less than 30m of strike. Two reefs, consisting of massive quartz veins some 10-12m apart were worked.

Other Prospects

Within the northern blocks of EPM14498 are the Melba-Mountaineer-Struggle line of workings and the Forget-Me-Not-Settler line of workings. The former extend over a 600m strike length of a fault/shear structure. Production by Union Mining was recorded as:

- Melba: 53.3t @ 26.84 g/t Au
- Mountaineer: 364.7t @ 29 g/t Au
- Struggle: 166.7t @ 23 g/t Au
- Forget-Me-Not: 664.6t @ 25 to 30 g/t Au.

Numerous other workings have been identified, including:

- Lightning 1, 2 and Flash
- Hilltop
- Lead Prospect
- Just in Time
- Alex' Folly
- Caravan Park

The Big Reef Fault Zone may possibly be a zone of deformation flanked by two or more parallel to sub parallel generally low-angle faults or thrust faults. The Big Reef Fault Zone, while quite narrow (200m-300m) in the north-western portion, becomes wider (1.0 km to 1.5 km) and more complex towards the southeast where the Ropewalk mining leases occur. The zone is prospective for new gold-bearing zones especially where oblique cross-cutting faults provide structural settings potentially favourable for bulk mining deposits as well as high grade lodes.

Mineral Resources

The only tonnage/ grade estimation report made available to Geos Mining was that of (MU Geological Consulting, 2008). The report summarises field observations, previous mineral exploration and presents 'resource estimates'. In Geos Mining's opinion, these estimates do not meet the requirements of the current JORC Code 2012 (Joint Ore Reserves Committe of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia, 2012) for the following reasons:

- There is no written methodology of how these estimates were arrived at except as "long section plot of drill hole intercepts"
- Drillhole data has apparently been used from which to base the estimates. However, there is no commentary on reliability of drilling methods, assay techniques or quality control
- Broad-brush polygonal estimates appear to have been used from historical production records and reference to some historical drilling intersections. However, no plans have been provided in the data supplied to determine if these estimates are anything more than educated guesses
- No bulk density is given, no discussion of modifying factors such as recoveries, likely mining methods
- No resource envelope constraints are discussed apart from 'ball park' estimates of mineralisation dimensions on surface or from some historic plans.

We have concluded that these estimates can be used only in the sense of Exploration Targets with no assumptions made as to whether these will be converted to Mineral Resources or Ore Reserves. As such, these estimates have not been used to value the Forsayth Project, but are reproduced below merely as a historical snapshot of the identified mineralisation. Geos Mining does not necessarily agree with these estimates and recommends AUML constructs a validated database of drilling information, surface and underground sampling from which an assessment of Mineral Resources can be made.

Ropewalk

Historical estimates from the 1980s drilling campaigns suggested mineralisation tonnages of ~70,000t at a grade of ~4g/t Au (at a 1g/t Au cut-off) or ~11,000t at a grade of ~14g/t Au (at a 5g/t Au cut-off). According to (Minnelex Pty Ltd, 2009), (MU Geological Consulting, 2008) "confirmed the low-grade mineralisation as an Inferred Resource and calculated an Indicated Resource of 10,000t @ 10.17 g/t gold". Points to note regarding the mineralisation are:

- QMC had difficulty in establishing any continuity of high grade mineralisation
- Mineralisation may be expressed as shallowly west-pitching ore shoots, some of which had already been partly mined and there is potential for further shoots at depth
- The presence of coarse gold (400 to 500 microns) suggests that the sampling and assaying procedures followed in the past may have underestimated the grade in the drilling. (MU Geological Consulting, 2008) considered that screen fire assaying was necessary
- (MU Geological Consulting, 2008) recommended "a series of drill holes… to validate or upgrade the mineralised zones" and that samples should be "assayed by a reliable economical method" and "screen fire assayed to estimate the true grade." Geos Mining agrees with these recommendations.

Lady Franklin

A tonnage/ grade estimation was not provided by (MU Geological Consulting, 2008), although the Ropewalk/ Lady Franklin/ Electron group is described as having potential for a "bulk mining target". Geos Mining has not sighted any mineral resource documentation from AUML related to the recent diamond drilling completed at Lady Franklin.

Flying Cow

(MU Geological Consulting, 2008) reported a tonnage/ grade estimate of 16,300t at "approximately 1.0 oz/t Au for 16,300 oz" with good potential to increase this. However, they do note that the mineralisation comprises a narrow lode (Minnelex Pty Ltd, 2009). (Laing & Oosen, 2012) assigned a notional grade of 50 g/t Au and 2-3% Cu to the available material but tonnages are not even guesstimated. Figure 8 shows a simplistic plan of development, reproduced from an internal AUML document.

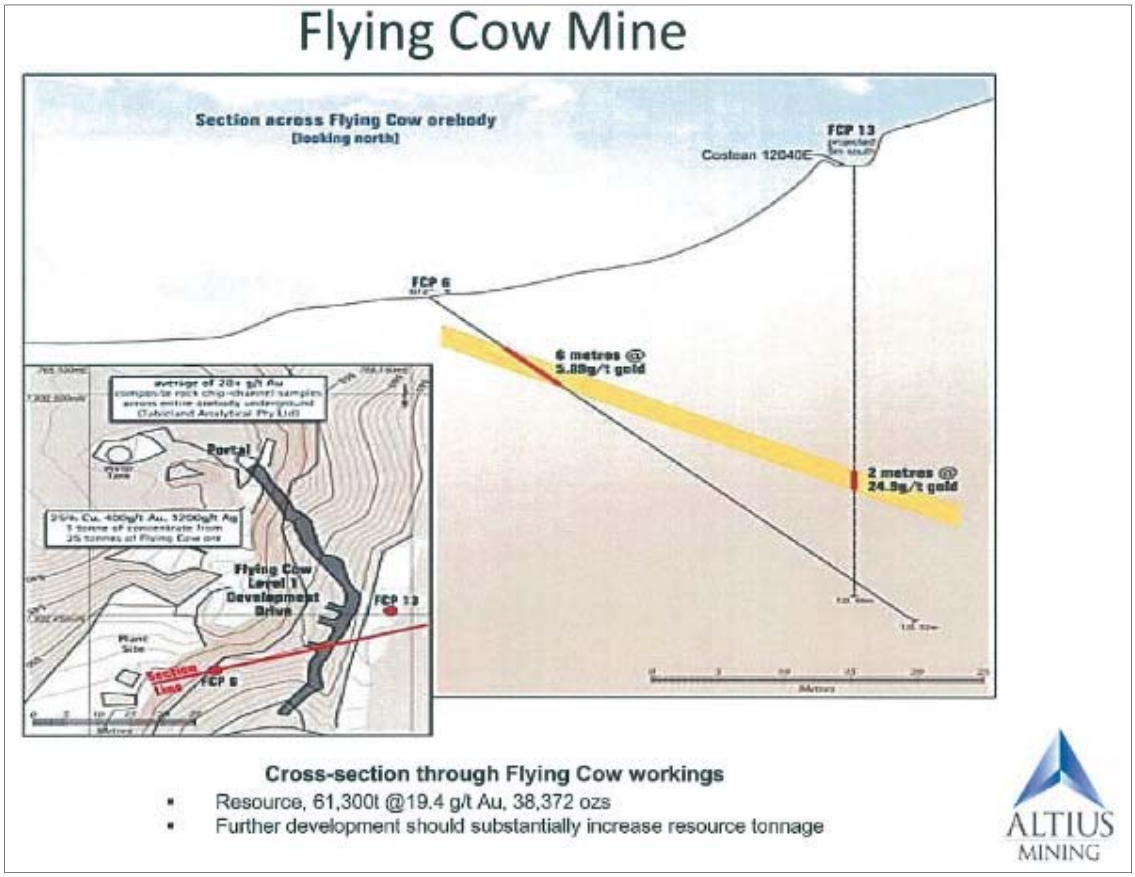


Figure 8: Development Plan Flying Cow Mine, Altius Mining 2012

New Gossan

(MU Geological Consulting, 2008) considered that the resource potential for the prospect may be limited to narrow higher grade lodes, such as historically mined in the area. It is noted that exposure is quite limited and therefore tonnage/ grade estimates are speculative. We do note that reference is made to 'ore stockpiles' at this prospect, as referred to above.

Queenslander

Castlegold reported intersecting the Queenslander vein below historic mined depth of 60m and outlined mineralisation grading 14g/t Au within an envelope of ~30,000t. A second smaller deposit of 11,000t @ 18.9 g/t Au was also estimated. These estimates were reviewed by (MU Geological Consulting, 2008) who commented that "mineralisation is open at depth and along strike from their drilling".

Nil Desperandum, Pinnacles, Melba, Mountaineer, Struggle and Others

(MU Geological Consulting, 2008) commented on these workings in terms of historic production but did not quantify any potential in terms of Mineral Resources.

Canadian, Goldsmiths, Havelock, Big Reef and Others

These mines are located in tenements held by other parties and commentary is included in (MU Geological Consulting, 2008). Geos Mining has not considered these further, except to note that AUML has reported tonnage/ grade estimates from Canadian and Goldsmiths using Chinese resource estimation methodology:

- Canadian - 1.15Mt @ 4.84 g/t Au
- Goldsmiths – 2.99Mt @ 3.49 g/t Au

Geos Mining is unable to comment on whether these estimates would meet the requirements of the JORC Code 2012 without carrying out a comprehensive review of the data.

Summary

There have been several comments made by previous workers regarding the quality of previous exploration, including drilling procedures, sample and assay reliability. Some of these more relevant comments are outlined below:

- Despite the extensive exploration, including drilling, there is no validated database that includes an assessment of data reliability or even collar location. We note, however, that "A total of 90 holes have been fully coded for the Ropewalk Prospect (RWD01-03 &RWP01-87)" according to AUML (C. Green, email note). Geos Mining fully supports the recommendation to establish a comprehensive, validated database.
- Drilling and sampling methods used by early explorers may be suspect, due to the prevalence of open hole drilling, sample contamination at the water table and non-fire assay analytical methods for measuring gold content. Geos Mining agrees that these criteria should be carefully assessed to determine the reliability of historical data.
- The presence of coarse gold dictates screen fire assay methods should be used to reliably estimate intersection grades. Geos Mining agrees with this recommendation and that this analytical method should be used on selected samples from the AUML recent drilling campaign.
- Some data is located by local grid reference and it is uncertain whether this information has been geo-referenced correctly
- There appears to have been very little historical information retained regarding mining depletion.

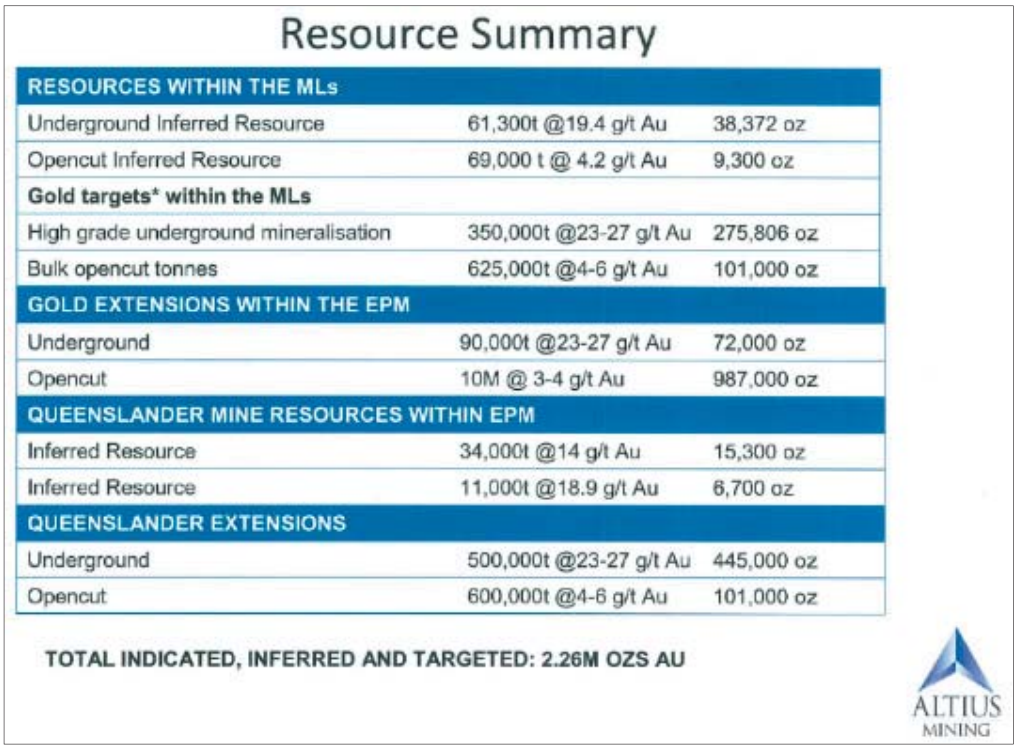
Geos Mining's opinion is that there have been missed opportunities in identifying Mineral Resources within the Forsayth Project. A careful and scientific approach to historical data could yield a valuable base from which carefully planned exploration could result in the definition of gold deposits as either high grade, low tonnage lode style and/or lower grade, higher tonnage stockwork/ sheeted vein/ lode styles.

The approach taken by AUML during the 2010-2012 campaign was flawed, due to a lack of basic scientific understanding and preparation that led to a 'cart before the horse' approach, as succinctly reported by Laing (2012).

While Geos Mining does not endorse any of the tonnage/ grade estimates presented to date, it is our opinion that these estimates could be upgraded in accordance with the JORC Code 2012 guidelines, subject

to meeting criteria as discussed above. Based on information provided by previous workers and already discussed, an Exploration Target of 110,000 - 170,000 tonnes @ 5-10 g/t Au for ~20,000 - 50,000 oz Au is estimated for the Ropewalk, Flying Cow, Queenslander, Lady Franklin, New Gossan and Nil Desperandum deposits.

As a comparison, Figure 9 has been reproduced from an internal AUML document dated 13 February 2012 and demonstrates the optimistic (and in our opinion, fully unrealistic) 'Mineral Resource' inventory that precipitated the decision to commence mining. Geos Mining has not sighted any information to support these estimates, which appear to be no more valid than 'back of envelope' unconstrained numbers.



Resource Summary

RESOURCES WITHIN THE MLs		
Underground Inferred Resource	61,300t @19.4 g/t Au	38,372 oz
Opencut Inferred Resource	69,000 t @ 4.2 g/t Au	9,300 oz
Gold targets* within the MLs		
High grade underground mineralisation	350,000t @23-27 g/t Au	275,806 oz
Bulk opencut tonnes	625,000t @4-6 g/t Au	101,000 oz
GOLD EXTENSIONS WITHIN THE EPM		
Underground	90,000t @23-27 g/t Au	72,000 oz
Opencut	10M @ 3-4 g/t Au	987,000 oz
QUEENSLANDER MINE RESOURCES WITHIN EPM		
Inferred Resource	34,000t @14 g/t Au	15,300 oz
Inferred Resource	11,000t @18.9 g/t Au	6,700 oz
QUEENSLANDER EXTENSIONS		
Underground	500,000t @23-27 g/t Au	445,000 oz
Opencut	600,000t @4-6 g/t Au	101,000 oz

TOTAL INDICATED, INFERRED AND TARGETED: 2.26M OZS AU

ALTIUS MINING

Figure 9: Resource Summary for Forsayth Project, 2011

Plant and Equipment

We have already noted that considerable plant and infrastructure have been retained on site (Photo 3), but have not considered this aspect further in our valuation of the project as it is outside of our area of expertise.

(Minnelex Pty Ltd, 2009) noted that "a freshwater dam currently has a capacity of about 40 megalitres of water. The company intends to triple this capacity by building a new wall further down the valley. Another large dam located 4 km away is available for use. The intention is to drill one or more bores to supplement the supply. Initial engineering work has been completed on the tailings dam and the design has been submitted to the EPA for approval."

ORE PROCESSING

Geos Mining has not verified any of the text below but has presented this from internal documents of AUML.

The treatment plant was planned to include a gravity circuit designed to recover 40% of the coarse gold present in the oxide ore. The flotation circuit would produce a concentrate from the sulphide ore containing Cu, Au, Ag, Pb, Zn to be bagged in 1 tonne bags and shipped to a smelter. The oxide ore CIL plant was designed to receive a <212 micron feed at 100 - 250 tonnes per day with the gold recovered through carbon columns and then electrowinning.

The CIL gold treatment mill was intended to run at 60 tonnes per day (21,000 tpa) of sulphide ore. Treatment of open-cut oxide ore (Photo 14) would commence at 100 tonnes per day building up to 200 tonnes per day (70,000 tpa). The feed grade of the sulphide was expected to be 15-18 g/t Au, depending on the ability to sort out waste from the lodes, some of which are quite narrow. Recovery was estimated to be 90% but was not determined accurately.

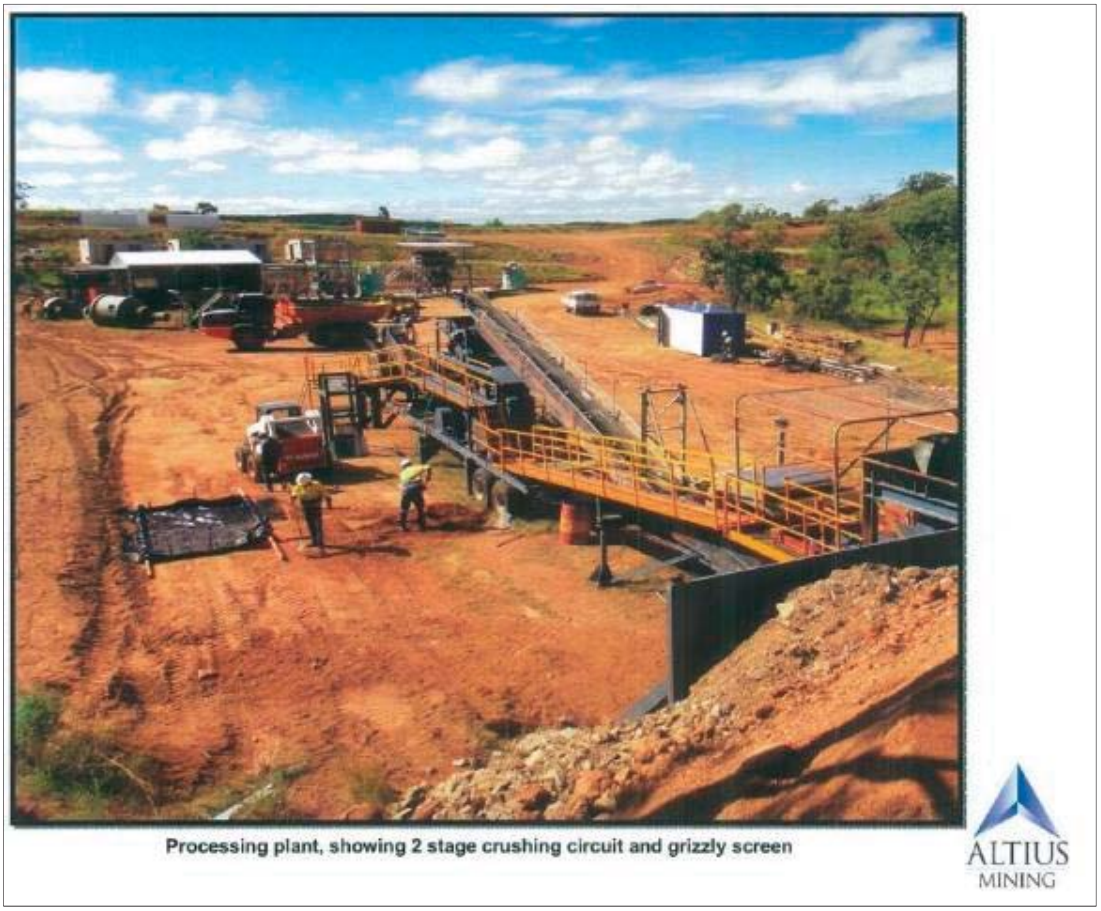


Photo 14: View of Processing Plant, 2012

TRIAL MINING

AUML engaged several consultants to advise on various mining, processing and environmental aspects:

- Ecological assessment (Ecosure, 2012)
- Geological assessment - 15 reports by Laing (2012)
- Mining implementation - Mahoud Mining
- Environmental assessment (Northern Resource Consultants, 2012)
- Process plant construction (Jackson, 2011)

Unfortunately, there was very little attention paid to the fundamental geological aspects of the mineralisation in terms of continuity and grade/ form characteristics as reported in (Laing, 2012), Green (2012) and (Runge Pincock Minarco, 2014).

Mining was carried out at Ropewalk (Photo 15), Flying Cow (Figure 10) and New Gossan. Plans showing face or bench sampling have not been sighted nor have details of material produced.

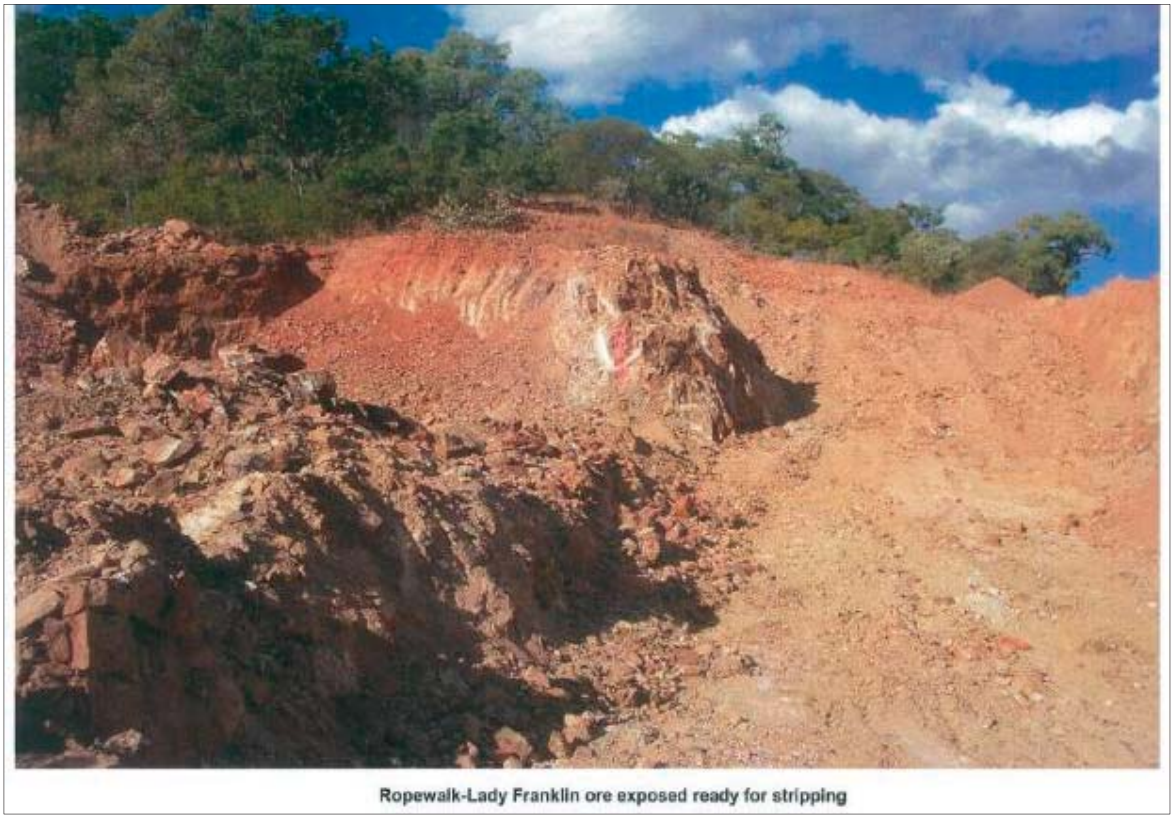


Photo 15: Ropewalk open pit, 2012

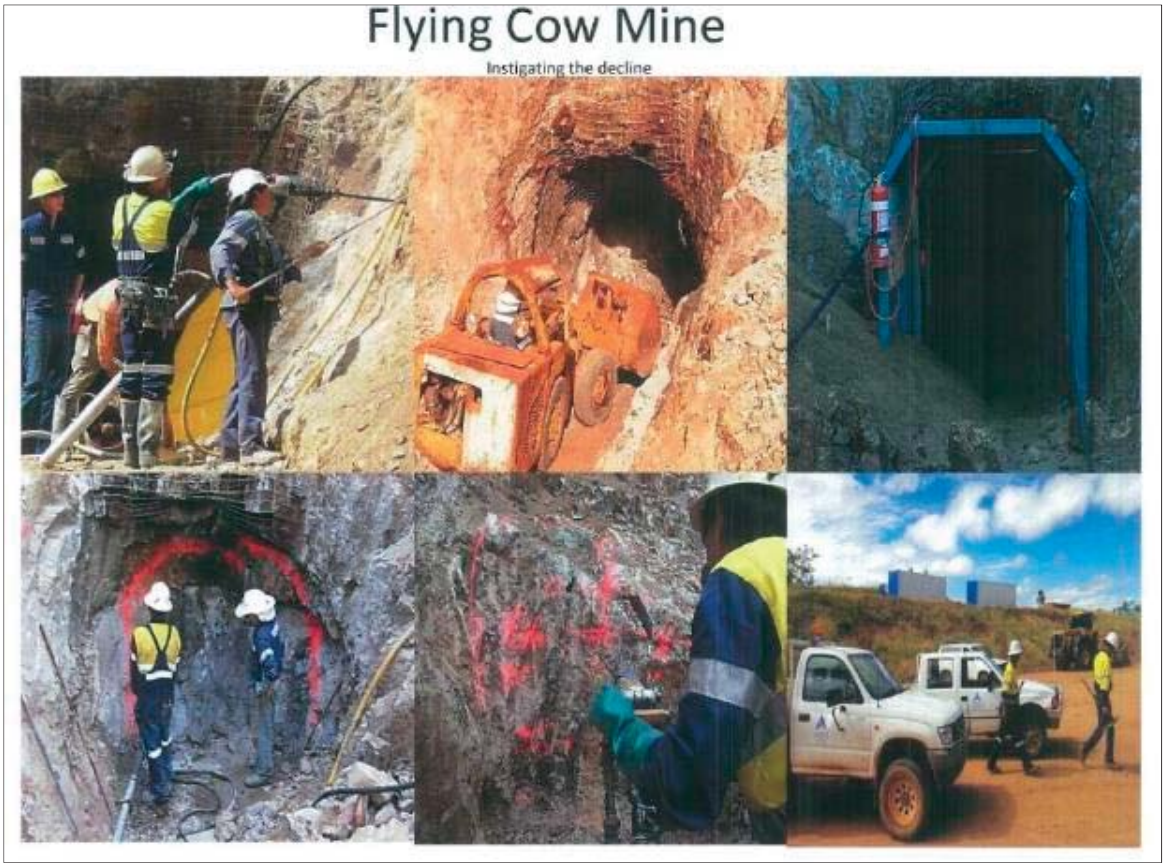


Figure 10: Flying Cow development, from Altius (AUML) internal document, 2012

Exploration Program and Budget

Geos Mining recommends the following initial program within the Forsayth Project:

- Compilation of all historic drilling data, initially within ML3417, ML3418 and subsequently other deposits within EPM14498
- Construction of a comprehensive and validated drilling and rock chip sampling database to include the major deposits at least
- Mineralogical and petrological studies to determine nature and form of gold mineralisation, together with copper-silver associations
- Interpretation of a geological model based on validated drilling data, surface/ underground sampling data and historical records
- Mineral Resource estimation using recognised modelling software and according to the requirements of the JORC Code 2012
- Reverse Circulation drilling at selected deposits based on a gaps analysis from modelling
- Diamond drilling for metallurgical sampling

The budget for this initial exploration is shown in Table 5.

Program	Details	Timing/ Manpower	Budget
Database establishment	Data compilation, analysis and validation	3 months/ 60 man days	$60,000
	Database construction	3 months/ 60 man days	$60,000
Mineralogy	Mineralogical/ petrological investigations	1 month/ 20 man days	$25,000
Geological modelling	Wireframing, mineralisation constraints	2 months/ 40 man days	$40,000
	Structural/ mineralogical domaining	1 month/ 20 man days	$25,000
Mineral Resource estimation	Estimation methodology, modelling, reporting	1.5 months/ 30 man days	$45,000
RC drilling	Program planning	1 month/ 20 man days	$25,000
	50 x 150m holes (7500m)	2 months/ 80 man days	$200,000
Diamond drilling	Program planning	1 month/ 20 man days	$25,000
	10 x 150m holes (1500m)	2 months/ 80 man days	$300,000
	TOTAL	**17.5 months/ 430 man days**	**$805,000**

Table 5: Recommended Exploration Program, Forsayth Project

New South Wales Projects

TENEMENTS

AUML, through its wholly owned subsidiaries Fortius Mines Pty Ltd and Icarus Mines Pty Ltd, holds a 100% beneficial interest in three exploration licences in NSW (Table 6).

Tenement	EL7041	EL7423	EL8402
Permit Name	Honeybugle	Sofala	Karangi
Status	Granted	Granted	Granted
Grant date	24/01/2008	30/11/2009	29/10/2015
Expiry Date	24/01/2018	30/11/2017	29/10/2018
Registered Holder	Icarus Mines Pty Ltd	Fortius Mines Pty Ltd	Fortius Mines Pty Ltd
Area	15 units (44 km^2)	28 units (81 km^2)	76 units (220 km^2)
Minerals Sought	Group One	Group One	Group One

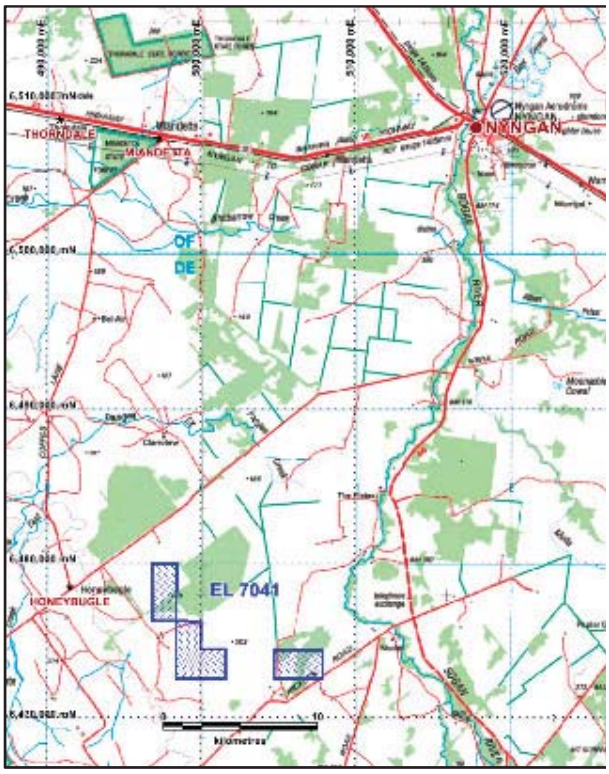
Table 6: Tenement Details, AUML NSW Projects

LOCATION, ACCESS & TOPOGRAPHY

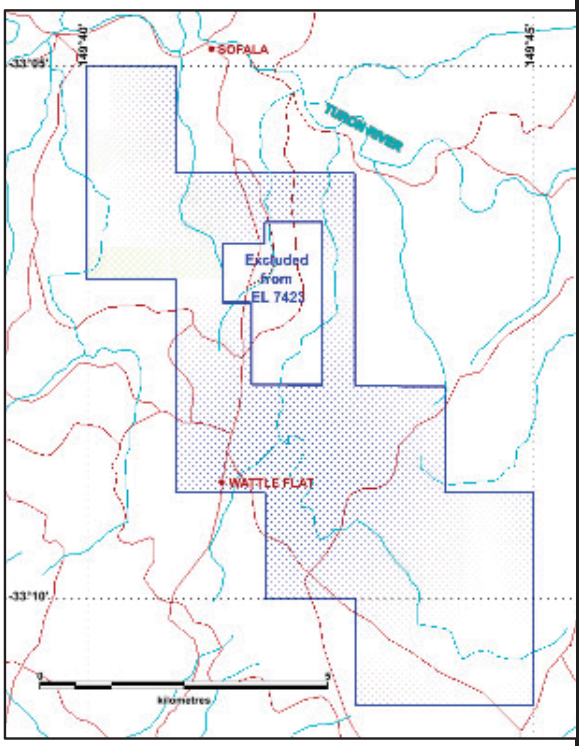
The Honeybugle Project (EL7041) is located approximately 40 kilometres south-southwest of the town of Nyngan in the central western region of New South Wales (Figure 11). The area is flat, and is dominantly used for agricultural purposes, mainly wheat cropping. Access into the area is by the sealed main road between Tottenham and Nyngan, then by unsealed roads and graded farm tracks.

The Sofala Project (EL7423) is located over the villages of Sofala and Wattle Flat, approximately 30km north of Bathurst in Central NSW (Figure 11). Access to the tenement is via the sealed Sofala Road from Bathurst.

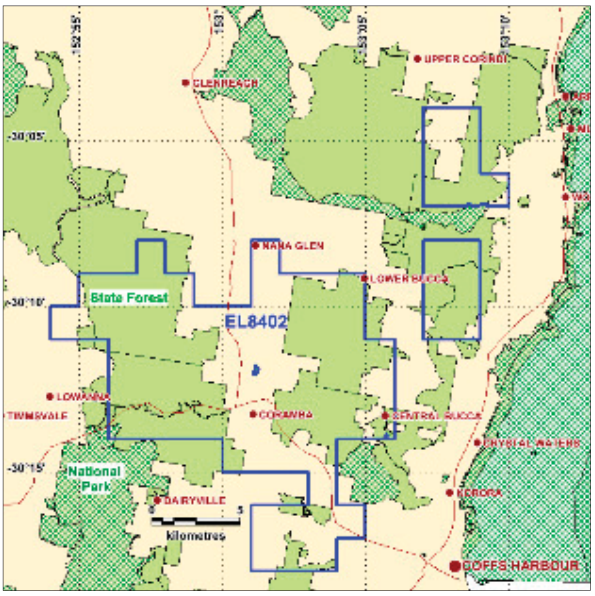
The Karangi Project (EL8402) is located approximately eight kilometres north-west of the town of Coffs Harbor in the north-eastern region of New South Wales (Figure 11). Access is by various council controlled roads and, locally, forest tracks. Much of the licence area is covered by plantation timber (State Forest).



EL7041 – Honeybugle project



EL7423 – Sofala project



EL8402 – Karangi project

Figure 11: Location of AUML's NSW Projects (GDA94 Datum)

Site Visit

No recent site visits were carried out to any of AUML's NSW projects for this valuation update for the following reasons:

- EL7041 – the project area is mainly cropping land with little outcrop. AUML has only completed geophysical surveys with anomalies under cover and the main mineralised area held by other companies. Geos Mining considers that a site visit would not materially change our opinion of the project or affect the value placed on it.
- EL7423 – there has been considerable previous exploration completed within the Sofala-Wattle Flat region and Geos Mining visited the project in late 2015 and 2017 for landholder relations at the two main prospects, Wattle Flat and Queenslander. Planned drilling sites were inspected and some previous drilling collars located. AUML has not completed any exploration since that earlier site visit and Geos Mining does not consider that a further site visit would materially change our opinion of the project or affect the value placed on it.
- EL8402 – despite abundant historical workings, there has been little on-ground exploration. Access is difficult and evidence of mineralisation concealed by forest understorey. Geos Mining considers that a site visit would not materially change our opinion of the project or affect the value placed on it.

In addition, the author has eight years' mineral exploration experience in NSW and is familiar with the geological models discussed regarding AUML's mineral assets.

Native Title

Native Title Claim NC2012/001 has been accepted for registration and overlies the entire Honeybugle Project.

Native Title Claim NC2017/001 has been accepted for registration and overlies almost the entire Sofala Project.

There are no native title claims within the Karangi Project area.

Environmental Considerations

There are no material environmental considerations that would materially affect the valuation of the Honeybugle project in NSW.

The Sofala project is located in thickly wooded and hilly country with a preponderance of small lots and hobby farmers. There are numerous ephemeral streams with thick understorey that will create a considerable hindrance to on ground exploration.

The Karangi project is located in a very heavily timbered rain forest type region and is surrounded by National Park. Topography is quite steep, yet forestry operations have been ongoing since the 1980s.

Project History

Honeybugle Project EL7041

Previous exploration was mainly by prospectors in the period 1880 to 1929. Modern exploration has been recorded since 1967 by Anaconda, North Broken Hill 1979–1983, Australian Hanna 1969, Helix 1986-1991, Lachlan Resources 1976–1990 and LFB Resources NL 2001.

Within the Honeybugle complex, costeaning reportedly gave results of 194m at 0.34 g/t Pt, including 2m at 17.6 g/t Pt. RAB drilling returned best assays of 8m at 0.5 g/t Pt. Grab sampling produced values up to 2.6% Cu, 1200ppm Cr, 1750ppm Co, 2.0g/t Pt, 3150ppm Ni.

Exploration carried out by AUML since 2008 has included geophysical interpretation, completion of a high-resolution aeromagnetic and radiometric survey and follow up ground magnetic surveying.

Sofala Project EL7423

Gold was first discovered in the Sofala area in 1851 and prospecting/ mining continued until the 1920s. Modern exploration commenced in the early 1970s with Metals Exploration, Noranda (soil/ rock geochemistry, 3 diamond drillholes), Compass Resources, Homestake (stream geochemistry), RGC (geochemical sampling, aeromagnetic survey, RC/ diamond drilling) and Mineral Ventures.

Exploration carried out by AUML since 2009 has included geophysical interpretation, completion of a high-resolution aeromagnetic and radiometric survey, interpretation of geophysical results, mapping and rock chip sampling, IP surveying and surveying.

KARANGI PROJECT EL8402

The area has been intensely prospected since the late 1800s and considerable gold production has been recorded (>16,000 oz Au). Mineralisation style is narrow 0.1-1m thick veins, short to moderate strike length (<100m) but very high grade (up to 300 g/t gold). Data related to modern exploration has not been provided by AUML and we have not researched this aspect of the project.

Exploration carried out by AUML since 2009 has included geophysical interpretation, completion of a high-resolution aeromagnetic and radiometric survey, interpretation of geophysical results, geological mapping and rock chip sampling, characterisation of historical workings and extensive geological modelling.

GEOLOGICAL SETTING & MINERALISATION

HONEYBUGLE PROJECT EL7041

The licence is centred over a large mafic intrusive complex known as the Honeybugle Intrusive Complex (HIC), which is Ordovician in age, about 26 km long x 6 km wide and has a NW/SE orientation. Although mainly concealed beneath a surface layer of Quaternary alluvium, the feature is well defined by aeromagnetic survey images (Figure 12). Importantly from an economic mineralisation point of view, this area was deeply weathered during the Tertiary period and produced metalliferous lateritic soil profiles. Elements concentrated in the profile, and which are known to be of economic interest in the region, include platinum, nickel, cobalt and scandium. The main occurrences (Honeybugle Copper, Honeybugle North) are located 5kms to the west of EL7041. AUML has recently focussed on three main prospects within EL7041, named Mayo, Woodlong North and Woodlong South.

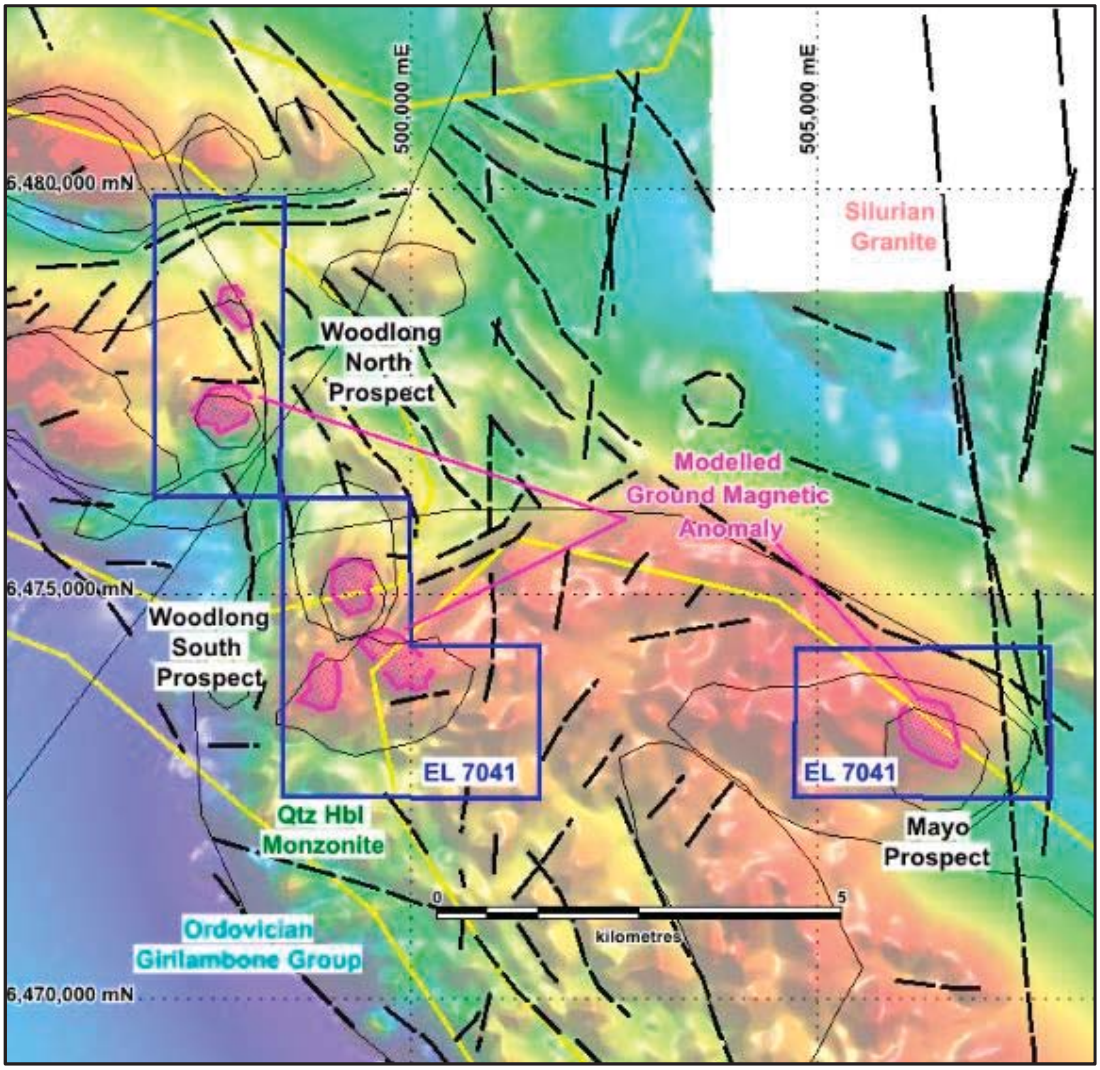


Figure 12: Honeybugle Project Regional Magnetics Setting

SOFALA PROJECT EL7423

EL7423 covers a significant portion of exposed Ordovician Sofala Volcanics on the eastern side of the Hill End Trough. Silurian sediments and volcanics overlie Sofala Volcanics to the west and deformation of this stratigraphy, involving a major antiform and west dipping Wiagdon Thrust fault, has resulted in the Ordovician Sofala Volcanics overlying Silurian sediments in the central portion of EL7423. The tenement is flanked in the west by Devonian feldspathic and/or lithic sandstones and Silurian sediments that host many gold occurrences, primarily of orogenic gold contained within hydrothermal veining. Through the western central portion of the tenement older Silurian rhyolitic volcaniclastics and lavas with quartz feldspar porphyries occur.

There are numerous occurrences of auriferous quartz veins within the central portion of EL7423, and these are likely to be the source area for much of the alluvial gold historically mined about the villages of Sofala and Wattle Flat and along the Turon River (Figure 13). There are old hard-rock gold workings at Surface Hill, the Queenslander mine, Solitary Reef and other locations and extensive alluvial gold workings along the Turon River and its tributaries.

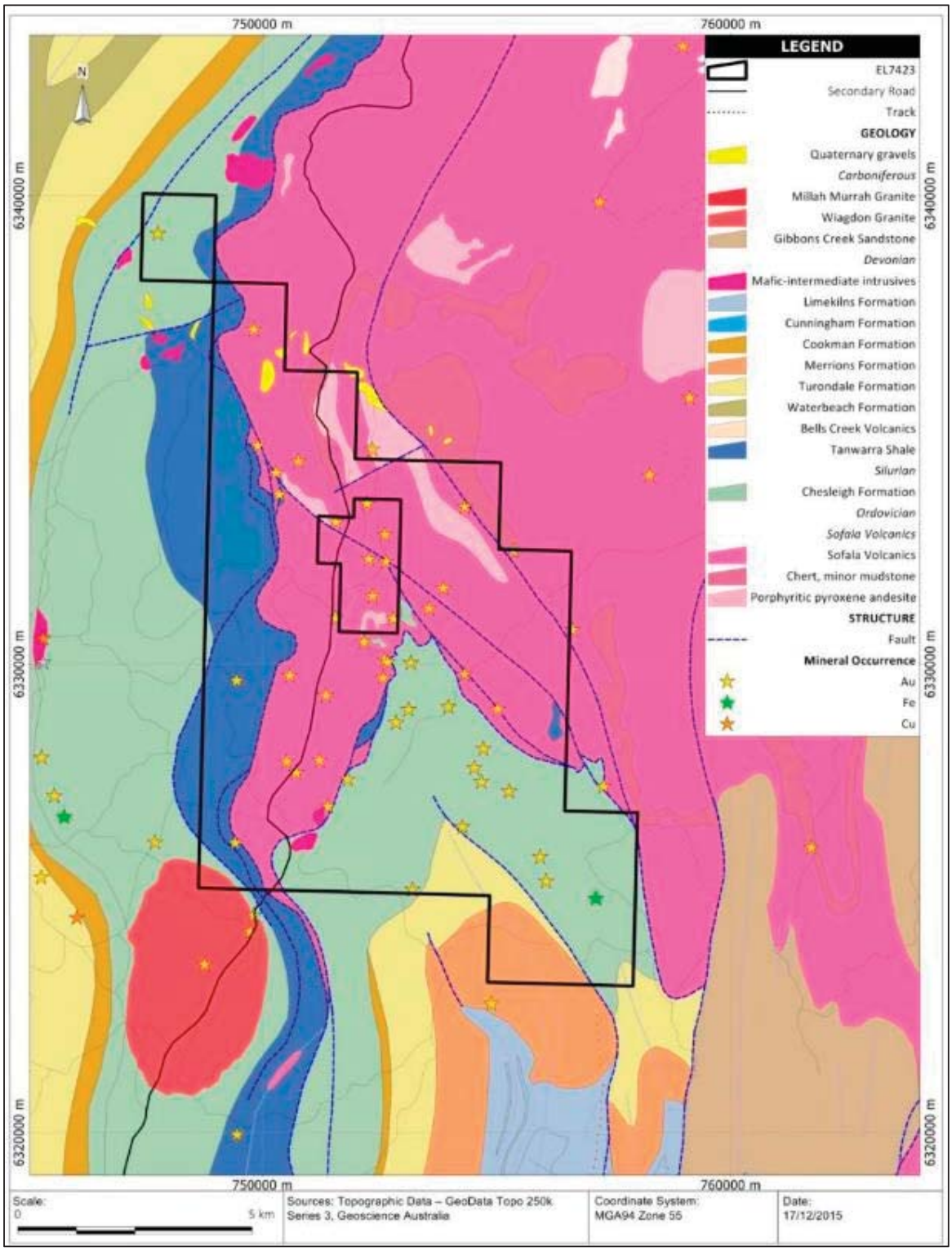


Figure 13: EL7423 Local Geology

KARANGI PROJECT EL8402

In the south, the licence area covers east-trending Carboniferous sediments, while in the centre and the north these are conformably overlain by east-trending Permo- Carboniferous sediments. The licence area

is considered to have potential for epigenetic vein, stratabound massive sulphide and exhalative-hosted gold and base metals deposits.

There are approximately 155 mineral occurrences within the licence area, predominantly gold and several copper, mercury and manganese (Figure 14). The gold occurs either in narrow quartz veins or quartz-magnetite rocks that have limited strike and depth extents. The Illabo mine and the Beacon Group are the largest past gold producers. At the Mount Brown mine, copper is the predominant metal and it is associated with quartz-magnetite rock. Native mercury occurs at the Woolgoola prospect.

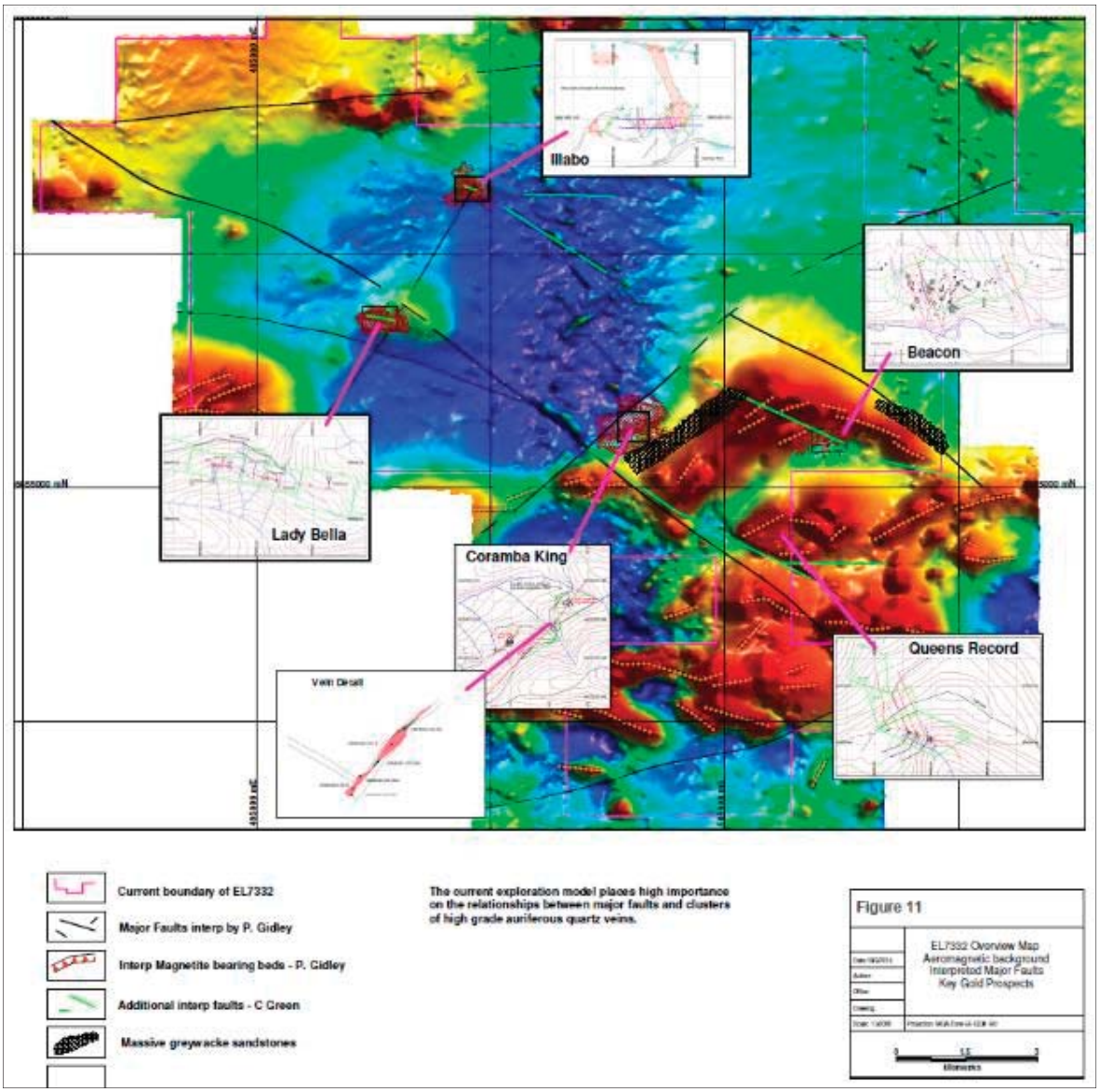


Figure 14: Karangi Project mineral occurrences (after (Green, 2014a)

Grid-co-ordinates MGA94 Zone 56

Mineral Resources

No Mineral Resources have been estimated for the Honeybugle or Karangi projects.

Sofala Project EL7423

There have been several tonnage/ grade estimates made for both the Queenslander and Spring Gully prospects (McIlwraith, 2009):

- RGC Exploration - Queenslander mine: 1.0 Mt @ 4.3 g/t Au and Spring Gully: 3.55 Mt @ 1.0 g/t Au (c.o.g. 0.5g/t Au) or 0.9 Mt @ 1.75 g/t gold (c.o.g. 1.0g/t Au)
- Mineral Ventures (2002) – Spring Gully: 3.0 Mt @ 1.42 g/t Au (c.o.g. 0.5g/t Au)
- AUML (2009) – Spring Gully: 4.6 Mt @ 1.0 g/t gold (c.o.g. 0.5g/t Au) or 1.8 Mt @ 1.4 g/t gold (c.o.g. 1.0g/t Au)

Geos Mining has reviewed the (McIlwraith, 2009) report and makes the following comments:

- The author has made no comment regarding compliance with the JORC Code
- Data (63 RC holes and 6 DDHs) have not been validated but scanned from hardcopy. There is no QA/QC data and core/ samples have not been viewed. There is no downhole survey data available and collar positions were not verified.
- Geostatistical modelling completed using Vulcan software to create wireframes with 3 mineralised envelopes (585 samples)
- Grade top-cut of 2.76 g/t Au applied
- Bulk densities have been assumed
- Poor quality variograms indicate the drillhole spacing of 25m-50m is too large, according to the author
- The tonnage/ grade outline is extrapolated to ~170m below surface (stripping ratio 7:1)
- There is no discussion of modifying factors, such as metallurgical characteristics, environmental constraints and likelihood of eventual economic extraction.

Geos Mining's opinion is that this tonnage/ grade estimate, in its current form, would not meet the requirements of the JORC Code 2012 and cannot be considered as a Mineral Resource. In our opinion, the issue of most significance relates to the low grade of the deposit and whether it could in fact be economically mined. We have not sighted any evidence supporting the likelihood of economic extraction. We note also that the report was not signed by the author nor does it state compliance with the JORC Code, suggesting that it may have been for internal purposes only.

Exploration Program and Budget

Honeybugle Project EL7041

It is recommended that the exploration program be based upon results of an airborne magnetic/ radiometric survey flown in 2012 that was followed up with a ground magnetic survey in 2014. Three intense magnetic anomalies were defined as drilling targets and, although the source of the anomalies is

not known, they may possibly represent ultramafic pipes enriched in platinum group elements. Modelling of the anomalies is required prior to drill testing.

Geos Mining recommends the following initial program:

- Woodlong North: modelling and interpretation of two intense magnetic anomalies
- Woodlong South: modelling and interpretation of three intense magnetic anomalies
- Mayo: modelling and interpretation of two intense magnetic anomalies and one ovoid magnetic complex.
- RC drilling at selected magnetic targets

The budget for this initial exploration is shown in Table 7.

SOFALA PROJECT EL7423

Detailed geological and geophysical data compilation has identified three prospects (Spring Gully, Queenslander and Swedes Hill) that are aligned along a regional scale hinge zone. At Spring Gully a moderate tonnage but low grade gold deposit has been previously outlined but additional drilling is required to validate and verify historical data to enable a resource estimate compliant with the JORC Code to be estimated. The Queenslander Mine is part of a line of reef and a small but high grade gold deposit has been outlined. This target requires further drill testing to determine its classification as a Mineral Resource.

Geos Mining recommends the following initial program:

- Spring Gully: validation of historical drillhole data, inspection and re-logging of core, bulk density measurements, metallurgical testwork, gaps analysis for JORC Code compliance, preliminary economic analysis, diamond drill twinning of selected historical holes, RC/DD drilling of untested lodes, resource estimation
- Queenslander: validation of historical drillhole data, bulk density measurements, gaps analysis for JORC Code compliance, diamond drill twinning of selected historical holes, metallurgical testwork, RC/DD infill drilling, resource estimation,
- Swedes Hill: data compilation and target assessment

The budget for this initial exploration is shown in Table 7.

KARANGI PROJECT EL8402

There has been considerable on-ground reconnaissance, detailed mapping and sampling completed by AUML with a view to testing concepts by diamond drilling. The nature of the topography, environmental constraints and likely social concerns will provide significant challenges and can be expected to add considerably to any exploration budget. AUML have suggested drilling at five prospects with targets at Illabo and Coramba King likely to be 'drill ready'. Geos Mining agrees with this approach but suggests AUML considers the likelihood of development of any potential deposit prior to completing an extensive drilling program. Stakeholder consultation will be vital in the assessment of this project.

The budget for this initial exploration is shown in Table 7.

Project	Programme	Details	Budget
Honeybugle	Geophysics	Modelling of ground magnetic anomalies	$50,000
	RC drilling	5 targets for 750m	$80,000
		Sub-total	**$130,000**
Sofala	Data compilation	Database setup, data recording	$20,000
	JORC Code gaps	Data validation, bulk densities, QA/QC, modelling	$60,000
	Modifying factors	Metallurgical testwork, prelim economic analysis	$40,000
	Diamond drilling	Twinning of old holes (1000m)	$200,000
	RC/ DD drilling	Infill drilling (3,000m RC, 1000m DD)	$300,000
	Resource estimation	Wattle Flat and Queenslander	$50,000
		Sub-total	**$670,000**
Karangi	Drilling preparation	Logistics, landholder liaison, access preparation, government approvals	$50,000
	Diamond drilling	2 targets for 1000m total	$200,000
		Sub-total	**$250,000**
		TOTAL	**$1,130,000**

Table 7: AUML NSW Projects - Recommended Exploration Programs

Valuation

Valuation Methodologies used to Value AUML's Mineral Assets

The valuation of the assets is as at 15 August 2018.

Descriptions of Valuation Methodologies are presented in Appendix 1 – Valuation Principles and Methodologies.

Our final values are "Market Values" as defined in the VALMIN Code 2015 (see below), which equate to "fair values" as defined in AASB 13 and ASIC RG111. We have assessed each project's "Technical Value", using the methods described below, in terms of each asset's reasonable potential to generate income in its highest and best use, which is as future operating mines.

The VALMIN Code 2015 defines "Market Value" as:

"the estimated amount (or the cash equivalent of some other consideration) for which the Mineral Asset should exchange on the date of Valuation between a willing buyer and a willing seller in an arm's length transaction after appropriate marketing where the parties had each acted knowledgeably, prudently and without compulsion."

Unless otherwise indicated all financial figures quoted in this report refer to Australian Dollars ("$A"). Values in this report do **not** include any allowance for the costs of negotiating any sale.

In undertaking this valuation of the tenements, the following methods have been considered, in compliance with ASIC regulatory guide RG111.69:

- Income Approach - Future income method (discounted cash flow analysis)
- Cost Approach - Calculation of attributable exploration expenditure
- Market Approach - Comparable transactions on similar projects
- Market Approach – Joint Venture terms
- Market Approach – Market Capitalisation of similar companies

Future Income Method (DCF Analysis)

We have considered ASIC regulatory guide RG111.98 and RG111.99 and note that it is generally accepted by industry (for example see (Roscoe, 2001)), that, for operating mines or where exploration has advanced to the stage where there is a defined project with quantified resources, the best approach to valuation is usually to estimate the '**present value of future income'** - also known as the 'discounted cash flow method' (DCF).

For mineral projects that are not at the Feasibility Study stage, i.e. they do not have Ore Reserves defined, the low confidence in the forward-looking information makes the DCF method unreliable for valuing mineral assets. Because of these restrictions, we have chosen not to use the DCF method as a valuation tool for any of the AUML properties.

Modified Replacement Value / Attributable Exploration Expenditure

The Modified Replacement Value (MRV) method examines the cost that would be incurred by an explorer in acquiring and exploring a similarly prospective tenement up to the same stage of development as the subject tenement. Past Attributable Exploration Expenditure (AEE), or the amount spent on effective exploration on a tenement, is commonly used as a guide in determining the value of exploration tenements, and "deemed expenditure" is frequently the basis of joint venture agreements. On top of the past expenditure, an Acquisition Cost (AC) is added to reflect costs in acquiring the tenement. Two modifying factors, the Market Factor and Prospectivity Enhancement Multiple (PEM, see Appendix 1), are then applied to the past expenditure, taking into account the availability of prospective ground and the success or otherwise of the exploration programs.

The AEE method has not been used to determine a value for the Forsayth Project due to the lack of readily identifiable exploration expenditure data available. Financial data supplied by AUML includes substantial expenditure related to the mining operations.

The NSW Projects are all early/ mid stage exploration projects and we consider that an assessment of previous exploration expenditure is a valid method to use for these projects.

Comparable Transactions

We have utilised a modified version of Comparable Transactions for both Qld and NSW Projects, based on identifying projects with similar mineralisation styles in Eastern Australia. We consider that the Archaean

style of gold deposits in Western Australia are a separate subset for the purpose of comparing transactions due to unique market conditions evident within the Eastern Goldfields/ Murchison Regions and have not included these in our evaluation. Similarly, we have not compared transactions outside of Australia.

Data has been obtained by searching the SNL Metals & Mining Database (https://www.snl.com), a subscription service that provides financial and industry data, research, news and analytics.

JOINT VENTURE TERMS

For those projects subject to a Joint Venture Agreement (JVA) with other companies, the terms of the JVA could be used as a basis for valuing the AUML projects. This method has not been used as a basis for assessing the value of either project, except where such projects have been recorded and interpreted by the SNL database.

MARKET CAPITALISATION METHOD

The Market Capitalisation Method can be used when there are companies with one main project similar in size, jurisdiction and stage of development as the target company/project. However, finding such similar companies can be difficult and the method is usually only used if other methods are not appropriate. This method has not been used for the AUML projects.

QLD PROJECT AND NSW PROJECTS VALUATION

Regarding the Forsayth Project, Geos Mining has sighted and reviewed the Valuation report by (Minnelex Pty Ltd, 2009). We note that they have used the report by (MU Geological Consulting, 2008) as the basis for valuing the estimated tonnage/ grades of the Forsayth Project. As previously stated Geos Mining does not support the definition of these tonnage-grade values as Mineral Resources and we view them as Exploration Targets at best.

(Minnelex Pty Ltd, 2009) used four methods to value the Forsayth Project:

- Comparable transaction in the same region – based on a 2008 sale and purchase agreement of mining tenements and a de-commissioned CIP gold processing plant.
- In-situ valuation of mineral resources – based on a 1986-1988 'feasibility study' of Castlegold, modified by using 'rule of thumb' factors to the gross metal value in ground. Geos Mining does not consider this to be a valid valuation technique as it does not meet the requirements of the JORC or VALMIN Codes.
- Attributable exploration expenditure – based on the quality of exploration and expenditure incurred using a Prospectivity Enhancement Multiplier (PEM). This method is in current practice although in Geos Mining's opinion, it is useful in providing a broad range only.
- Discounted cash flow – based on a study by Altius Mining with input from Coffey Mining. Geos Mining does not consider that this method is valid given the lack of reliable mineral resources, ore reserves or mine planning details.

(Minnelex Pty Ltd, 2009) concluded that the Forsayth Project has a value range of between $15.7m and $19.9m, based on a weighting factor applied to the four valuation methods. In Geos Mining's opinion, this value is not soundly based and grossly overstated, as demonstrated below.

Modified Replacement Value / Attributable Exploration Expenditure

Geos Mining considered this method for both the NSW and Qld projects but concluded that this method is not appropriate for the Forsayth Project in Qld, for the following reasons:

- AUML was not able to provide detailed annual exploration expenditure summaries except for the 2012-2014 financial years
- AUML provided an impairment summary that included a single statement of capitalised expenditure viz. up to 31/12/2015 $10,848,091. However, this figure includes a significant but unknown amount of expenditure incurred in the start up to mining
- The report by (Runge Pincock Minarco, 2014) stated that "Altius constructed a small treatment plant incorporating crushing and grinding, shaking tables and cyclones and mined an unknown tonnage of the Ropewalk oxide mineralisation. This mineralisation was stockpiled and none was treated."

We do, however, consider that this method is applicable to the NSW projects and have compiled the exploration expenditure incurred within these projects then modified the values according to our assessment of exploration effectiveness and PEM range (Table 8 and Appendix 2 – Attributable Exploration Expenditure for NSW Projects).

The range of Technical Values ascribed to the NSW Projects by this method is between $1.9 million to $2.4 million with a preferred Technical Value of $2.2 million.

Tenement Name/ Number	AUML Expenditure ($'000)	AUML Equity (%)	Effective Expenditure [8]	PEM Range	PEM Preferred	Valuation Range, AUML Equity ($'000)	Preferred Value, AUML Equity ($'000)	Commentary
EL7041	432	100	293	1.5-1.9	1.9	440-557	560	Well defined magnetic targets (Ni-PGE)
EL7423	458	100	355	2.5-2.9	2.5	888-1,030	890	High grade historical intersections (Au)
EL8402[9]	786	100	561	1.0-1.4	1.4	561-785	785	High grade epigenetic veins (Au)
TOTAL	**1676**		**1,209**			**1,889-2,372**	**2,235**	

Table 8 : AUML's NSW Projects Attributable Exploration Expenditure and Valuation Range

[8] Administration costs have been excluded, as has ineffective exploration
[9] EL8402 was formerly EL7332 also held by AUML

Comparable Transactions or Projects

We have searched the SNL database, company websites and ASX announcements for publicly available data on transactions involving gold projects in Eastern Australia between unrelated companies during 2016-2018 to determine likely Market Values for the Forsayth project and the NSW projects (Table 9). Our current search of comparable transactions has identified an additional 8 transactions that relate to projects in Eastern Australia and range from early stage exploration to advanced stage projects with mineral resources. At the same time we have removed any transactions that commenced prior to January 2016 in order to limit the time frame for comparison.

We have included transactions up to 190,000 oz gold to provide a guide as to prices paid per ounce gold, despite the fact that there are no identified Mineral Resources at any of the AUML projects. Geos Mining's opinion is that further exploration at the Forsayth and Sofala Projects is likely to result in the estimation of at least modest Mineral Resources.

Where transactions have occurred with identified Mineral Resources, the price paid per ounce gold is generally in the range of $2/oz Au to $11/oz Au, although one transaction was valued at $17/oz Au (Figure 15). We have not considered the Challenger deposit in this review as it is has a very high value per ounce, presumably due to the fact that it was an operating mine.

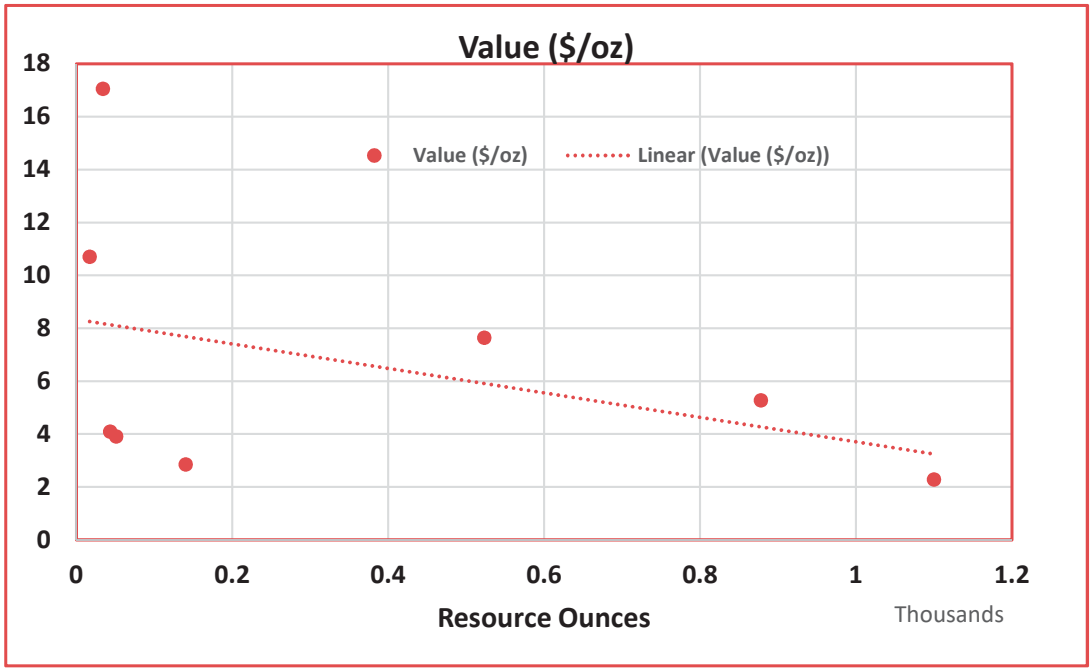


Figure 15: Graph of Mineral Resources vs Value per Ounce Gold

We note also that while the gold price has steadily increased from late 2016 to early 2018, it has significantly dropped in recent months (Figure 16). We consider that this recent two-year trend has contributed at least in part to the increased number of reported transactions. This might be expected to result in increased prices paid for projects but we have not observed this in regard to the Eastern Australia

transactions investigated. Consequently, the price paid for a resource ounce gold has not shifted noticeably.

Figure 16: Historical Gold Price Graph, source: (Kitco Metals Inc., 2018)

We have elected to use a nominal value range of $7-10/oz Au as this is indicated by the trendline for deposits with <100,000 ounces contained gold. While the AUML projects have no Mineral Resources compliant with the JORC Code (2012), in our opinion there are reasonable grounds for considering that modest resources could be identified with additional exploration.

In addition, Table 9 indicates that projects with no identified mineral resources can attract significant prices, depending upon buyer perception of potential to discover an economically viable deposit. This can be dictated by regional mineralisation pedigree, historical exploration results and tenement package area. We have attempted to subjectively classify the projects shown in Table 9 by their exploration status (i.e. grass roots, early stage, mid stage, advanced stage) as a way of assigning a value range to the AUML projects. The results are presented in Table 9.

We have summarised these results in terms of value range on a per project basis as:

- Grass roots - $50,000 to $200,000
- Early Stage - $100,000 to $200,000
- Mid Stage - $50,000 to $400,000 (average $180,000)
- Advanced Stage - >$500,000

In our opinion, based on the broad subdivision above, the AUML projects equate to:

- Early Stage – Honeybugle and Karangi
- Advanced Stage – Sofala and Forsayth

Deposit (Buyer)	Location	Mineral Resources (100% equity)	Transaction Date[10]	Equity Acquired	Transaction Value (A$)	Transaction Value (A$) on 100% basis	Value A$/ oz Au	Exploration Stage	Comments
Hill 212 and Mt Clark West (Medusa Mining Limited)	Qld	Nil but drill ready targets	05/07/2018	90%	4,000,000	4,400,000	NA	Mid	Epithermal Au-Ag and porphyry Cu-Au. $4m cash to earn 70% then complete pre-feasibility to earn 90%. Deal not finalised.
Southern Hub (Carnaby Resources Limited)	Qld	None reported	02/07/2018	82.5%	1,000,000	1,200,000	NA	Early	13 EPMs, SE Mt Isa. 4m shares issued. Deal not finalised.
Euro (Newcrest Mining Limited)	NT	Nil but mid-stage exploration	04/07/2018	75%	12,000,000	16,000,000	NA	Mid	13 ELs in Arunta Block. Deal not finalised.
Norton (Undisclosed)	Qld	34,000 oz Au	29/06/2018	90%	525,000	580,000	$17.05	Advanced	$525,000 cash
Connors Arc (Evolution Mining Limited)	Qld	Nil but long term mid-stage exploration	02/05/2018	100%	2,500,000	2,500,000	NA	Advanced	2% NSR also included. Deal not finalised.
Mt Adrah (Investor Group)	NSW	Nil but historical tonnage-grade	16/03/2018	100%	500,000	500,000	NA	Advanced	$250,000 cash and $250,000 in shares
Granite Castle/ Charters Towers	Charters Towers, Qld	None reported	20/02/2018	100%	400,000	400,000	NA	Mid	3 EPMs, 1 MDL
Western Tanami (Northern Star Pty Ltd)	Tanami, NT	523,000 oz Au	28/11/2017	100%	4,000,000	4,000,000	$7.64	Advanced	$4m cash
Blayney (Regis Resources)	Central West, NSW	2015 Inf 46.1Mt @ 0.62g/t Au, Meas/Ind 4.8Mt @ 1.3g/t Au. Total 1,096,000oz Au	19/05/2017	100%	$3,300,000	$3,300,000	$2.28	Advanced	
Yoda (Spitfire Materials Ltd)	Alice Springs region, NT	None reported	15/11/2016	100%	$204,000	$204,000	NA	Grass	Early stage, rock chip and IP

[10] (da) denotes 'definitive agreement'; deal not completed

Deposit (Buyer)	Location	Mineral Resources (100% equity)	Transaction Date[10]	Equity Acquired	Transaction Value (A$)	Transaction Value (A$) on 100% basis	Value A$/ oz Au	Exploration Stage	Comments
Challenger (WPG Resources Ltd)	Gawler Craton, SA	182,800oz Au, including 44,700oz reserves	01/08/2016	50%	$9,000,000	$18,000,000	$98.50	Advanced	WPG now hold 100% of project
Saxby (Strategic Energy Resources Limited)	Cloncurry region, Qld	None reported	05/07/2016	100%	$45,000	$45,000	NA	Grass	Falcon Minerals retain 1.5% NSR
Aurora Tank (Marmota Energy Ltd)	Gawler Craton, SA	None, testing 500m strike with AC drilling, IOCG target	04/07/2016	25%	$50,000	$200,000	NA	Early	In 2013, Apollo JV earn 75% by expenditure $0.9m
Mt Porter (Ark Mines Aust.)	Pine Creek region, NT	878,000t @ 1.9g/t Au (52,100oz Au)	23/06/2016	100%	$275,000	$275,000	$5.27	Advanced	2ELs, 1ML
Four Eagles (Gold Exploration Vic Pty Ltd)	Bendigo region, Vic	Advanced new project, many high grade intersections. No mineral resource.	13/05/2016	50%	$4,200,000	$8,400,000	NA	Advanced	Only recently drilled, expect resource announcement
Wynberg (CopperChem Ltd)	Cloncurry, Qld	Inf 3.1Mt @ 1.4g/t Au (140,000oz Au)	10/05/2016	100%	$400,000	$400,000	$2.85	Advanced	JORC 2004
Barambah (ActivEX Ltd)	Gympie region, Qld	2015 Inf 0.36Mt @ 1.5g/t Au, 62g/t Ag for 17200oz Au, 722,000oz Ag	10/03/2016	25%	$75,000	$300,000	$10.70	Advanced	3 EPMs
Avoca/ Bailieston (ECR Minerals PLC)	North of Ballarat, Vic	Mined previously but low grade. No current resources reported	03/03/2016 (da)	100%	$250,000	$250,000	NA	Mid	

Deposit (Buyer)	Location	Mineral Resources (100% equity)	Transaction Date[10]	Equity Acquired	Transaction Value (A$)	Transaction Value (A$) on 100% basis	Value A$/ oz Au	Exploration Stage	Comments
Hayes Creek (PNX Metals)	Pine Creek region, NT	No mineral resources, historical production mod grade Au	02/03/2016	100%	$17,000	$17,000	NA	Mid	3 MLs, 1m PNX shares + 2% NSR, part of larger project
Glencoe (Ark Mines Aust.)	Pine Creek region, NT	42,900oz Au	25/02/2016	100%	$175,000	$175,000	$4.08	Advanced	ML29679, 1% NSR also to be paid
Mt Boppy (undisclosed buyer)	Cobar region, NSW	483,000t @3.4g/t Au (51,300oz)	22/02/2016	NA	$200,000	$200,000	$3.90	Advanced	3% gross royalty only
Wagga Tank (undisclosed buyer)	Cobar region, NSW	Polymetallic Cobar style deposit	22/02/2016	20%	$40,000	$200,000	NA	Mid	
Moonmera (GBM Resources)	Mt Morgan, Qld	Cu-Au porphyry, no mineral resources	15/02/2016	100%	$37,000	$37,000	NA	Mid	1% NSR to be paid to RioTinto

Table 9: Comparable Transactions – Forsayth Project and NSW Projects

EXPECTED AUML MARKET VALUE

From an analysis of currently available data, we have arrived at an expected Market Value based upon a consideration of the following factors:

- High grade gold mineralisation in short strike lodes and veins recognised at both Forsayth and Sofala
- Extensive mineralisation evident at Forsayth with many opportunities for development
- No identified Mineral Resources, although Exploration Targets estimated at both Forsayth and Sofala
- Project limitations: drilling data not validated, no comprehensive drilling database, no Mineral Resources compliant with the JORC Code 2012, gold mineralisation coarse grained and erratic in distribution.

Geos Mining's opinion is that there is very good opportunity for AUML to upgrade the quality of its project portfolio by the application of sound geological methods to enable estimation of Mineral Resources that are compliant with the JORC Code 2012. Mineral Resources will attract a premium in terms of project value, whereas currently projects can only be assessed on the basis of much lower confidence.

The assessment of Technical Value for the early stage NSW projects based on exploration expenditure has resulted in Technical Values between $1.9 million to $2.4 million with a preferred Technical Value of $2.2 million (Table 8). Geos Mining regards this as a Technical Value range that does not reflect the current market, as evidenced by numerous comparable transactions (Table 9). We further consider that the technical advancement of the projects has suffered as a result of staff changes within AUML resulting in successive project geologists having to gain familiarity with the projects. Continuity of exploration, in particular on ground exploration has also been lacking. These factors have not been considered in the assessment of attributable exploration expenditure but, in Geos Mining's opinion, an additional factor should be introduced to account for this observation. Accordingly, we have assigned a significant discount of 50% to the NSW project Technical Values.

Our previous discussion of comparable transactions has resulted in an assignment of Market Values for the AUML projects as two groups:

- Sofala and Forsayth – market value assigned on the basis of potentially mineable tonnages at an ascribed value of $7-$10/oz and with consideration of their Advanced Stage of exploration
- Honeybugle and Karangi – market value assigned on their Early Stage exploration status

We have concluded that project Market Values estimated by the Comparable Transaction method are likely to be:

- Forsayth – $350,000 to $1,000,000, assuming a deposit[11] of 50,000oz Au to 100,000oz Au could reasonably be identified and with a Preferred Value of $1,000,000
- Sofala - $175,000 to $500,000, assuming a deposit of 25,000oz Au to 50,000oz Au could reasonably be identified and with a Preferred Value of $500,000

[11] While Geos Mining does not consider that the tonnage/ grade estimates provided in data from AUML meet the requirements of the JORC Code 2012, it is our opinion that these could be upgraded to Mineral Resources if data was compiled, validated and some check exploration carried out. On that basis and given the style of mineralisation, Exploration Targets already identified and likelihood of further discovery, we believe that a deposit of 50-100,000 oz Au and 25-50,000 oz Au could reasonably be identified at Forsayth and Sofala, respectively.

- Honeybugle and Karangi –$100,000 to $200,000 each with a Preferred Value of $150,000 each.

In regards to weighting to project Market Value assigned using the Comparable Transaction method compared to project Technical Value assigned using the Attributable Exploration Expenditure method, our opinion is that the former is a more reliable method of Market Value and we have therefore weighted the Comparable Transaction method higher (70%) than the Attributable Exploration Expenditure method (30%). The valuation conclusions are presented in Table 10.

Project	Comparable Transactions (unweighted)			Attributable Exploration Expenditure (unweighted)			Weighted Project Market Values		
	Low Value A$'000	High Value A$'000	Preferred Value A$'000	Low Value A$'000	High Value A$'000	Preferred Value A$'000	Low Value A$'000	High Value A$'000	Preferred Value A$'000
Forsayth	350	1,000	1,000	-	-	-	350	1,000	1,000
Sofala	175	500	500	890	1,030	890	390	660	620
Honeybugle	100	200	150	440	560	560	200	300	270
Karangi	100	200	150	560	790	790	240	380	340
							1180	**2,340**	**2,230**

Table 10: Summary Table showing Weighted Preferred Project Market Values

The preferred value using the Comparable Transaction method is based on our assessment of the technical attributes of the AUML projects in comparison to those identified in Table 9. Where the AUML project is considered to have less technical merit than the projects in Table 9 then the preferred value is assigned at the lower end of the range. Similarly, if the AUML project is considered to have a higher technical merit than the projects in Table 9 then the preferred value is assigned at the higher end of the range. The preferred value using the AEE method relates to our opinion as to the quality of exploration carried out in terms of the expenditure. Where it is considered that there has been a high proportion of office costs as compared to effective on ground exploration then the preferred value is assigned in the lower part of the range, and vice versa.

In regards to the weighting factor applied in Table 10, Geos Mining's opinion is that the Comparable Transaction method is a more reliable indicator of market value compared to historical expenditure, especially in this economic mining downturn. If exploration was carried out in today's market then we believe that expenditure would be much more tightly constrained and more effective. Accordingly, we have given a much higher weighting to the Comparable Transaction method results than the AEE method results. The actual allocation of 70:30 is a subjective opinion but in our view, these ratios fit our perception of the current market.

In summary, we consider that the Market Value of the AUML projects at the date of this valuation update (15/08/2018) is **between A$1.2 million and A$2.3 million with a preferred Market Value of A$2.2** million (rounded to nearest A$0.1 million). This is essentially the same as our previous valuation update (15/08/2017) but slightly higher than an earlier valuation (21/07/2016) of **between A$1.5 million and**

A$2.5 million with a preferred Market Value of A$1.9 million. We re-iterate that this valuation does not include any value placed on plant, equipment or infrastructure associated with any of AUML's tenements.

Valuation and Risk

Valuation Summary

The preferred Market Values and valuation ranges derived for the AUML assets are summarised in Table 11.

Project	Low Value A$'000	High Value A$'000	Preferred Value A$'000
Forsayth	350	1,000	1,000
Sofala	390	660	620
Honeybugle	200	310	270
Karangi	240	380	340
	1,180	**2,350**	**2,230**

Table 11: Summary of Market Valuation of AUML mineral assets

We note the risks associated with this valuation are as summarised below and consider the most significant risks that can be mitigated by AUML are: a) the lack of on-ground exploration, and b) the conversion of Exploration Targets to Mineral Resources. In this context the careful application of sound geological principles in conjunction with appropriate exploration methodology is considered of paramount importance in the short term.

We have not modified the valuation range as a result of considering these risks but may elect to do so in future valuations should further exploration inactivity be continued.

Risks

Geos Mining has limited the scope of this risk assessment to major factors relevant to this valuation. There has been no consideration of political stability, or of the financial risk arising from any lack of liquidity. We make no guarantee that all material risks have been included in this assessment.

Risk is based on the product of two factors: probability and consequence. For the purposes of this risk assessment Geos Mining has adopted the matrix below as a measure of project risk (Table 12).

CONSEQUENCE	PROBABILITY						RISK	Probability		Consequence	
		A	B	C	D	E		A	Common	1	Catastrophic loss, over 40% of project value
	1	1	2	4	7	11	HIGH 1-6	B	Has happened	2	Major disruption/ impediment, 10% - 40% of project value
	2	3	5	8	12	16	MEDIUM 7-15	C	Could happen	3	Moderate disruption/ impediment, over $5m value
	3	6	9	13	17	20	LOW 16-25	D	Not likely	4	Minor disruption/ impediment, less than $5m
	4	10	14	18	21	23		E	Practically impossible	5	No lasting effect
	5	15	19	22	24	25					

Table 12: Risk rating table

Government Approvals and Tenure

Permitting for development of the Sofala and Karangi Projects is a high risk due to environmental and social concerns. In our opinion, both projects could be expected to receive strong opposition from stakeholders, which may place considerable political pressure on the Government to revoke tenure.

We also consider that the continued lack of exploration on all projects will lead to the inevitable result of either tenement cancellation or non-renewal. In this regard, we note that the Karangi tenement is due for renewal in October 2018.

High consequence, could happen – 1C - High risk

Social Impact Risk

The Sofala Project is located in an area of small hobby farms with picturesque forested hills and ephemeral to perennial streams. AUML has reportedly already experienced vocal opposition to exploration. The Karangi Project is located within State Forest mainly and adjacent to National Park. The steep rugged and forested hills in a high rainfall area will attract strong opposition from the nearby town of Coffs Harbour and surrounding settlements.

Major consequence, could happen – 2C - Medium risk

Environmental Risk

Both Sofala and Karangi Projects are located in areas with high environmental values. NSW government standards are high and it is our opinion that exploration costs initially, and development costs ultimately, will be high due to possible ecological and ground water impacts.

Major consequence, could happen – 2C - Medium risk

GEOLOGY AND RESOURCES

Mineral exploration is a high risk endeavour with no guarantee of success. Poor results from exploration programs may lead to a project being assessed as having little or no value and the tenements being dropped.

At the more advanced projects of Forsayth and Sofala, geological evidence to date suggests that the deposits likely to be developed will be small to moderate in tonnage but possibly moderate to high grade. In our opinion they are more likely to be multiple lode/ vein style rather than bulk tonnage targets, suggesting constraints related to mineralisation continuity. As demonstrated already by AUML at Forsayth, these deposits must be assessed scientifically with a strong emphasis on the understanding of geological and mineralogical style.

Major consequence, has happened – 2B - High risk

We have also considered the following risk factors and believe that, at the current stage of development of the AUML projects, they each constitute low risk:

- Reliance on third parties / contractors
- Limited operating history
- Mining methods and costs
- Technology / equipment / processing
- Infrastructure
- Commodity prices
- Exchange rates
- Financing risks

We have also considered potential opportunities that could enhance the future values of the projects, especially definition of Mineral Resources above and beyond the current Exploration Targets. At this stage, however, we believe that these opportunities cannot be validly quantified and, therefore, we have not factored them into our assessment of the current Valuation.

Conclusions

Our valuation of the AUML projects, as at the Valuation Date, has been constrained by the stringent requirements of the JORC Code 2012 in terms of classifying mineralisation as a Mineral Resource. The lack of compliance with these requirements in the case of the Sofala and Forsayth Projects has resulted in a significant constraint to the project value. However, we consider that with careful data analysis and ongoing targeted exploration that project value could be upgraded, notwithstanding that the current market conditions do not allow a premium price to be paid for smaller deposits.

Geos Mining has valued the AUML projects (equity accounted) from a low of **$1.2 million** to a high of **$2.3 million**, with a preferred Market Value of **$2.2 million.**

Glossary of Technical Terms and Abbreviations

Aeromagnetic Data: Geophysical data indicating the variation in magnetic intensity captured from an aircraft.

Aircore drilling: A combination of reverse circulation and diamond drilling techniques in which a small diameter core is air-lifted up the inside of the drill string. Suited to sticky clays and unconsolidated rock.

Alluvium/ Alluvial: Sediment deposited by a stream or river.

Base Metal: Any metal at the lower end of the electrochemical series that oxidizes readily

Basement: the rocks below a sedimentary platform or cover, or more generally any rock below sedimentary rocks or sedimentary basins that are metamorphic or igneous in origin

Basin: A depressed segment of rock in which sediments accumulate and where hydrocarbons may be located.

Beneficiation: variety of process whereby extracted ore from mining is reduced to particles that can be separated into mineral and waste, the former suitable for further processing or direct use

Bulk Density: A measure of the relative weight of a geological material as it is found in the ground before excavation, expressed in tonnes per cubic metre (t/m3).

Deposit: A mineral occurrence of sufficient size and grade that it might, under favourable circumstances, be considered to have economic potential

Disseminated: Said of a mineral deposit in which the desired minerals occur as scattered particles in the rock.

Epigenetic: formed later than the surrounding or underlying rock formation

Exploration Licence: A granted title over an area of land entitling the holder to explore for one or more mineral commodities for a set period of time

Exploration Target: Information relating to exploration targets must be expressed so that it cannot be misrepresented or misconstrued as an estimate of Mineral Resources or Ore Reserves. The terms Resource(s) or Reserve(s) must not be used in this context. Any statement referring to potential quantity and grade of the target must be expressed as ranges and must include (1) a detailed explanation of the basis for the statement, and (2) a proximate statement that the potential quantity and grade is conceptual in nature, that there has been insufficient exploration to define a Mineral Resource and that it is uncertain if further exploration will result in the determination of a Mineral Resource.

Fault: A geological fracture along which rocks on one side of the fault are dislocated relative to those on the other side.

Feasibility Study: A study of the economic viability of the mining and production of base or precious metals or other minerals

Grade: Average quantity of ore or metal in a specified quantity of rock.

Granite/Granitic: Coarse-grained acid igneous rock containing quartz and feldspar.

Granitoid: A granitic rock.

Gravity Separation: Gravity separation is an industrial method of separating two components from a suspension or any other homogeneous mixture where separating the components with gravity is sufficiently practical

Greisen: A form of alteration restricted to the outer edges of some granite intrusions

Head Grade: the grade of the ore as delivered to the metallurgical plant

In Situ: In its original position, said of rock or soil when it has not moved from whence it was deposited and or lithified.

Indicated Resource: that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.

Inferred Resource: that part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.

JORC Code: A code prepared by the Joint Ore Reserves Committee which sets out minimum standards, recommendations and guidelines for public reporting in Australasia of exploration results, mineral resources and ore reserves.

JV: Joint venture

Laterite: Highly weathered material rich in secondary oxides of iron, aluminium or both.

Lode: a deposit of valuable ore occurring within definite boundaries separating it from surrounding rocks

Magnetic Susceptibility: the degree of magnetization of a material in response to an applied magnetic field

Mineralisation: Term describing the hydrothermal deposition of economically important minerals in the formation of ore bodies.

Ordovician: The second earliest period of the Palaeozoic Era between 500 and 440 million years ago.

Palaeochannels: Deposits of unconsolidated or semi-consolidated sediments deposited in ancient, presently inactive river and stream channel systems.

PEM: Prospectivity enhancement multiplier. It commonly ranges from 0.5-3.0 and is applied to the effective expenditure. The selection of the appropriate multiplier is a matter of experience and judgement but is highly subjective.

Polymetallic: refers to a substance composed of a combination of different metals

Porphyry/Porphyritic: An igneous rock in which larger crystals (“phenocrysts”) are scattered through a matrix of smaller crystals (“groundmass”)/descriptive of rocks displaying such textures.

Quartz: second most abundant mineral in the Earth's continental crust, after feldspar. It is made up of a continuous framework of SiO4 silicon–oxygen tetrahedra, with each oxygen being shared between two tetrahedra, giving an overall formula SiO2.

Recoverable Resources: Recoverable resource refers to the amount of resource that can be removed.

Reserves: The economically mineable part of a measured or indicated resource at the time of reporting, as defined in the JORC Code.

Resource: The part of a deposit for which there is a reasonable prospect for eventual economic extraction, as defined in the JORC Code. Not all of a resource may be economically minable.

Sediment: Material such as mud and sand that has been moved and deposited by water, ice or wind.

Shear: A deformation resulting from stresses that cause parts of a body to slide relative to each other in a direction parallel to their plane of contact

Smelting: Smelting is a form of extractive metallurgy; its main use is to produce a metal from its ore. This includes iron extraction (for the production of steel) from iron ore

Silicates: A silicate is a compound containing an ion in which one or more central silicon atoms are surrounded by electronegative ligands

Siliceous: Name used to describe silicon dioxide compounds.

Silurian: A period within the Palaeozoic era between 440 and 400 million years ago

Source Rocks: rocks reflecting high productivity; most common source rocks: shales and mudstones; basalts; and quartz sandstones and limestones.

Stockwork Veins: three dimensional network of irregular veinlets

Strata: Layers of sedimentary rock, visually separable from other layers above and below.

Stratigraphy: The science of rock strata, concerned with all characteristics and attributes of rocks as strata, and their interpretation in terms of mode of origin and geologic history.

Surficial: pertaining to or occurring on or near the earth's surface

Tenement: An area granted for exploration or mining purposes.

Tertiary: Thought to have covered the time between 65 and 2 million years ago.

Turbidite: Sediments which are transported and deposited by density flows

VALMIN Code: Code for the Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports. A code prepared to assist those involved in the preparation of public Independent Expert Reports that are required for the assessment and/or valuation of mineral and petroleum assets and securities so that the resulting reports will be reliable, thorough, understandable and

include all the material information required by investors and their advisers when making investment decisions.

Variogram: A graph of the function of the spatial dependence of variance

Vein: A fracture in rock which has been filled with mineral, often quartz.

Workings: The entire system of openings in a mine for the purpose of operation

XRF: X-ray fluorescence. X-rays are diffracted when directed at a crystalline material according to its lattice structure. The generation of an x-ray diffraction pattern that is characteristic for the crystalline phases contained within the sample is the result of the data collection process.

Bibliography

Adamson, S., 2012. *Fourth Annual Report. Exploration Licence No. 7155 Puggoon,* Melbourne: Altius Mining Limited.

Australia United Mining Limited, 2016. *Annual Report for the year ended 30 June 2016,* s.l.: s.n.

Ecosure, 2012. *Ecological Assessment Report, Altius Mine Lease, Forsayth,* s.l.: s.n.

Green, C., 2014a. *Fifth Annual Report EL7332 Karangi for Year Ended 15 April 2014,* s.l.: Altius Mining.

Green, C., 2014. *Sixth Annual Report. Exploration Licence No. 7155 Puggoon,* Melbourne: Altius Mining Limited.

Jackson, R., 2011. *Forsayth Mine Process Plant Completion Proposal,* s.l.: s.n.

Joint Ore Reserves Committe of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia, 2012. *Australasian Code for reporting of Exploration Results, Minerals Resources and Ore Reserves,* s.l.: s.n.

Kitco Metals Inc., 2018. *Kitco Interactive Charts.* [Online]
Available at: http://charts.kitco.com/KitcoCharts/
[Accessed 20 July 2018].

Krause, R., 2013. *Presentation to AIMM Far North Queensland Branch, February 2013.* s.l., s.n.

Laing, W., 2012. *First Approximation Calculation of Material Removed from Ropewalk Pit,* s.l.: s.n.

Laing, W. P., 2012. *Audit of the Ropewalk Mine at July 2012,* s.l.: s.n.

Laing, W. P. & Oosen, N., 2012. *Flying Cow Sulphide and Oxide Deposit: Update Geology,* s.l.: s.n.

Leu, M., 2010. *Preliminary Report Mineralised Structures within EPM 14498, ML 3417 and ML 3418,* s.l.: Altius Mining.

McIlwraith, J., 2009. *Spring Gully Project, Sofala Resource Estimation Report,* s.l.: s.n.

Minnelex Pty Ltd, 2009. *Independent Valuation of Mt. Heycock Gold Project,* s.l.: s.n.

MU Geological Consulting, 2008. *Preliminary Resource Evaluation of the Ropewalk Project - ML 3417, ML 3418 and EPM 14498,* s.l.: s.n.

Northern Resource Consultants, 2012. *Environmental Factors of a Proposed Gold Heap Leach,* s.l.: s.n.

Pratt, B. T., 2010. *First Annual Report, Exploration Licence No. 7423, Sofala, Central Western NSW. For the year ended 29 November 2010.,* Randwick: Boyd Pratt & Associates.

Randell, J., 2016. *Valuation of AYM Mineral Assets Quuensland and NSW Projects,* Sydney: Geos Mining.

Randell, J., 2017a. *Valuation of AUML Mineral Assets (Update),* Sydney: Geos Mining.

Randell, J., 2017b. *Valuation of AUML Assets - Update 2,* Sydney: GeosmIning.

Roscoe, 2001. s.l., s.n.

Runge Pincock Minarco, 2014. *Forsayth Gold Project Exploration Activity Review,* s.l.: s.n.

Appendix 1 – Valuation Principles and Methodologies

Standards & Procedures

This report has been prepared in keeping with the VALMIN Code 2015, the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code 2012).

The VALMIN Code was developed by a joint committee of The Australasian Institute of Mining and Metallurgy ("AusIMM"), the Australian Institute of Geoscientists ("AIG") and the Mineral Industry Consultants Association ("MICA", now known as the Consultants Society of The AusIMM), in consultation with the Australian Securities and Investment Commission ("ASIC"), the Australian Stock Exchange Limited ("ASX"), the Minerals Council of Australia, the Petroleum Exploration Society of Australia, the Securities Association of Australia and representatives from the Australian finance sector. The Code is binding on all members of the AusIMM and AIG.

The JORC Code 2012 was developed by the Australasian Joint Ore Reserves Committee, formed from members of The AusIMM, the AIG and MICA, with representation from ASX and the Financial Services Institute of Australasia. It is a professional code of practice that sets minimum standards for Public Reporting of minerals Exploration Results, Mineral Resources and Ore Reserves. The JORC Code 2012 provides a mandatory system for the classification of minerals Exploration Results, Mineral Resources and Ore Reserves according to the levels of confidence in geological knowledge and technical and economic considerations in Public Reports.

The VALMIN Code and the JORC Code 2012 have been adopted by and included in the listing rules of the Australian Stock Exchange and are internationally regarded as best practice for the technical assessment and valuation of mineral assets. Where tonnage and grade estimates of mineralisation are referred to that either pre-date or, for other reasons in Geos Mining's opinion, do not comply with the JORC Code 2012, this is clearly stated.

Valuation General Principles

The Market Value of a Mineral Asset, as defined in the VALMIN Code 2015, is *"the estimated amount of money (or cash equivalent of some other consideration) for which the Mineral Asset should exchange on the date of Valuation between a willing buyer and a willing seller in an arm's length transaction after appropriate marketing wherein the parties each acted knowledgeably, prudently and without compulsion"*.

According to the VALMIN Code 2015 (Section 8.3), selection of an appropriate valuation method will depend on such factors as the:

- nature of the Valuation;
- development status of the Mineral Assets, and
- extent and reliability of available information.

VALUATION METHODOLOGIES

GENERAL PRINCIPLES

There is no single method of valuation that is appropriate for all situations. Rather, there are a variety of valuation methods, all of which have some merit and are more or less applicable depending on the circumstances.

- Market Approach
- Income Approach
- Cost Approach

Each of these approaches has its own strengths and weaknesses and the selection of the most appropriate method depends upon the stage of development of the project and the information available to the Valuer.

The VALMIN Code 2015 provides a general guide to the applicability of each Valuation Approach (Table 13).

Valuation Approach	Exploration Projects	Pre-development Projects	Development Projects	Production Projects
Market	Yes	Yes	Yes	Yes
Income	No	In some cases	Yes	Yes
Cost	Yes	In some cases	No	No

Table 13: Applicability of Valuation Approaches to Projects at different stages of development

MARKET APPROACH

This approach is also known as Comparison Approach. It can utilise two market-related methods: Comparable Transactions, being the price paid in recent transactions for similar projects under similar market and geo-political situations, and Market Capitalisation, being the number of shares in the company on offer multiplied by the share price as at the Valuation Date.

The difficulty in utilising the Comparable Transactions method is in determining to what extent the property or transaction is indeed comparable, unless the transactions involve the specific parties, projects or tenements under review. There can also be substantial change in value over time, depending especially upon market conditions and commodity prices.

If discussions have been held with other parties and offers have been made on the project or tenements under review, then these values are certainly relevant and worthy of consideration and can be used in establishing a value of the project. Similarly, joint venture terms, where one party pays to acquire an interest in a project and/or spends exploration funds in order to earn an interest, provide an indication of the project's value.

The Market Capitalisation method can be used in the case of a similar single project company or a company with one major asset; the market capitalisation of that company clearly gives some guide to the value that

the market places on that asset at that point in time. Commonly, however, companies usually have several projects at various stages of development, together with a range of assets and liabilities, and in such cases it is difficult to define the value of individual projects in terms of the share price and market capitalisation.

COST APPROACH

This approach is also known as the Modified Replacement Value ("MRV") method and examines the cost that would be incurred by an explorer in acquiring and exploring a similarly prospective tenement up to the same stage of development as the subject tenement. Although this method can be applied to projects at all stages of development, it is usually restricted to projects at the early stages of exploration that have not had costs of production identified.

The nominal replacement cost is modified by a Market Factor (MF) allowing for the ease or difficulty of acquiring a similar replacement tenement, and the Prospectivity Enhancement Multiplier (PEM), which quantifies the prospectivity shown by the exploration results to date. The assumption is that well directed exploration has added value to the property. This is not always the case as exploration can also downgrade a property and, therefore, the PEM, which commonly ranges from 0.5 to 3.0, is applied to the effective expenditure. The selection of the appropriate multiplier is a matter of experience and judgement but is obviously highly subjective.

The method is related to other cost approaches, such as appraised value or multiples of exploration expenditures (Lawrence, 2001), but avoids some potential pitfalls that arise in the application of those methods to Australian conditions.

The value derived using this method is:

$$MRV = (AC + EE) \times MF \times PEM$$

When using this method, Geos Mining recommends using the following parameters:

- Acquisition Cost (AC) - where similarly prospective vacant ground is available, this may be the cost of background research and application for tenure.
    - Where similar ground is limited, or there are significant difficulties in applying for new tenure, then this may be based on the actual acquisition cost, or the nominal purchase price of a similar greenfields exploration area, where necessary modified to allow for any change in the market since the acquisition.
    - Exploration expenditure (EE) – the actual expenditure that has usefully advanced the project.
    - Where necessary, discounting for any wasteful expenditure and discounting or ignoring any expenditure that has been directed towards a target that has since been downgraded or proved to be sub-economic.
- Market Factor (MF) – Geos' practice is usually to use a factor between 1 (where additional similar ground is readily available) and 2 (if such ground is scarce).
    - Although a higher Market Factor could be valid, this would be limited to special cases.
- Prospect Enhancement multiplier (PEM) - This factor would normally vary between 0.5 (where exploration results have been disappointing) and 3. To eliminate some of the subjectivity with respect to this method, Geos Mining commonly utilises the PEM ranges as detailed in Table 14, although values outside this range may be justified in particular situations.

Band	PF	Applicability
1	0.5 – 0.9	Previous exploration indicates the area has limited potential and its prospectivity may have been downgraded by the prior exploration.
2	1.0 – 1.4	The existing (historical and/or current) data consists of pre-drilling exploration and the results are sufficiently encouraging to warrant further exploration.
3	1.5 – 1.9	The prospect contains one or more defined significant targets warranting additional exploration.
4	2.0 – 2.4	The prospect has one or more targets with significant drillhole intersections; similarly prospective ground is not commonly available for application in this area.
5	2.5 – 2.9	Exploration is well advanced and infill drilling is required to define or up-grade a resource such that a reserve can be estimated.
6	3.0	Resource has been defined but a pre-feasibility study has not been recently completed.

Table 14: Prospect Enhancement Multipliers

Income Approach

This approach is also known as the Discounted Cash Flow ("DCF") method. If a project is in operation, under development, or at an advanced feasibility study stage (which includes detailed pre-feasibility studies) and reserves, mining and processing recoveries, and capital and operating costs are well defined, it is generally accepted that the DCF is generally the most relevant and appropriate valuation tool.

If a project is at the scoping study or pre-feasibility study stage, additional weight has to be given to the risks, due to uncertainties in capital and operating costs, operational performance and potentially a lower degree of confidence in the reserves.

The DCF method approximates the technical value of the project. In order to determine the Fair Market Value, a premium or discount can be applied to the technical value in accordance with general market dynamics, strategic or other considerations at the time of the valuation.

Risks & Special Circumstances

Special circumstances of relevance to mining projects or properties can have a significant impact (both positive and negative) on value and need to be taken into account to modify valuations that might otherwise apply. Examples could include:

- environmental risks that can result in a project being subject to extensive opposition, delays and possibly refusal of development approvals;
- indigenous peoples / land rights issues - projects in areas subject to claims from indigenous peoples can experience prolonged delays, extended negotiations or veto;
- country issues - the location of a project can significantly impact on the cost of development and operating costs and has a major impact on perceived risk and sovereign risk;
- technical issues peculiar to an area or deposit, such as geotechnical or hydrological conditions, or metallurgical difficulties could affect a project's economics.

Appendix 2 – Attributable Exploration Expenditure for NSW Projects

Tenement	2009	Attributed	2010	Attributed	2011	Attributed	2012	Attributed	2013	Attributed	2014	Attributed	2015	Attributed	2016	Attributed	TOTAL	TOTAL ATTRIBUTED
EL7041	$13,983	50%	$ 97,500	80%	$46,350	50%	$ 60,249	70%	$ 71,431	70%	$ 57,099	50%	$ 79,970	80%	$ 4,925	0%	$ 431,507	**$ 292,868**
EL7155	$41,540	70%	$ 72,480	80%	$64,396	70%	$ 77,148	60%	$ 16,891	80%	$ 24,438	60%	$ 19,814	20%			$ 316,707	**$ 210,566**
EL7423	$ -		$ 35,027	60%	$84,094	80%	$230,515	80%	$ -	0%	$ 85,810	80%	$ 22,235	60%			$ 457,681	**$ 354,692**
EL7332_8402	$ -		$ 47,150	80%	$67,511	80%	$154,405	70%	$ 92,211	70%	$ 72,264	70%	$ 352,127	70%			$ 785,668	**$ 561,434**
																	$ 1,991,563	**$ 1,419,561**

This page is intentionally left blank.

Suite 3, Level 14
189 Kent Street, Sydney NSW 2000
AUSTRALIA