

TARGET'S STATEMENT

prepared by

Andes Resources Ltd

ACN 166 866 691

in relation to the off-market takeover bid by

Metminco Limited

ACN 119 759 349

to acquire all of your ordinary fully paid shares in ARL.

The Directors of ARL unanimously recommend, in the absence of a Superior Proposal, that you

ACCEPT

the Offer from Metminco.

This is an important document and requires your immediate attention. If you do not understand it or are in doubt as to how to act, you should consult your legal, financial or other professional adviser immediately. If you have recently sold all your ARL Shares, please disregard this document.

ARL Shareholders who require assistance may contact ARL by contacting the Company Secretary, Julia Beckett on +61 8 6245 2050.

Legal Adviser

STEINEPREIS PAGANIN
Lawyers & Consultants



IMPORTANT NOTICES

Nature of this document

This Target's Statement is dated 20 June 2019 and is given by Andes Resources Ltd (**ARL**) under Part 6.5 Division 3 of the Corporations Act in response to the Bidder's Statement by Metminco Limited (**Metminco**) dated 18 June 2019.

The ARL Directors recommend that you read this Target's Statement in full and seek independent advice if you have any queries in respect of the Offer.

ASIC disclaimer

A copy of this Target's Statement has been lodged with the ASIC. Neither the ASIC, nor any of its officers, takes any responsibility for the contents of this Target's Statement.

No account of personal circumstances

This Target's Statement should not be taken as personal financial, investment or tax advice as each Shareholder's deliberations and decision will depend upon their own financial situation, tax position, investment objectives and particular needs.

Your ARL Directors encourage you to read this Target's Statement in its entirety and obtain independent advice from your investment, financial, tax or other professional adviser before making a decision whether or not to accept the Offer.

No Independent Expert's Report

No independent expert's report accompanies this Target's Statement. The Company is not required under the Corporations Act to commission an independent expert report in connection with the Offer.

In deciding not to engage an independent expert to assess the merits of the Offer, the Directors considered a range of factors including:

- the Company has been engaged in recently raising funds, and has gained a reasonable and practical understanding of the value that investors were willing to pay for an ARL Share;
- Metminco is listed on the ASX and so a reasonable comparison between the value of a Metminco Share and an ARL Share was able to be determined by the Directors;
- the Directors understand the value of Metminco's prospects as Metminco's assets are also located in the richly endowed Mid-Cauca Gold and Copper-Gold Belt in Colombia;
- the current alternatives available to ARL to provide an acceptable funding solution to ARL's upcoming work programs are limited as an unlisted public company; and
- the costs of obtaining an independent expert to assist in assessing the Offer were prohibitive.

Given these factors the Directors of ARL decided not to engage an independent expert to assist them in assessing the Offer and have recommended that ARL Shareholders accept the Offer in the absence of a Superior Proposal for the reasons set out in Section 1 of the Target's Statement.

Defined terms

Capitalised terms used in this Target's Statement are defined in section 12 of this Target's Statement.

Further information

ARL Shareholders who require assistance may contact ARL by contacting the Company Secretary, Julia Beckett on +61 8 6245 2050.

Further information relating to the Offer can be obtained from ARL's website at **www.andesresources.com**. Information contained in, or otherwise accessible through, this internet site is not a part of this Target's Statement. All references in this Target's Statement to this internet site are inactive textual references and are for your information only.

Forward looking statements

This Target's Statement contains various forward looking statements. Statements other than statements of historical fact may be forward looking statements. ARL believes that it has reasonable grounds for making all statements relating to future matters attributed to it in this Target's Statement. ARL Shareholders should note that such statements are subject to inherent risks and uncertainties in that they may be affected by a variety of known and unknown risks, variables and other factors, many of which are beyond the control of ARL. Shareholders should note that any reference to past performance is not intended to be, nor should it be relied upon as, a guide to any future performance. Actual results, values, performance or achievements may differ materially from results, values, performance or achievements expressed or implied in any forward looking statement. None of ARL, its officers nor any person named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any results, values, performance or achievements expressed or implied in any forward looking statement, except to the extent required by law. Shareholders should not place undue reliance on any such statement. The forward looking statements in this Target's Statement only reflect views held as at the date of this Target's Statement. Any forward looking statement in this Target's Statement is qualified by this cautionary statement.

Information on Metminco

All of the information concerning Metminco contained in this Target's Statement has been obtained from publicly available sources including public documents filed by Metminco and the Bidder's Statement. None of the information in this Target's Statement relating to Metminco has been verified by ARL or its Directors for the purposes of this Target's Statement. Accordingly, to the extent permitted by law, ARL makes no representation or warranty (either express or implied) as to the accuracy or completeness of this information. The information on Metminco in this Target's Statement should not be considered comprehensive.

Foreign jurisdictions

The release, publication or distribution of this Target's Statement in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions, and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations. This Target's Statement has been prepared in accordance with Australian law, and the information contained in this Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with the laws and regulations outside Australia.

Charts and diagrams

Any diagrams, charts, graphs, maps and tables appearing in this Target's Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, graphs, maps and tables is based on information available at the date of this Target's Statement.

Privacy

ARL has collected your information from the register of ARL Shareholders for the purpose of providing you with this Target's Statement. The type of information ARL has collected about you includes your name, contact details and information on your shareholding (as applicable) in ARL. Without this information, ARL would be hindered in its ability to issue this Target's Statement. The Corporations Act requires the name and address of Shareholders to be held in a public register. Your information may be disclosed on a confidential basis to external service providers (including print and mail service providers) and may be required to be disclosed to regulators such as ASIC.

If you would like details of information about you held by ARL, please contact the Company Secretary, Julia Beckett on +61 8 6254 2050.

Risk Factors

Shareholders should note that there are a number of risks associated with the Offer and with remaining an ARL Shareholder if they reject the Offer.

Please refer to section 8 of this Target's Statement for further information on those risks.

Rounding

A number of figure, amounts, percentages, prices, estimates, calculations of value and fractions in this Target's Statement are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Target's Statement.

IMPORTANT DATES

Event	Key Date
Execution of the Bid Implementation Agreement and Announcement of the Offer	17 May 2019
Date of Bidder's Statement	18 June 2019
Date of this Target's Statement	20 June 2019
Date of despatch of Bidder's Statement and Target's Statement to ARL Shareholders	24 June 2019
Opening date of the Offer	24 June 2019
Close of Offer Period (unless extended)	5:00 pm (Sydney time) on 24 July 2019

* The above dates are indicative only and may change without notice.

TABLE OF CONTENTS

WHAT YOU SHOULD DO	6
1. DIRECTORS' RECOMMENDATION & REASONS TO ACCEPT THE OFFER	9
2. FREQUENTLY ASKED QUESTIONS	13
3. DETAILS OF THE OFFER.....	21
4. REASONS AGAINST ACCEPTING THE OFFER.....	29
5. YOUR CHOICES AS A SHAREHOLDER	30
6. INFORMATION RELATING TO ARL.....	31
7. INFORMATION RELATING TO METMINCO.....	39
8. RISK FACTORS	40
9. ADDITIONAL INFORMATION	52
10. CONSENTS	58
11. APPROVAL OF THE TARGET'S STATEMENT	59
12. GLOSSARY AND INTERPRETATION.....	60

WHAT YOU SHOULD DO

WHAT YOU SHOULD DO

- Your Directors unanimously recommend, in the absence of a superior proposal, that you **ACCEPT** the Offer for all the ARL Shares you hold by following the instructions outlined in the Bidder's Statement.
- Your Directors intend to **ACCEPT** the Offer for ARL Shares that they own or control, in the absence of a superior proposal.

WHAT YOU NEED TO DO

- You should read the Bidder's Statement in its entirety.
- You should read this Target's Statement, which contains your Directors' unanimous recommendation to **ACCEPT** and reasons for this recommendation.
- If you have any questions regarding the Offer or this Target's Statement, please contact Company Secretary, Julia Beckett on +61 8 6245 2050.

YOU CAN ACCEPT THE OFFER BY FOLLOWING THE INSTRUCTIONS IN THE BIDDER'S STATEMENT AND COMPLETING THE ACCEPTANCE FORM ENCLOSED WITH THE BIDDER'S STATEMENT PRIOR TO THE CLOSE OF THE OFFER.

LETTER FROM THE CHAIRMAN OF ANDES RESOURCES LTD

Dear Shareholder

TAKEOVER BID BY METMINCO LIMITED

On 17 May 2019, Metminco Limited announced to ASX that it had entered into a Bid Implementation Agreement with our Company pursuant to which Metminco would make an off-market takeover bid for all of the Shares in ARL. This Target's Statement is now being sent to you in response to and in conjunction with the Bidder's Statement you will have received from Metminco to acquire all of your Shares in ARL under that Offer.

Under the terms of the Offer, ARL Shareholders who accept the Offer will receive **25 Metminco Shares** for each ARL Share that they hold. This **represents an implied value of \$0.05 per ARL Share** based upon Metminco's Share price as at 19 June 2019.

After careful consideration of the advantages and disadvantages of the Offer, the Directors of ARL unanimously recommend that you **ACCEPT** the Offer in the absence of a Superior Proposal and I note that the ARL Directors who hold ARL Shares intend to accept the Offer in full, in the absence of a Superior Proposal. The principle reasons for your Directors' recommendation are as follows:

1. the Offer provides the opportunity for ARL Shareholders to receive shares in an ASX listed company, making their investment more liquid than ARL Shares which are currently not quoted on any stock exchange;
2. the Offer provides attractive value for your ARL Shares comparable to Metminco and current market conditions;
3. the investment objectives of Metminco and ARL Shareholders are aligned, in that both Metminco and ARL hold exploration assets prospective for gold in Colombia, which creates strong synergies for the merger or combination of the two different asset groups;
4. the Merger better positions the Combined Entity to fund exploration on the expanded asset base to its full potential and is expected to enhance access to further financial backing and provide a higher level of funding certainty in the current difficult market environment;
5. the Merger provides ARL Shareholders with exposure to Metminco's Miraflores Gold Project with its established JORC-compliant Reserve¹ and near-term exploration potential with drilling anticipated on the Chuscal target in Q3 2019;
6. the Combined Entity will have an experienced and motivated Board and senior executive team with the capability and demonstrated track record of making tier-1 discoveries;
7. the Offer is supported by multiple major ARL Shareholders;
8. at the date of this Target's Statement, no Superior Proposal has emerged; and
9. there are risks of not accepting the Offer including that ARL may not be able to complete its own listing on ASX, putting the investment objectives of ARL Shareholders at risk.

¹ Refer to Section 3.1(d) of the Bidder's Statement in relation to the details of these Reserves.

A detailed explanation of these reasons is contained in section 1 of this Target's Statement. The Board's recommendation is based on the Offer as it currently stands, but may be reconsidered should circumstances change.

If you wish to accept the Offer, you should follow the instructions in the Bidder's Statement and on the Acceptance Form.

The Offer is scheduled to close at **5:00 pm (AEST) on 24 July 2019**, unless extended by Metminco. You should not assume that the Offer Period will be extended.

The ARL Directors recommend that you read this Target's Statement in its entirety and in conjunction with the Bidder's Statement you have received from Metminco.

If you have any questions in relation to the Offer, I encourage you to seek independent advice from your investment, financial, tax or other professional adviser, or contact the Company by contacting the Company Secretary, Julia Beckett on +61 8 6245 2050.

I would also like to take this opportunity to thank you for your support of ARL.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Ross Ashton', with a horizontal line extending to the right.

Mr Ross Ashton
Non-Executive Chairman
Andes Resources Ltd

1. DIRECTORS' RECOMMENDATION & REASONS TO ACCEPT THE OFFER

The ARL Directors have considered the advantages and disadvantages of the Offer and unanimously recommend that you **ACCEPT** the Offer, unless a Superior Proposal emerges.

The ARL Directors further recommend that you accept the Offer promptly to ensure that your acceptance is received before the closing date of the Offer at **5:00 pm (AEST) on 24 July 2019** (unless extended). You should not assume that the Offer Period will be extended.

In making their decision the Directors advise that Shareholders should:

- (a) read the Bidder's Statement and this Target's Statement in full;
- (b) consider the future prospects of ARL and Metminco as a merged entity compared to the future prospects of ARL as a separate entity;
- (c) have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances; and
- (d) obtain independent advice from your investment, financial, tax or other professional adviser on the effect of accepting the Offer if needed.

The reasons for the recommendation of the ARL Directors are as follows:

- **OPPORTUNITY TO RECEIVE SHARES IN AN ASX LISTED COMPANY AND MERGER OF ASSETS LOCATED IN COLOMBIA**

The Offer allows ARL Shareholders who have invested in the Company for the development of the Company's Colombian assets to receive shares in an ASX listed company, which should mean greater liquidity and trading opportunities for ARL Shareholders, and also open up more opportunities for fundraising than are presently available for an unlisted public company in Australia.

The Merger also brings together Metminco's advanced Miraflores gold project, Chuscal, Tesorito and other surrounding prospects in Colombia, with ARL's existing tenement holding to create a strong emerging exploration company with excellent exploration upside across an expanded portfolio of projects concentrated in the premier Quinchia and Andes gold districts of the richly endowed Mid-Cauca gold and copper belt in Colombia.

The combined portfolio is well rounded, providing strong potential for the discovery of tier-1 gold-copper deposits, and includes a:

- (a) potential development project (Miraflores) in the advanced stage of permitting;
- (b) number of high priority drill-ready targets at the Chuscal, San Pablo, and Tesorito projects; and
- (c) significant group of untested targets over a substantial tenement package.

- **THE OFFER PROVIDES ATTRACTIVE VALUE FOR YOUR ARL SHARES**

The Offer consideration of 25 Metminco Shares per ARL Share **implies a value of \$0.05 per ARL Share** based on the price of Metminco Shares as at 19 June 2019.

The most recent price at which the Company has been able to raise funds, completed in June 2019, is \$0.05 per Share.

The Offer consideration, based on the prevailing trading price of Metminco Shares, implies an enterprise value of ~\$5.2 million for ARL.

The actual value of the Offer consideration will vary depending on the price of Metminco Shares during the Offer Period and when the Metminco Shares are issued to you, if you accept the Offer, but is not reasonably expected to change materially during the Offer Period.

The table in section 3.3 of this Target's Statement sets out the implied value of the Offer assuming different market prices of Metminco Shares on ASX.

- **THE COMBINED ENTITY CREATES OPPORTUNITIES AND SYNERGIES NOT CURRENTLY AVAILABLE TO ARL IN ISOLATION**

The Metminco asset portfolio is complementary to ARL's portfolio which creates opportunities and synergies such as:

- (a) a mature project pipeline supplementing ARL's very attractive but early stage portfolio (refer to Section 3 of the Bidder's Statement for further details);
- (b) a potentially near-term pathway to development. New capital raised upon completion of the Merger is intended to fund drilling at Chuscal, (subject to necessary approvals). Success at drilling programs within proximity to the established Miraflores project has the potential to launch the Combined Entity on a near term development pathway leveraging the advanced nature of the Miraflores project; and
- (c) in-Country cost savings are realisable both with Medellin corporate office and site-based teams given the proximity of the ARL and Metminco project areas.

- **THE MERGER BETTER POSITIONS THE COMBINED ENTITY TO FUND EXPLORATION ON THE EXPANDED ASSET BASE TO ITS FULL POTENTIAL**

ARL Shareholders are expected to benefit from having exposure to a much deeper pool of capital available to a listed entity that may not otherwise invest in unlisted resources companies. There is also likely to be an enhanced ability to source equity and debt funding on better terms than may otherwise be available to ARL on a stand-alone basis due to the greater scale, greater liquidity and greater depth of project portfolio of the Combined Entity.

ARL is currently unlisted and has limited cash resources to continue funding its exploration efforts. Furthermore, the ability to attract new funding is significantly more challenging than it would be for a listed company given the ARL shares are not quoted on the ASX. As a result, ARL has been unable to fully appraise the potential of its portfolio of assets with the limited cash resources available to it as an unlisted company.

The Merger is expected to result in a significantly enhanced ability to fund exploration and development activities on the expanded portfolio, including ARL assets which are currently unfunded as a public unlisted company. Upon close of the merger, Metminco will have a strengthened balance sheet (pro forma cash as at 31 December 2018, adjusted as per the pro forma balance sheet, of \$2.3 million and reduced and deferred debt of \$3.5 million) which, together with the

larger market capitalisation and greater scale and diversity of the Combined Entity's operations, is expected to raise the profile of the Combined Entity in capital markets and therefore widen the range of potential investors for the Combined Entity providing a greater ability to source equity funding on more favourable terms, than would currently be available to ARL.

- **THE MERGER PROVIDES ARL SHAREHOLDERS WITH EXPOSURE TO METMINCO'S QUINCHIA GOLD PROJECT AND NEAR-TERM EXPLORATION POTENTIAL WITH DRILLING ANTICIPATED ON THE CHUSCAL TARGET IN Q3 2019**

ARL Shareholders will gain exposure to Metminco's existing exploration assets comprising the Quinchia Gold Project in the Cauca Valley of Colombia. This includes a potential mine development project (Miraflores), a recently discovered gold porphyry prospect (Tesorito), and a large undrilled gold vein/porphyry target at surface (Chuscal). All properties occur within 2km of a proposed treatment plant.

Details of the resource and proposed work program are set out in Section 3 of the Bidder's Statement.

- **EXPERIENCED AND MOTIVATED BOARD AND SENIOR EXECUTIVE TEAM OF THE MERGED ENTITY WITH THE CAPABILITY AND DEMONSTRATED TRACK RECORD OF MAKING TIER-1 DISCOVERIES**

By accepting the Offer, Shareholders will become a shareholder in the Combined Entity which will benefit from a high-quality senior management team and Board.

Two directors from ARL will be invited to join the Board of Metminco. ARL's current Managing Director, Mr Jason Stirbinskis, will be offered the role of Managing Director of Metminco, and Mr Ross Ashton will be invited to the Metminco Board as a Non-Executive Director. The invitation for Ross Ashton and Jason Stirbinskis to join the Board as Non-Executive Director and Managing Director respectively will provide excellent continuity for them to continue driving value for ARL Shareholders.

Furthermore, by merging with Metminco, ARL Shareholders will benefit from the expertise and experience of Mr Nick Winer, who has enjoyed considerable exploration success in Colombia. Most notably, while working as vice president of exploration with Anglo Gold Ashanti Colombia.²

- **THE OFFER IS SUPPORTED BY MULTIPLE MAJOR ARL SHAREHOLDERS**

The ARL Directors (representing 18.99% of ARL Shares) have indicated their intention to accept the Offer in relation to the ARL Shares that they control and have recommended the Offer to ARL Shareholders.

In addition, ARL's two largest shareholders, Sandfire Resources Limited and Bullet Holdings Corporation, have indicated their intention to support the Offer. Together, these parties hold approximately 35.6% of the ARL Shares.

Please refer to section 3.7 of this Target's Statement for further details.

² Refer to 2018 Annual Report of AngloGold Ashanti

- **NO SUPERIOR PROPOSAL HAS EMERGED**

As at the date of this Target's Statement, ARL has not received any alternative proposal from any party intending to make a Superior Proposal and your Directors are not aware of any other offer or proposal which might be made as an alternative to the Offer. Should such a proposal arise, your Directors will reconsider their recommendation and inform you accordingly.

- **THERE ARE OTHER RISKS IN NOT ACCEPTING THE OFFER**

If the Offer is unsuccessful and no other offers emerge, ARL Shareholders will be exposed to the ongoing risks associated with an investment in ARL, including the risks associated with the Company's ongoing need to raise funds as an unlisted public company to meet its exploration and working capital needs.

If you do not accept the Offer and the Offer becomes Unconditional, Metminco may be entitled to acquire your ARL Shares through compulsory acquisition (see section 3.17 of this Target's Statement).

Further details on the risks associated with not accepting the Offer are set out in section 8.4 of this Target's Statement.

If you retain your ARL Shares, you will continue to be exposed to the risks associated with being an ARL Shareholder. A non-exhaustive summary of such risks is set out in section 8.5 of this Target's Statement.

ARL Shareholders should note that there are also risks associated with accepting the Offer. Details on the risks associated with accepting the Offer are contained in sections 8.2 and 8.3 of the Bidder's Statement and section 8 of this Target's Statement.

2. FREQUENTLY ASKED QUESTIONS

In this section answers are provided to some commonly asked questions about the Offer. This section should be read together with the rest of this Target's Statement. This section is not intended to comprehensively answer all questions that may arise in relation to the Offer nor address all issues that are relevant to ARL Shareholders.

The Offer	
What is the Bidder's Statement?	The Bidder's Statement is the document setting out the terms of the Offer. Metminco lodged the Bidder's Statement with ASIC and sent the Bidder's Statement to ARL Shareholders on 18 June 2019.
What is the Target's Statement?	This Target's Statement has been prepared by ARL and provides ARL's response to the Offer, including the recommendation of your Directors.
Who is offering to purchase my ARL Shares?	<p>Metminco Limited (ACN 119 759 349) (Metminco).</p> <p>Metminco is a company incorporated in Australia and listed on the Australian Securities Exchange (ASX) under ASX code MNC.</p> <p>Metminco is advancing a strong portfolio of exploration projects located in Colombia and Chile, mainly focused on gold, but with significant exposure to copper. Projects range from early stage exploration, through advanced stage exploration to feasibility.</p> <p>Information in relation to Metminco can be obtained from section 3.1 of the Bidder's Statement and Metminco's website at www.metminco.com.au.</p>
What is being offered to me?	<p>Metminco is offering 25 Metminco Shares for each ARL Share held by you.</p> <p>You may only accept the Offer in respect of all of the ARL Shares held by you.</p> <p>If you are an Ineligible Foreign Shareholder, you will not be provided Metminco Shares. Instead you will be paid the net proceeds of the sale of the Metminco Shares you would have been entitled to. See section 3.14 of this Target's Statement for more details.</p>
What are the ARL Directors recommending?	<p>The ARL Directors unanimously recommend that you ACCEPT the Offer, subject to there being no Superior Proposal.</p> <p>If there is any change to this recommendation the ARL Directors will inform you.</p> <p>The reasons for your Directors' recommendation are set out in section 1 of this Target's Statement.</p> <p>You are encouraged to read the Bidder's Statement and Target's Statement in full and to consider the Offer having regard to your personal circumstances. The ARL Directors encourage you to seek your own independent financial and taxation advice prior to deciding whether to accept the Offer.</p>

The Offer	
<i>What do the Directors intend to do with their ARL Shares?</i>	Each Director who holds or controls Shares intends to accept or procure the acceptance of the Offer in respect of the Shares they own or control, in the absence of a Superior Proposal.
<i>What do some of the major shareholders of ARL intend to do with their ARL Shares?</i>	As at the date of this Target's Statement, a number of ARL shareholders, have indicated that they intend to accept the Offer in the absence of a Superior Proposal. Indications of an intention to accept the Offer, subject to receipt of a Superior Proposal have each been given to Metminco by Sandfire (19.4% interest), BHC (16.2% interest) and ARL directors (collectively 18.99% interest). Please refer to section 3.7 of this Target's Statement for further details.
<i>Did ARL engage an independent expert to evaluate the Offer</i>	<p>ARL is not required under the Corporations Act to commission an independent expert report in connection with the Offer.</p> <p>In deciding not to engage an independent expert to assess the merits of the Offer, the Directors considered a range of factors including:</p> <ul style="list-style-type: none"> • the Company has been engaged in recently raising funds, and has gained a reasonable and practical understanding of the value that investors were willing to pay for an ARL Share; • Metminco is listed on the ASX and so a reasonable comparison between the value of a Metminco Share and an ARL Share was able to be determined by the Directors; • the Directors understand the value of Metminco's prospects as Metminco's assets are also located in the richly endowed Mid-Cauca Gold and Copper-Gold Belt in Colombia; • the current alternatives available to ARL to provide an acceptable funding solution to ARL's upcoming work programs are limited as an unlisted public company; and • the costs of obtaining an independent expert to assist in assessing the Offer were prohibitive. <p>Given these factors the Directors of ARL decided not to engage an independent expert to assist them in assessing the Offer and have recommended that ARL Shareholders accept the Offer in the absence of a Superior Proposal for the reasons set out in Section 1 of the Target's Statement.</p>
<i>What does the Offer mean for ARL's projects?</i>	<p>ARL's assets will be owned and operated by Metminco and will benefit from synergies not currently available to ARL in isolation.</p> <p>The Combined Entity will be better positioned to fund exploration on the expanded asset base to its full potential and ARL's current funding uncertainty will be resolved.</p>

The Offer	
	The Combined Entity will also have an experienced and motivated Board with the capability and track record or making tier 1 discoveries.
<i>What will be the role of ARL Directors in the Combined Entity?</i>	<p>If the Offer is successful, it is intended that Metminco will appoint the following two ARL Directors to the board of directors of Metminco:</p> <ul style="list-style-type: none"> • Jason Stirbinskis (as Managing Director); and • Ross Ashton (Non-executive Director), <p>Refer to section 9.1 of this Target's Statement for further details.</p>
<i>When will I receive payment if I accept the Offer?</i>	<p>Provided you have validly accepted the Offer, and subject to the Conditions being fulfilled or waived by Metminco, you will receive the consideration to which you are entitled on acceptance of the Offer on the earlier of:</p> <ul style="list-style-type: none"> • one month after the Offer is accepted by you, or if the Offer is subject to the Conditions at the time the Offer has been validly accepted by you, one month after the Offer becomes Unconditional; and • 21 days after the end of the Offer Period. <p>Ineligible Foreign Shareholders will be provided with the net proceeds of sale to which they are entitled under the Offer at a different time.</p>
<i>What happens if Metminco increases the Offer?</i>	<p>If Metminco improves the Offer Price, all of the Andes Shareholders who accept the Offer (whether or not they accepted the Offer before or after the improvement) will be entitled to the benefit of the improved Offer Price, if the Offer becomes unconditional. As at the date of this Target's Statement, Metminco has given no indication of its intention to increase the Offer.</p>
<i>What are the conditions to the Offer?</i>	<p>The Offer is subject to the following conditions:</p> <ul style="list-style-type: none"> • approval of the Essential Metminco Shareholder Resolutions • minimum acceptance of 90% of all the fully paid ordinary shares in the capital of ARL; • no prescribed occurrence or material adverse change (see Glossary); • Metminco and ARL collectively complete the Capital Raising; • Metminco entering into a formal binding agreement with RMB with respect to the refinancing of the RMB Debt; • All ARL Optionholders accepting the private treaty offer by Metminco for their ARL Options; • obtaining any approvals or consents required in respect of the change of control of ARL as a result of the Offer;

The Offer	
	<ul style="list-style-type: none"> no material breach of the Bid Implementation Agreement; and other standard conditions for a transaction of this type. <p>This is a summary only. The Conditions to which the Offer is subject are set out in full in section 9 of Appendix A of the Bidder's Statement and section 3.8 of this Target's Statement.</p>
When does the Offer close?	<p>The Offer is presently scheduled to close at 5:00 pm (AEST time) on 24 July 2019 (unless extended).</p> <p>Section 3.11 of this Target's Statement provides further details regarding the circumstances in which the Offer Period may be extended.</p>
What happens if the conditions are not satisfied or waived?	<p>If the Conditions are not satisfied or waived before the end of the Offer Period, then the Offer will lapse and any acceptances of the Offer will be void. You will continue to hold your ARL Shares and be free to deal with your ARL Shares as if the Offer had not been made.</p>
What happens if I accept the Offer now?	<p>If you accept the Offer now, while it is conditional, you will give up your rights to your ARL Shares (for example, by accepting a Superior Proposal if one was to emerge) unless the limited withdrawal rights apply at the applicable time and you validly withdraw your acceptance.</p>
When will Metminco advise as to the status of the conditions?	<p>Section 11 of Annexure A of the Bidder's Statement indicates that the Bidder will give a Notice of Status of Conditions in accordance with section 630(1) of the Corporations Act.</p>
Can Metminco extend the Offer?	<p>Metminco may extend the Offer Period at any time before the end of the Offer Period.</p> <p>In addition, there will be an automatic extension of the Offer Period, if within the last 7 days of the Offer Period:</p> <ul style="list-style-type: none"> Metminco improves the consideration offered under the Offer; or Metminco's voting power in ARL increases to more than 50%. <p>If either of these two events occurs, the Offer Period will be automatically extended so that it ends 14 days after the relevant event occurs.</p>
Does the Offer include my ARL Options?	<p>As they are a separate class of securities, the Offer does not include ARL Options. However, the Offer does extend to ARL Shares that are issued on the exercise of ARL Options during the period from the Record Date to the end of the Offer Period.</p> <p>It is a condition of the Offer, that each ARL Optionholder that does not otherwise exercise its ARL Options, enters into a cancellation deed for their ARL Options. In consideration for entry of ARL Optionholders into cancellation deeds of ARL Options, Metminco has</p>

The Offer	
	<p>agreed to offer ARL Optionholders the Replacement Options.</p> <p>Refer to section 3.22 of this Target's Statement and section 9.9 of the Bidder's Statement for further information.</p>
Does ARL expect a competing offer?	<p>The Board unanimously recommends the Offer (in the absence of a Superior Proposal).</p> <p>It is not the ARL Board's role to speculate on the likelihood of a competing offer.</p> <p>The Bid Implementation Agreement contains customary "no shop" and "no talk" provisions in relation to competing offers.</p> <p>If a competing offer emerges, the ARL Board will deal with it at the time and update shareholders accordingly.</p>
ARL is unlisted. What is ARL's available financial information?	<p>Yes, ARL is unlisted and therefore ARL Shares do not trade on a securities exchange.</p> <p>ARL is an unlisted Australian registered public company that is subject to various reporting and disclosure obligations and is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by ARL may be obtained from, or inspected at, an ASIC office.</p> <p>ARL's most recent audited financial statements are for the financial year ended 31 December 2018 which are included in the 2018 Annual Report.</p> <p>Other than the Offer, the Directors of ARL are not aware of any material matter affecting the operations or financial position of ARL since the 2018 Annual Report.</p> <p>See Section 6.4 of this Target's Statement and Section 4.7 of the Bidder's Statement.</p>

Options for ARL Shareholders	
What choices do I have as a Shareholder?	<p>As a Shareholder, you have the following choices in respect of your Shares:</p> <ul style="list-style-type: none"> • accept the Offer in respect of all of your ARL Shares; • sell some or all of your ARL Shares (unless you have previously accepted the Offer), however this may be difficult as ARL Shares are not listed on any securities exchange; or • do nothing in relation to the Offer. <p>If you have already sold all your ARL Shares, no action is required.</p> <p>YOUR ARL DIRECTORS UNANIMOUSLY RECOMMEND, IN THE ABSENCE OF A SUPERIOR PROPOSAL, THAT YOU <u>ACCEPT THE OFFER</u>.</p>

The Offer	
<i>When do I have to decide?</i>	<p>If you wish to accept the Offer you need to do so before its scheduled closing date. Metminco has stated that its Offer is scheduled to close at 5:00 pm (AEST) on 24 July 2019, unless it is extended.</p> <p>If you wish to reject the Offer, you do not need to do anything.</p>

How to respond to the Offer	
<i>How do I accept the Offer?</i>	<p>To accept the Offer, you should follow the instructions set out on the Acceptance Form that accompanies the Bidder's Statement.</p> <p>You may only accept the Offer in respect of all of the ARL Shares held by you.</p>
<i>What should I do if I did not receive or have misplaced my Acceptance Form?</i>	<p>If you have not received your Acceptance Form or have misplaced it, please call Link Market Services Limited on:</p> <ul style="list-style-type: none"> • 1300 554 474 (if calling within Australia); or • +61 2 8767 1111 (if calling from outside Australia). <p>Calls to the above numbers will be recorded. Inquiries in relation to the Offer will not be received on any other telephone numbers of Metminco or its advisers.</p>
<i>How do I reject the Offer?</i>	<p>To reject the Offer, you should do nothing.</p> <p>If you decide to do nothing, you should be aware of the rights of Metminco to compulsorily acquire your Shares in certain circumstances.</p> <p>See section 3.17 of this Target's Statement for more details in relation to compulsory acquisition.</p>
<i>Can I accept the Offer for part of my shareholding?</i>	<p>No. You cannot accept the Offer for part of your shareholding. You may only accept the Offer made to you for all of the ARL Shares held by you.</p>
<i>What if I am a Foreign Shareholder?</i>	<p>Ineligible Foreign Shareholders that accept the Offer will not receive Metminco Shares. Rather, the Metminco Shares that Ineligible Foreign Shareholders would have been entitled to receive will be issued to, and sold by, a Sale Nominee and the net proceeds attributable to each Foreign Shareholder will be paid to them by cheque in Australian dollars drawn on an Australian bank account.</p> <p>Ineligible Foreign Shareholders should refer to section 8 of Annexure A of the Bidder's Statement, which provides further information on Ineligible Foreign Shareholders and the Sale Nominee sale process. Metminco's determination of whether an ARL Shareholder is an Ineligible Foreign Shareholder shall be final.</p>
<i>What are the consequences of accepting the Offer?</i>	<p>If you accept the Offer you will receive 25 Metminco Shares for each ARL Share you hold.</p>

The Offer	
<i>If I accept the Offer now, can I withdraw my acceptance?</i>	<p>You may withdraw your acceptance only if Metminco varies the Offer in a way that postpones the time when Metminco is required to satisfy its obligations by more than 1 month.</p> <p>Further details on your ability to withdraw your acceptance are set out in section 3.12 of this Target's Statement.</p>
<i>What happens if I do nothing?</i>	<p>You will remain an ARL Shareholder. However, Metminco has stated that if it becomes entitled to compulsorily acquire ARL Shares, it intends to do so. See section 6.2 of the Bidder's Statement for more details.</p> <p>If you do not accept the Offer and Metminco acquires a Relevant Interest in at least 90% of ARL Shares and the Conditions of the Offer are satisfied or waived, Metminco intends to proceed to compulsorily acquire your ARL Shares.</p> <p>See Section 6.2(b) of the Bidder's Statement for more information about Metminco's intentions if it acquires a Relevant Interest in at least 90% of the ARL Shares.</p> <p>See Section 6.2(c) of the Bidder's Statement for more information about Metminco's intentions if it acquires control but less than a Relevant Interest in 90% of the ARL Shares.</p> <p>See Section 6.2(d) of the Bidder's Statement for more information about Metminco's intentions if it does not acquire 50% of ARL Shares and therefore does not acquire control.</p>
<i>Can I be forced to sell my shares?</i>	<p>You cannot be forced to sell your ARL Shares unless Metminco acquires a Relevant Interest in at least 90% of all ARL Shares.</p> <p>Metminco's intentions with respect to compulsory acquisition are set out in section 6.2(b) of the Bidder's Statement. In summary, Metminco has indicated that if it becomes entitled to do so under the Corporations Act, it intends to give notices to compulsorily acquire any outstanding ARL Shares in accordance with section 661B of the Corporations Act.</p>
<i>Will Metminco Shares issued under the Offer be listed on ASX?</i>	<p>Metminco intends to make an application for quotation of the Metminco Shares issued under the Offer on ASX. If the application is not successful, then all contracts resulting from acceptances of the Offer will be automatically void.</p>
<i>What if I don't want Metminco Shares?</i>	<p>You are free to sell the Metminco Shares you received under the Offer on market. Brokerage will be payable on any subsequent sale of Metminco Shares.</p>

The Offer	
General Matters	
<i>What are the tax implications of accepting the Offer?</i>	<p>A general outline of the tax implications of accepting the Offer is set out in section 7 of the Bidder's Statement.</p> <p>If the Offer becomes Unconditional, CGT rollover relief will not be available if Metminco acquires less than 80% of the ARL Shares under the Offer.</p> <p>As the outline is general in nature, you should consult your taxation adviser for detailed taxation advice before making a decision as to whether or not to accept the offer.</p>
<i>Do I pay brokerage if I accept?</i>	No brokerage or stamp duty will be payable as a result of your acceptance of the Offer.
<i>If I have further questions in relation to the Offer, what can I do?</i>	Please contact ARL by contacting the Company Secretary, Julia Becket on +61 (8) 6245 2050, or you can speak to your financial or other professional adviser.

3. DETAILS OF THE OFFER

3.1 Background to the Offer

On 17 May 2019, ARL and Metminco jointly announced that they had entered into the Bid Implementation Agreement under which Metminco agreed to make an off-market takeover offer for all of the ARL Shares.

You should have recently received the Bidder's Statement from Metminco, containing the full terms and conditions of the Offer, together with other information material to your decision whether or not to accept the Offer.

3.2 The Offer

Metminco will offer 25 Metminco Shares for each ARL Share held.

3.3 Offer Price

The implied value of the Offer Price will fluctuate during the Offer Period with the Metminco Share price. Accordingly, if the Metminco Share price falls, the implied value of the Offer Price will fall. Likewise, if the Metminco Share price rises, the implied value of the Offer Price will rise. The table below illustrates the implied value of the Offer Price based on a Metminco Share price range of \$0.001 to \$0.011 with the latter being Metminco's highest trading price over the past 12 months prior to the date of the Target's Statement.

Metminco Share price (pre-Consolidation)	<i>Implied value of scrip consideration</i>
\$0.001	\$0.025
\$0.002 (prevailing price)	\$0.05
\$0.003	\$0.075
\$0.004	\$0.10
\$0.005	\$0.125
\$0.0075	\$0.188
\$0.010	\$0.25
\$0.011 (highest 12 month trading price)	\$0.275

3.4 The Offer is unanimously recommended by the ARL Directors

The ARL Directors unanimously recommend that ARL Shareholders accept the Offer in the absence of a Superior Proposal.

3.5 Directors' intentions in relation to the Offer

Each of the ARL Directors who holds a Relevant Interest in ARL Shares have indicated their intention to accept, or procure the acceptance of, the Offer in respect of the ARL Shares that they, or their Associates, own or control or otherwise have a Relevant Interest in, subject to there being no Superior Proposal.

3.6 Metminco intentions

See section 6.2 of the Bidder's Statement for a summary of Metminco's intentions following completion of the Offer.

3.7 Intentions of major shareholders

On 17 May 2019, Metminco and ARL announced that they had entered into a Bid Implementation Agreement, and that ARL had been provided with letters of intention from the following ARL Shareholders to accept the Offer in the absence of a Superior Proposal.

ARL Shareholder	ARL Shares	% of ARL Shares Held
Sandfire Resources Limited	20,166,667	19.4
Bullet Holding Corporation	16,864,873	16.2

These ARL Shareholders have consented to the disclosure of the letter of intention in this Target's Statement and have not withdrawn that consent before the date of this Target's Statement.

Sandfire's intention to accept the offer is subject to the additional conditions that:

- (a) RMB and Metminco enter into a proposed refinancing agreement on substantially the same terms as announced to ASX on 17 May 2019. Refer to Section 9.14 for information on the RMB debt financing;
- (b) Metminco raise a minimum of \$1,300,000 in the Capital Raising, not including:
 - (i) any amount to be subscribed by Sandfire and accepted by Metminco;
 - (ii) funds raised under the issue of the Notes; and
 - (iii) funds raised under the ARL Placement; and
- (c) Metminco being entitled to proceed with compulsory acquisition of all remaining ARL shares upon acceptance of the Offer by Sandfire.

3.8 Offer Conditions

The Offer is subject to a number of Conditions which are set out in full in section 9 of Annexure A of the Bidder's Statement.

In summary, the Conditions of the Offer are:

(a) Minimum acceptance

On or before the end of the Offer Period, Metminco has a Relevant Interest in such number of ARL Shares as represents at least 90% in aggregate of all ARL Shares then on issue.

(b) No Material Adverse Change

Between the Announcement Date and the end of the Offer Period (inclusive), no Target Material Adverse Change or Bidder Material

Adverse Change occurs, is announced or becomes known to Metminco (whether or not it becomes public).

(c) **No prescribed occurrences**

Between the Announcement Date and the end of the Offer Period (inclusive), no Target Prescribed Occurrence occurs.

(d) **ARL Board recommendation**

The ARL Board give a unanimous recommendation to ARL Shareholders that they accept the Offer and that all ARL Directors intend to accept the Offer with respect to their own ARL Shares in the absence of a Superior Proposal.

(e) **Capital Raise Condition**

Metminco and ARL receive valid applications or commitments in respect of no less than \$4,000,000 (before costs), comprising (to the extent necessary):

- (i) the Priority Offer and Placement;
- (ii) the ARL Placement; and
- (iii) the funds raised by the issue of Notes.

(f) **Replacement of Options**

ARL procures the provision of duly executed cancellation and replacement deeds in respect of all ARL Options on issue in consideration for the issue of the Replacement Options.

(g) **Approval of Essential Metminco Shareholder Resolutions**

Metminco shareholders approve the Essential Metminco Shareholder Resolutions by the requisite majorities in accordance with the Corporations Act, the ASX Listing Rules and the constitution of Metminco before the end of the Offer Period.

(h) **No regulatory intervention**

During the period from the Announcement Date to the end of the Offer Period (inclusive):

- (i) there is not in effect any preliminary or final decision, order or decree issued by an Authority; and
- (ii) no application is made to any Authority (other than by Metminco or a subsidiary of Metminco), or action or investigation is announced, threatened or commenced by an Authority,

in consequence of or in connection with the Offer (other than an application to or a determination by ASIC or the Takeovers Panel in the exercise of the powers and discretions conferred by the Corporations Act), which restrains, impedes or prohibits (or if granted could restrain, impede or prohibit), or otherwise materially adversely impacts upon, the making of the Offer or any transaction contemplated by the Bid Implementation Agreement, the Offer or the rights of Metminco in respect of

ARL or the ARL Shares to be acquired under the Offer, or requires the divestiture by Metminco or Metminco's Shareholders of any ARL Shares or the divestiture of any assets of the ARL Group, Metminco, Metminco Group or otherwise.

(i) **No material transactions**

Between the Announcement Date and the end of the Offer Period (each inclusive), no Target Material Transaction occurs.

(j) **Sandfire Condition**

Sandfire does not terminate the Sandfire Collaboration Agreement.

(k) **No material breach of the Bid Implementation Agreement**

Between the Announcement Date and the end of the Offer Period (each inclusive), Metminco does not become entitled to terminate the Bid Implementation Agreement pursuant to the terms of the Bid Implementation Agreement, as a result of any of the representations and warranties given by ARL under the Bid Implementation Agreement becoming untrue or incorrect in any material respect.

(l) **No change of control or pre-emptive rights**

No person has any pre-emptive or other right (whether subject to conditions or not) as a result of Metminco acquiring ARL Shares to:

- (i) acquire, or require ARL or a subsidiary of ARL to dispose of, or offer to dispose of, any material asset of ARL or a subsidiary of ARL, including any interest in any project of ARL (or its subsidiaries); or
- (ii) terminate or vary, or cause the acceleration of any obligations under, any agreement with ARL or a subsidiary of ARL, including in respect of any interest in any project of ARL and its subsidiaries.

3.9 Consequence of Conditions not being satisfied

The Conditions are conditions subsequent. The non-fulfilment of a condition subsequent does not, until the end of the Offer Period, prevent a contract to sell your ARL Shares from arising, but it does entitle Metminco by written notice to you to rescind the contract resulting from your acceptance of the Offer. If a Condition is not satisfied, it may be waived by Metminco.

Therefore, if any Condition is unsatisfied, Metminco may elect to waive the Condition and proceed with the acquisition of ARL Shares under its Offer or allow the Offer to lapse with unsatisfied Conditions.

Generally, Metminco will not have to decide whether to proceed with the acquisition of ARL Shares under its Offer until the date that it is required to provide its notice of status of Conditions which, as outlined in section 3.10 of this Target's Statement, can be postponed if the Offer Period is extended.

As at the date of this Target's Statement, ARL is not aware of any event having occurred which would cause any of the Conditions not to be fulfilled.

3.10 Notice of status of Conditions

Metminco has indicated in section 9.7 of the Bidder's Statement that it will give a notice of the status of the Conditions on 16 July 2019 (subject to extension if the Offer Period is extended). It will give this notice by making an announcement on the ASX website (**ASX:MNC**).

The Corporations Act requires that such notice state:

- (a) whether the Offer is free from Conditions;
- (b) whether the Conditions have been fulfilled as at the date of the notice; and
- (c) the voting power of Metminco in ARL.

If the Offer Period is extended before the date the notice is required to be given, the date that Metminco must give its notice is taken to be postponed for the same period. In this case, Metminco is required, as soon as reasonably practicable after the extension, to notify ARL and ASX of the new date for giving the notice.

If a Condition is fulfilled (so that the Offer becomes free of that Condition) during the Offer Period but before the date on which the notice of status of conditions is required to be given, Metminco must, as soon as practicable, give ARL and ASX a notice that states that the particular Condition has been fulfilled.

3.11 Offer Period and extension

Unless the Offer is extended, it is open for acceptance from 24 June 2019 until **5:00pm (AEST) on 24 July 2019** (unless extended). You should not assume that the Offer Period will be extended.

Metminco may extend the Offer Period at any time before giving the notice of status of conditions (referred to in section 3.10 of this Target's Statement) while the Offer is subject to conditions. There are also limited circumstances where Metminco may extend the Offer Period after the notice of status of conditions has been given. However, if the Offer is Unconditional (that is, all the Conditions are fulfilled or freed), Metminco may extend the Offer Period at any time before the end of the Offer Period.

In addition, if the events set out in section 624(2) of the Corporations Act occur within the last seven days of the Offer Period, the Offer Period will be automatically extended so that it ends 14 days after that event.

3.12 Effect of accepting the Offer and rights of withdrawal

Accepting the Offer would (subject to the withdrawal rights discussed below):

- (a) prevent you from accepting any higher takeover bid that may be made by a third party or any alternative transaction proposal that may be recommended by the Board;
- (b) relinquish control of your Shares to Metminco with no guarantee of payment until the Offer becomes, or is declared, Unconditional – and as the Offer Period could be extended by Metminco, this could result in further delays in payment; and

- (c) give Metminco the option to keep your ARL Shares (if the Conditions of its Offer are not satisfied (i.e. by waiving the Conditions)) or return your ARL Shares.

If you accept the Offer, you will have a right to withdraw your acceptance in some circumstances. Those withdrawal rights comprise general statutory withdrawal rights under the Corporations Act. In summary:

- (a) under the Corporations Act, you may withdraw your acceptance of the Offer if Metminco varies the Offer in a way that postpones, for more than one month, the time when Metminco needs to meet its obligations under the Offer and the Offer is still subject to one or more Conditions. This will occur if Metminco extends the Offer Period by more than one month while the Offer is still subject to any of the Conditions; and
- (b) in those circumstances, you will have one month after the date that notice of the extension is given to ARL to withdraw your acceptance. Your statutory withdrawal rights will terminate on the expiry of that one month, although if the Offer Period is then further extended you may receive further statutory withdrawal rights.

If you become entitled to withdraw your acceptance, you will be sent a notice from Metminco, explaining your rights in this regard.

3.13 Lapse of Offer

The Offer will lapse if the Conditions are not satisfied or waived by the end of the Offer Period. In that event, all contracts resulting from acceptances of the Offer, and all acceptances that have not resulted in binding contracts, will be void and you will be free to deal with your ARL Shares as you see fit.

3.14 Ineligible Foreign Shareholders

ARL Shareholders who are Ineligible Foreign Shareholders will not be entitled to receive Metminco Shares as consideration for their ARL Shares pursuant to the Offer, unless Metminco otherwise determines.

An ARL Shareholder is a Foreign Shareholder for the purposes of the Offer if their address as shown in the register of members of ARL is in a jurisdiction other than Australia or its external territories. However, such a person will not be an Ineligible Foreign Shareholder if Metminco is satisfied that it is not legally or practically constrained from making the Offer to an ARL Shareholder in the relevant jurisdiction and to issue Metminco Shares to such a shareholder on acceptance of the Offer, and that it is lawful for the shareholder to accept the Offer in such circumstances in the relevant jurisdiction. Notwithstanding anything else in this Bidder's Statement, Metminco is not under any obligation to spend any money, or undertake any action, in order to satisfy itself concerning any of these matters.

The Metminco Shares which would otherwise have been issued to Ineligible Foreign Shareholders will instead be issued to a nominee approved by ASIC, who will sell these shares. The net proceeds of the sale of such shares (after the deduction of fees, taxes and sale expenses) will then be remitted to the relevant Ineligible Foreign Shareholders. Refer to section 9.25 of the Bidder's Statement for further details.

3.15 When you will receive the Offer Price if you accept the Offer

Metminco has set out in Sections 7 and 8 of Annexure A of the Bidder's Statement the timing of the provision of the consideration to ARL Shareholders who accept the Offer. In general terms, provided you have validly accepted the Offer, and subject to the Conditions being fulfilled or waived by Metminco, you will receive the consideration to which you are entitled on acceptance of the Offer on the earlier of:

- (a) one month after the Offer is accepted, or if the Offer is subject to the Conditions at the time the Offer has been validly accepted by you, 1 month after the Offer becomes Unconditional; and
- (b) 21 days after the end of the Offer Period.

3.16 Increased Offer Price

If there is a competing proposal and Metminco improves the Offer Price during the Offer Period, any Shareholder who had previously accepted the Offer will be entitled to receive the improved Offer Price.

3.17 Compulsory acquisition

Metminco's intentions with respect to compulsory acquisition are set out in section 6.2(a) and (b) of the Bidder's Statement.

In summary, Metminco has indicated that if it becomes entitled to compulsory acquire any outstanding ARL Shares in accordance with Part 6A.1 of the Corporations Act and any outstanding ARL Options in accordance with Part 6A.2 of the Corporations Act, it intends to proceed with the compulsory acquisition of these shares and options.

An overview of Metminco rights to compulsorily acquire ARL Shares is set out below.

3.18 Post-bid compulsory acquisition

Metminco will be entitled, under section 661A of the Corporations Act, to compulsorily acquire any ARL Shares in respect of which it has not received an acceptance of the Offer on the same terms as the Offer if, during or at the end of the Offer Period, Metminco (together with its Associates) has a Relevant Interest in at least 90% (by number) of the ARL Shares and Metminco and its Associates have acquired at least 75% (by number) of the ARL Shares that Metminco offered to acquire under the Offer (whether the acquisitions happened under the bid or otherwise).

If these thresholds are met, Metminco will have up to one month after the end of the Offer Period within which to give compulsory acquisition notices to ARL Shareholders who have not accepted the Offer. ARL Shareholders have statutory rights to challenge the compulsory acquisition, but a successful challenge will require the relevant ARL Shareholder to establish to the satisfaction of a Court that the consideration offered does not represent "fair value" for their ARL Shares.

If compulsory acquisition occurs, ARL Shareholders who have their ARL Shares compulsorily acquired will be paid their consideration later than the ARL Shareholders who accept the Offer.

3.19 General compulsory acquisition provisions

Metminco will be entitled, under section 664A of the Corporations Act, to compulsorily acquire any outstanding ARL Shares and ARL Options if Metminco's voting power in ARL is at least 90% and Metminco (either in its own right or through related bodies corporate) acquires full beneficial interests in at least 90% (by value) of the aggregate of all ARL Shares and ARL Options and:

- (a) Metminco lodges a compulsory acquisition notice with ASIC within six months of achieving that 90% holding;
- (b) Metminco proposes a cash sum for the compulsory acquisition of the ARL Shares and ARL Options; and
- (c) Metminco obtains the report of an expert stating whether, in the expert's opinion, the terms proposed in the notice give fair value of the securities covered.

3.20 Further developments

Should there be any developments during the Offer Period (for example, the emergence of a Superior Proposal from another bidder) which would alter the ARL Directors' recommendations in relation to the Offer, ARL Shareholders will be notified through a supplementary Target's Statement.

3.21 Taxation Consequences

In making a decision whether to accept the Offer, ARL Shareholders should also have regard to the fact that the disposal of ARL Shares may have taxation consequences. ARL Shareholders should carefully read and consider the potential Australian taxation consequences of accepting the Offer as set out in section 7 of the Bidder's Statement.

If the Offer becomes Unconditional, CGT rollover relief will not be available if Metminco acquires less than 80% of the ARL Shares under the Offer.

3.22 Options Offer

ARL currently has 25,000,000 Options on issue as follows:

Option Class	Number of Options	Exercise Price	Expiry Date
1	8,875,000	\$0.20	1 July 2023
2	1,050,000	\$0.20	31 August 2023
3	75,000	\$0.20	15 November 2023
4	15,000,000	\$0.10	10 June 2021

Contemporaneous with the Offer, Metminco is seeking to acquire all of the ARL Options by way of private treaty with ARL Optionholders. The consideration for the private treaty arrangements are the Replacement Options.

4. REASONS AGAINST ACCEPTING THE OFFER

4.1 Possible reasons not to accept the Offer

This section sets out key reasons why Shareholders may decline to accept the Offer.

(a) You may disagree with the recommendation of the ARL Directors

You may hold a different view to the ARL Directors and believe that the Offer Price of 25 Metminco Shares per Share is inadequate.

(b) You may wish to remain an ARL Shareholder

If you accept the Offer, you will no longer be entitled to participate in the future financial performance of ARL or exercise the rights (including voting rights) of being an ARL Shareholder.

(c) The tax consequences of acceptance of the Offer may not be favourable to you given your financial position

Acceptance of the Offer by ARL Shareholders is likely to have tax implications. You should carefully read and consider the potential Australian taxation consequences of accepting the Offer as summarised in section 7 of the Bidder's Statement. If the Offer becomes Unconditional, CGT rollover relief will not be available if Metminco acquires less than 80% of the ARL Shares under the Offer.

ARL Shareholders should not rely on the taxation considerations set out in section 7 of the Bidder's Statement as being advice on their own affairs. ARL Shareholders should consult with their own independent taxation advisers regarding the taxation implications of accepting the Offer given their particular circumstances.

(d) You may consider that there is the potential for a proposal superior to the Offer to be made for ARL Shares

It is possible that a proposal superior to the Offer could materialise in the future. However, as at the date of this Target's Statement, no alternative proposal has been received.

4.2 Risks associated with accepting the Offer and being an Metminco Shareholder

Details on the risks associated with accepting the Offer and being an Metminco shareholder are contained in section 8 of the Bidder's Statement and section 8 of this Target's Statement.

5. YOUR CHOICES AS A SHAREHOLDER

As an ARL Shareholder you have three choices currently available to you:

- **ACCEPT THE OFFER**

ARL Shareholders may elect to accept the Offer in respect of their ARL Shares. ARL Shareholders will receive 25 Metminco Shares for each Share for which a valid acceptance has been received.

To accept the Offer, follow the instructions on the Acceptance Form which accompanies the Bidder's Statement.

- **SELL YOUR ARL SHARES**

ARL Shareholders may elect to sell some or all of their ARL Shares if they have not already accepted the Offer in respect of those ARL Shares. However, presently, there is no market for ARL Shares. ARL Shares are not quoted on a financial market and are an illiquid investment.

If you do elect to sell you ARL Shares:

- you will receive payment based on the price at which you privately negotiate with a third party and will not be able to accept the Offer or any Superior Proposal that may emerge; and
- depending on the sale price achieved, you may receive more or less for your ARL Shares than the value of the Offer Price.

The taxation implications of privately selling your ARL Shares depend on a number of factors and will vary according to your particular circumstances.

You should seek your own specific professional advice regarding the taxation consequences for you of privately selling your ARL Shares relative to accepting the Offer.

- **DO NOTHING**

ARL Shareholders who do not wish to accept the Offer or sell their ARL Shares can do nothing.

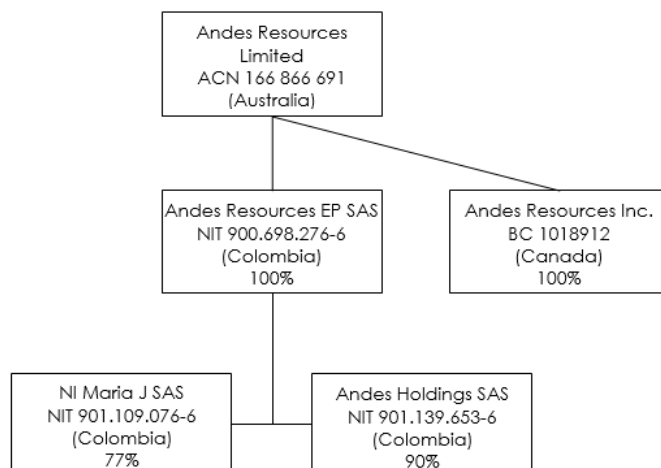
ARL Shareholders should note that if Metminco acquires a Relevant Interest in at least 90% of the ARL Shares during or at the end of the Offer Period, Metminco has indicated that it intends to compulsorily acquire the ARL Shares in which it has not acquired a Relevant Interest. In that situation, you may be paid for your ARL Shares later than ARL Shareholders who accept the Offer.

6. INFORMATION RELATING TO ARL

6.1 Overview of ARL

ARL is a public unlisted company established in November 2013 for mineral exploration with a focus on gold/copper assets in Colombia.

6.2 The corporate structure of ARL is as follows:



6.3 Overview of Activities and Projects

ARL holds a 90% interest in a large portfolio (circa 800 km²) of applications and granted titles which is considered highly prospective for both epithermal gold-silver veins as well as porphyry gold-copper. Approximately 35Moz of gold has been discovered within a 30 km radius of ARL's portfolio including AngloGold's Nuevo Chaquiro (Quebradona) at 5.66Moz Au & 3.63Mt Cu³.

The ARL properties occur only ~70 kms to the north of Metminco's Quinchia Gold Project presenting potential operational and administrative cost savings.

ARL was established in 2013 and undertook extensive regional and local sampling programs to identify at least 12 vein-style drill targets interpreted to be in five regional NW trending mineralised corridors.

ARL have also defined several porphyry gold-copper targets. To date over 14,000 surface and rock chip samples have been collected to define multiple vein hosted and porphyry targets including the Gibraltar porphyry copper/gold target just 22 kms from, and in the same porphyry belt, as AngloGold's Nuevo Chaquiro deposit.⁴ ARL completed drilling its first of many targets in late 2018. Only, approximately 10% of ARL land holding has been explored.

ARL's main projects comprise:

(a) El Culpio

El Culpio is a mining title hosting a corridor of gold-silver veins. LiDAR imagery suggests the target is within a regional scale ring structure often

³ Refer to AngloGold's 2017 Annual Report. Investors should be aware that ARL has not independently verified the information reported by AngloGold.

⁴ As announced by Metminco on 13 March 2019 – ARL confirms that it is not aware of any new material information that affects the information in the announcement.

associated with substantial mineralised discoveries. A maiden scout drilling program by ARL in November 2018, and the first drill program within the entire project area, reported NW/SE oriented epithermal gold veining with best intersection of a 26.79m wide zone grading 1.58 gpt Au and 83.17 gpt Ag from 52.4m including 7.27m grading 3.32 gpt Au and 247.57 gpt Ag from 72.07m). High silver: gold ratios and other signature elements suggest the extensive veining mapped at El Columpio formed on the flanks of a causative intrusion such as a porphyry, with some evidence in surface results and the limited drilling pointing northward to an intrusive heat source(s).⁵

(b) **San Pablo**

San Pablo lies two kilometers to the south of El Columpio and within an interpreted 11 km long mineralised corridor (refer Figure 2). San Pablo is a granted licence of 150 Ha (permitted for drilling). It comprises numerous historical and active artisanal adits with 9 substantial veins mapped thus far, some traced for 700 vertical meters and for over 1km of strike with veining swelling to over 5m wide in some locations.

In addition to San Pablo being a vein hosted gold-silver target, recent results and mapping have raised the potential of the area to also be a gold porphyry target. Potassic alteration has been recorded at lower elevations with stockworks and porphyritic textured intrusives observed over an area of 500m x 300m in the deep valley below the extensively vein mineralized regions. This target is drill ready subject to receipt of certain drilling permits. Immediately to the east of San Pablo and on ARL licence applications is the El Bosque mineralised zone including the El Bosque Mine which is the largest artisanal mine in the region.

(c) **ARL's Other Targets**

ARL has only explored approximately 10% of its land holding and has thus far identified numerous priority targets based on surface work and artisanal mining activity in the western portion of the portfolio (refer Figure 3).

Some of these regions such as San Esteban, Santa Rita and La Alianza are considered to represent the Au-Ag-As-base metal bearing intermediate-sulphidation epithermal veins that typically occur from 500m to 5km from a causal intrusive (porphyry). Others such as Taparto and San Pablo show potential to occur in the middle to upper portions of porphyry systems characterised by anomalous Cu-Mo and Bi. La Rochela, San Agustin prospects indicate potential to lie within the upper parts of porphyry systems as inferred from anomalous Mo, Bi, Au & Ag.

The eastern region of ARL's portfolio lies within the same subsection of the Mid-Cauca Gold Belt that hosts Quinchia along with other significant discoveries such as Nuevo Chaquiro and Continental Gold's Buritica project to the north. ARL has a number of established porphyry targets in this region including Gibraltar, an outcropping porphyry just 20 kms south of Nuevo Chaquiro.

⁵ As announced by Metminco on 13 March 2019 – ARL confirms that it is not aware of any new material information that affects the information in the announcement.

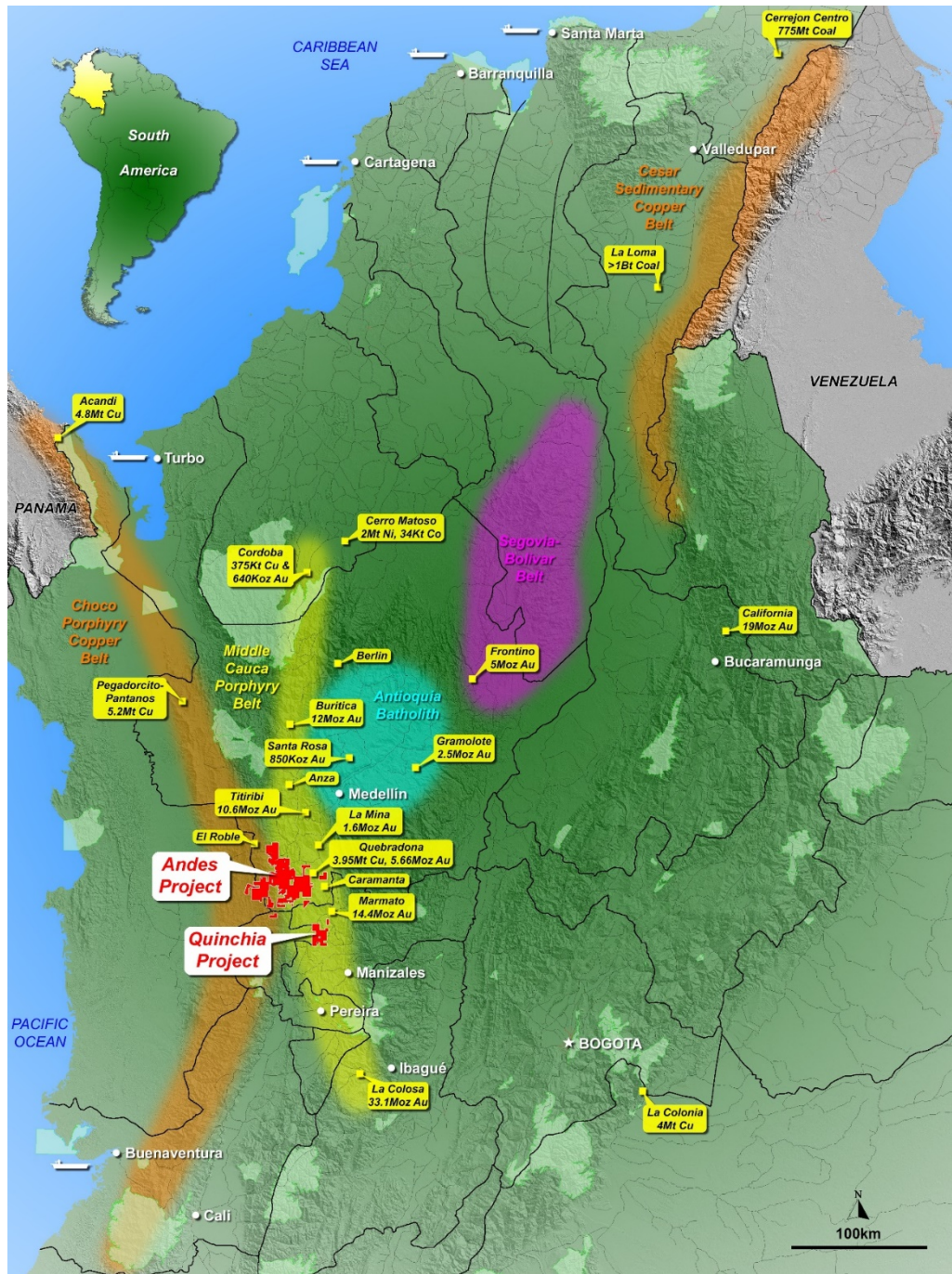


Figure 1: Location of ARL's exploration ground and Metminco's ground in the Mid-Cauca Gold Belt, along with major nearby gold discoveries. Source: various company public reports- ARL has not independently verified the information.

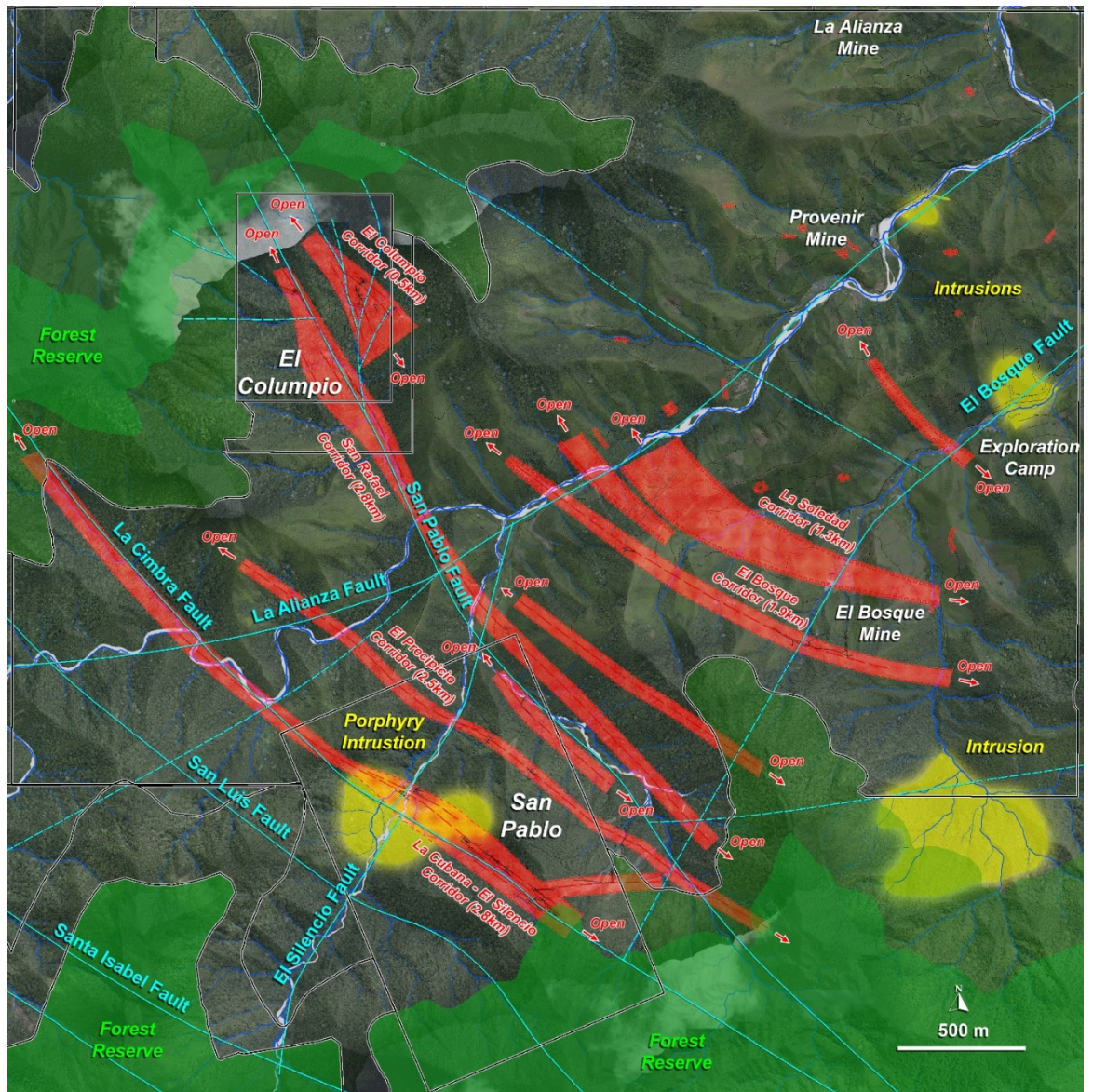


Figure 2: El Cumpio and San Pablo / El Bosque cover parallel mineralised corridors. The valley at San Pablo contains an intrusion (potentially a porphyritic diorite subject to petrography) traced over an area of 500m x 300m. Observed alteration zonation combined with element signatures are consistent with porphyry-style zonation and points to the deep valley in the centre of the licence area as the mineralised source. The combination of highly anomalous soil samples, extensive alteration and numerous workings in the El Cumpio and San Pablo/El Bosque area indicates the potential for a significant mineralized NW oriented corridor.

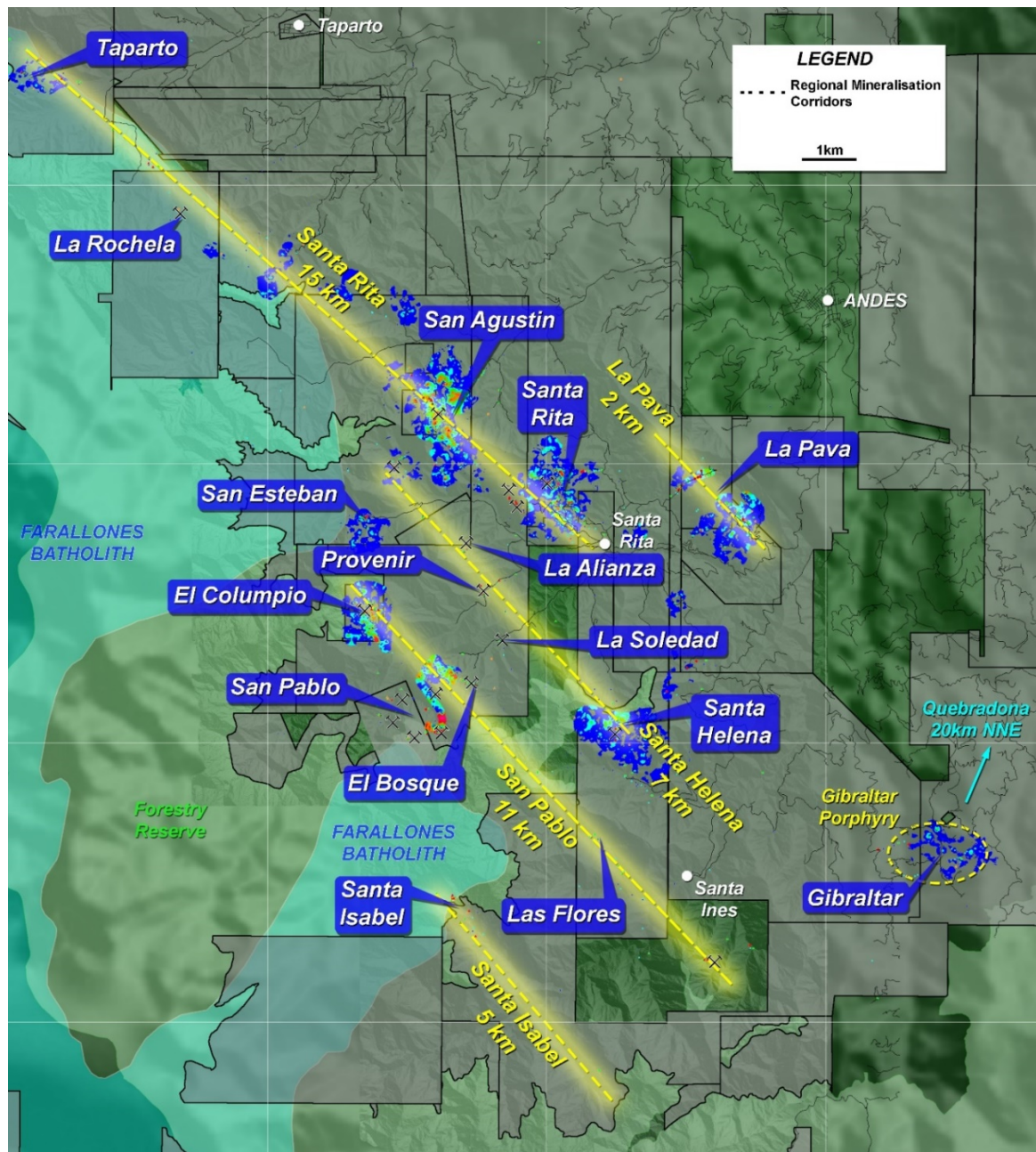


Figure 3: A subsection of ARL portfolio. Surface mapping and sampling has defined 12 targets interpreted to lie within five NW trending mineralised corridors. Much of ARL portfolio remains unexplored by modern techniques.

6.4 ARL financial profile

ARL's last published audited financial statements are for the financial year ended 31 December 2018, which are included in the 2018 Annual Report. A copy of this document was lodged with ASIC on or about 24 April 2019.

A copy of the 2018 Annual Report may be obtained from, or inspected at, an ASIC office, or is available from ARL on request.

Section 4.7 of the Bidder's Statement sets out the following financial information for ARL, which has been extracted from the audited financial statements of ARL:

- (a) consolidated statement of financial position of the ARL Group for the years ended 31 December 2017 and 31 December 2018;

- (b) consolidated statements of comprehensive income of the ARL Group for the years ended 31 December 2017 and 31 December 2018; and
- (c) consolidated statements of cash flows of the ARL Group for the years ended 31 December 2017 and 31 December 2018.

So far as the ARL Directors are aware:

- (a) the financial position of ARL has not materially changed since the date of the Annual Report for the financial year ended 31 December 2018; and
- (b) there has not been any matter or circumstance, other than those referred to in the Annual Report for the year ending 31 December 2018 and this Target's Statement that has significantly affected or may significantly affect the operations of the financial position of ARL, the results of operations of ARL or the state of affairs of ARL in future financial years.

6.5 ARL issued capital

As at the date of this Target's Statement, ARL has the following securities on issue:

- (a) 104,104,157 Shares;
- (b) 8,875,000 Options exercisable at \$0.20 each on or before 1 July 2023;
- (c) 1,050,000 Options exercisable at \$0.20 each on or before 31 August 2023;
- (d) 75,000 Options exercisable at \$0.20 each on or before 15 November 2023; and
- (e) 15,000,000 Options exercisable at \$0.10 each on or before 10 June 2021.

6.6 Substantial Shareholders

The substantial holders of ARL Shares (being persons who hold a Relevant Interest in ARL of 5% or more) as at the date of this Target's Statement, are as follows:

Shareholder Name	Number of Shares	Voting Power in ARL
Sandfire Resources NL	20,166,667	19.4%
BHC & Delta ¹	18,738,748	18.0%
Simon Richard Brown	9,354,542	8.98%
Freshwater Resources Pty Ltd	7,858,235	7.54%

Notes:

1. BHC and Delta were issued ARL Shares pursuant to an interest transfer agreement and hold common rights in ARL in accordance with their respective proportions. 90% of the ARL Shares were issued to BHC (or its nominee) and 10% of were issued to Delta (or its nominee).

6.7 ARL Board

As at the date of this Target's Statement, the directors of ARL are:

- (a) Mr Ross Ashton – Non-Executive Chairman;
- (b) Mr Jason Stirbinskis – Managing Director;

- (c) Mr Simon Brown – Executive Director;
- (d) Mr Stephen Belben – Non-Executive Director; and
- (e) Mr Stuart Moller – Non-Executive Director.

Mr Ross Ashton
Non-Executive Chairman

Mr Ashton has over 45 years' experience as a geologist specialising in mineral exploration and development internationally. He was founding Managing Director of Red Back Mining Limited a company subsequently acquired by Kinross Gold Corporation for US\$7.2 billion in 2010. He was also a director of TSX/ASX listed PMI Gold Ltd and ASX listed Brockman Resources Ltd. Both companies were involved in corporate transactions following the discovery of significant mineral resources.

Mr Jason Stirbinskis
Managing Director

Originally a Geologist, Mr Jason Stirbinskis has become a Corporate Executive with 10+ years' experience leading both private and public companies in the mining and mining services space. Jason has held CEO/MD roles at ASX listed – Drake Resources, Philips River Mining and Central Asia Resources. He is experienced across a number of commodities including gold, zinc, lead, copper, and nickel and has managed projects ranging from greenfield to DFS/Development in West Africa, Scandinavia, Australia and Central Asia. He is well networked across international and Australian capital markets and skilled in leading multidisciplinary, often international teams.

Jason has also held senior roles in engineering/metallurgical consultancies and in the banking and finance industry. In addition to his Geology degree, Jason holds an MBA, is an AICD graduate, a member of AusIMM and has held the post of Honorary Consul of Kazakhstan in Western Australia for the last 8 years. He was the General Manager of the 2006 Telstra Small Business of the Year (Australia wide) and in 2007 was identified as one of the top 40 business people under 40 in Western Australia.

Mr Simon Brown
Executive Director

Mr Brown is an exploration and GIS geologist with over 20 years of gold, base metals and manganese experience in Australia, Asia, Ghana and Colombia. This includes nine years as Managing Director of internationally recognised geological consultancy, GeoViz Pty Ltd, which specialises in providing visualisation, animations and GIS consultancy services to over 400 global mining, petroleum and engineering companies including BHP Billiton, Rio Tinto, Ivanhoe, SKM and Woodside Petroleum. Mr Brown was a founding director and the Colombian Country/Exploration Manager for West Rock Resources Ltd (which was acquired by ASX Listed Pacifico Minerals Ltd), establishing the Colombian exploration programs and target generation in Colombia and Asia/Australia for the Cliff Resources Alliance. He was the founding MD of Andes Resources and has lived in Colombia since 2011.

Mr Stephen Belben
Non-Executive Director

Mr Belben has been an executive and non-executive director of a number of public and private companies over the past 21 years, before which he was a senior partner at Ernst & Young (EY) specialising in corporate and assurance work. Whilst at EY he was appointed the national partner responsible for the firms Mineral and Energy Industry Group. Most recently he was the founding shareholder and director of Xceed Resources Ltd that identified and advanced a coal project in South Africa, which was the subject of a successful takeover bid from a JSE listed Company. He is currently the Non-Executive Chairman of ASX listed Tech Mpire Ltd.

Mr Stuart Moller
Non-Executive Director

Mr Moller has 40 years' experience as a geologist with a focus on Latin America where he has held senior roles with Barrick Gold, Continental Gold and Andes' JV partner, BHC. Mr Moller has direct experience with the geology of the region in which Andes is active having led previous exploration campaigns in the region. He is the author of several papers including a paper focussed on high grade gold discoveries in the Buritica District of Antioquia which hosts Continental Gold's Buritica discovery. Mr Moller is currently a Consulting Geologist and a Director of Fenix Gold, a private Canadian company exploring for gold and copper in Colombia.

6.8 Other material information about ARL

For more information on ARL, please visit www.andesresources.com.

7. INFORMATION RELATING TO METMINCO

Section 3 of the Bidder's Statement contains detailed information about Metminco and its assets.

Metminco is also a company listed on the ASX, and therefore, information and announcements made by Metminco can be obtained from the ASX website (using the company code 'MNC').

The Directors recommend that Shareholders read the Bidder's Statement in full and speak to their professional advisors if they have any questions in relation to their decision whether or not to accept the Offer.

8. RISK FACTORS

8.1 Risks associated with accepting the Offer

(a) Conditions of the Offer

As described in section 9 of Annexure A of the Bidder's Statement and section 3.8 of this Target's Statement, the Offer is subject to a number of conditions.

If the conditions of the Offer are not satisfied by the applicable date (or waived by Metminco), the Offer will not be free of conditions and therefore will not proceed.

(b) Limited withdrawal rights

You may only withdraw your acceptance if:

- (i) the conditions of the Offer are not fulfilled or waived by the times specified in the Bidder's Statement; or
- (ii) Metminco extends the Offer Period for more than one month and the Offer remains subject to one or more of the conditions at that time (see section 9 of Annexure A of the Bidder's Statement).

Otherwise, you will be unable to withdraw your acceptance even if the value of Metminco varies significantly from the date of your acceptance of the Offer.

(c) If a Superior Proposal is announced you will not be able to withdraw your acceptance of the Offer

If a Superior Proposal is announced, ARL Shareholders who accept the Offer will not be able to withdraw their acceptance of the Offer and accept a Superior Proposal.

At the date of this Target's Statement, the ARL Directors are not aware of any Superior Proposal.

(d) CGT

If the Offer becomes Unconditional, CGT rollover relief will not be available if Metminco acquires less than 80% of the ARL Shares under the Offer. A general overview of the tax implication of accepting the Offer for Australian resident ARL Shareholders is set out in section 7 of the Bidder's Statement.

ARL Shareholders should not rely on the taxation considerations set out in section 7 of the Bidder's Statement as being advice on their own affairs. Shareholders should consult with their own independent taxation advisers regarding the taxation implications of accepting the Offer given their particular circumstances.

(e) **Consideration**

Metminco will offer 25 Metminco Shares for each ARL Share held. As Metminco is listed on ASX, the value of the Offer consideration will fluctuate depending on the market value of Metminco Shares. There are risks associated with investing in Metminco. These risks are discussed in sections 8.3 and 8.4 of the Bidder's Statement and also in section 8.2 of this Target's Statement.

(f) **ARL has not independently verified Metminco information**

ARL has relied on publicly available information released by Metminco which has not been independently verified by ARL and has assumed that Metminco has complied with its continuous disclosure obligations under the ASX Listing Rules and the Corporations Act. Any inaccuracy in this information could adversely affect the anticipated results of operations of the Combined Entity.

(g) **RMB Refinancing Agreement**

It is a condition to Sandfire's voting intention statement that Metminco enter into a refinancing agreement with RMB on substantially similar terms as announced on 17 May 2019. There is a risk that this agreement will not be completed and therefore Sandfire will not participate in the Offer. This would result in Metminco being unable to acquire 90% of ARL Shares and its ability to compulsorily acquire the remaining shares.

8.2 Specific Risks Relating to Metminco's Current Operations.

(a) **Future capital requirements**

Metminco may have difficulty in obtaining future equity or debt funding to support exploration programs, evaluation and development of its tenements.

Metminco's ability to raise further equity or debt, or to divest part of its interest in a tenement, and the terms of such transactions will vary according to a number of factors, including the success of exploration results and the future development of the tenements, stock market conditions and prices for commodities.

Should it subsequently be established that a mining production operation is technically, environmentally and economically viable, Metminco will require additional financing to establish mining operations and production facilities. Metminco may not be able to raise the additional finances that may be required for future activities. Commodity prices, environmental regulations, environmental rehabilitation or restitution obligations, revenues, taxes, transportation costs, capital expenditures, operating expenses and technical aspects are all factors which will impact on the amount of additional capital that may be required.

Additional financing may not be available on terms acceptable to Metminco, or at all. Significantly, any additional equity financing or the exercising of Options, may dilute your existing shareholdings; and debt financing, if available, may restrict financing and future activities. If Metminco fails to obtain additional financing, as needed, it may have to reduce the scope of its operations or anticipated expansion, forfeit its

interest in some or all of its tenements, incur financial penalties and/ or reduce or terminate its operations.

(b) **Regulatory risks**

Metminco will incur ongoing costs and obligations associated with compliance with necessary regulations. Regulatory areas which are of particular significance to Metminco include environmental compliance and rehabilitation, mining, taxation, employee relations, worker health and safety, waste disposal, protection of the environment, native title and heritage matters, protection of endangered and protected species, bribery, corruption and other matters. Metminco requires permits from regulatory authorities to authorise Metminco's operations. These permits relate to exploration, development, production and rehabilitation activities. Any failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions on Metminco's proposed business operations. In addition, changes in regulations could require extensive changes to Metminco's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of Metminco.

(c) **Foreign governments and legal systems risk**

The Colombian and Chilean jurisdictions, where Metminco's current operating assets reside, differ from the legal system found in Australia. This could lead to exposure to any or all of the following risks:

- (i) lack of guidance or interpretation of the applicable rules and regulations; and
- (ii) delays in redress or greater discretion on the part of governmental authorities.

Whilst there is no evidence of material impact of this risk has had on operations in these countries, Metminco cannot guarantee that joint ventures, licences, licence applications or other legal arrangements will not be adversely affected or even forfeited as a result of the actions of government authorities or others, and the effectiveness of and enforcement of such arrangements in these jurisdictions cannot be certain. In addition, political instability and changes in foreign law, including taxation law, may affect Metminco's ability to operate successfully, profitably or optimally in foreign jurisdictions.

(d) **Sovereign Security Risks**

Metminco's operations are substantially located in Colombia and are subject to various in-country security risks. These risks and uncertainties include, but are not limited to, terrorism, trafficking narcotics, hostage taking, labour unrest, the risks of war or civil unrest, expropriation and nationalisation, illegal mining and changing political conditions.

In 2016, after more than 50 years of conflict, the government of Colombia signed a peace agreement with the country's largest guerrilla group, the Fuerzas Armadas Revolucionarias de Colombia (FARC). However, several other armed groups remain active across parts of the country.

It is not possible for Metminco to predict the extent to which the abovementioned risks and uncertainties may adversely impact on the Combined Entity's operations.

(e) **Tenure, access and grant of applications**

Metminco's operations are subject to receiving and maintaining licences and permits from appropriate governmental authorities. There is no assurance that delays will not occur in connection with obtaining all necessary grants or renewals of licences/permits for the proposed operations, additional licences/permits for any possible future changes to operations, or additional permits associated with new legislation. Prior to any development on any of its properties, subsidiaries of Metminco must receive licences/permits from appropriate governmental authorities. There is no certainty that Metminco will hold all licences/permits necessary to develop or continue operating at any particular property.

(f) **Exploration Risk**

Mining exploration and development is a high risk undertaking. The success of Metminco depends on the delineation of economically minable reserves and resources, access to required development capital, movement in the price of commodities, securing and maintaining title to Metminco's exploration and mining tenements and obtaining all consents and approvals necessary for the conduct of its exploration activities.

Exploration of Metminco's projects may be unsuccessful, resulting in a reduction of the value of those projects and diminution in the cash reserves of Metminco. The exploration costs of Metminco are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that cost estimates and underlying assumptions will be realised in practice, which may materially and adversely affect Metminco's viability.

(g) **Chuscal expenditure risk**

Metminco is party to a joint venture agreement with AngloGold Ashanti, which currently owns the Chuscal project. Metminco is required to spend \$2,500,000 by May 2022 in order to obtain a 51% interest in the Chuscal licences. To date Metminco has not yet undertaken substantive expenditure on Chuscal. In the event that Metminco is unable to meet its expenditure commitments under the joint venture agreement, there is a risk that Metminco may not obtain a 51% interest in the Chuscal project.

(h) **Environmental risk**

Mining and exploration have become subject to increasing environmental responsibility and liability in Australia, Colombia and Chile. The potential for liability is an "ever present" risk. The use and disposal of chemicals in the mining industry is under constant legislative scrutiny and regulation. Consistent with this, Metminco may be required, in some cases, to undertake baseline environmental studies prior to certain exploration or mining activities, so that the environmental impact can be monitored and, as far as possible, minimised. The discovery of any

endangered species of fauna and flora may impact upon Metminco's ability to freely explore or develop its tenements.

There is no guarantee that nature reserves or parks will not be decreed by government agencies in the areas in which Metminco works. These could constrain Metminco's ability to operate on its existing or future licences.

(i) **Social Licence**

In order to explore, develop or operate in communities, the general acceptance of certain stakeholder populations may be required. This may include formal agreements that can require extended negotiations with large numbers of stakeholders, for example indigenous communities and groups with native title rights. There can be no guarantee these negotiations will be concluded successfully or not be protracted and cause significant delay to Metminco's plans.

(j) **Mine development risk**

Possible future development of a mining operation at any of Metminco's future projects is dependent on a number of factors including, but not limited to, the delineation of economically recoverable mineralisation, favourable geological conditions, receiving the necessary approvals from all relevant authorities and parties, seasonal weather patterns, unanticipated technical and operational difficulties encountered in extraction and production activities, mechanical failure of operating plant and equipment, shortages or increases in the price of consumables, spare parts and plant and equipment, cost overruns, access to the required level of funding and contracting risk from third parties providing essential services.

(k) **Metallurgy**

Metal and/or mineral recoveries are dependent upon the metallurgical process, and by its nature contain elements of significant risk such as:

- (i) identifying a metallurgical process through test work to produce a saleable metal and/or concentrate;
- (ii) developing an economic process route to produce a metal and/or concentrate; and
- (iii) changes in mineralogy in the ore deposit can result in inconsistent metal/mineral recovery, affecting the economic viability of the project.

(l) **Insurance risks**

There are significant exploration and operating risks associated with exploring for gold, including adverse weather conditions, environmental risks and fire, all of which can result in injury to persons as well as damage to or destruction of the extraction plant, equipment, production facilities and other property.

In addition, Metminco's subsidiaries will be subject to liability for environmental risks such as pollution and abuse of the environment. The occurrences of a significant event against which Metminco is not fully

insured could have a material adverse effect on its operations and financial performance. In addition, in the future some or all of Metminco's insurance coverage may become unavailable or prohibitively expensive.

(m) **Ability to exploit successful discoveries**

Even if an apparently viable deposit is identified, there is no guarantee that Metminco can economically exploit it. That is, it may not always be possible for Metminco to participate in the exploitation of successful discoveries made in any areas in which it has an interest because such exploitation may require further intensive capital input as well as further licences, mining concessions and clearances from relevant authorities. Metminco notes that it may or may not be possible for such conditions to be satisfied.

(n) **Commodity Prices**

Commodity prices are influenced by physical and investment demand for those commodities. Fluctuations in commodity prices may influence individual projects in which Metminco has an interest as well as Metminco's ability to raise capital.

(o) **Loss of key management personnel**

Metminco's success largely depends upon key management personnel for the management of Metminco as well as upon other management and technical personnel for the daily operation of Metminco. Consequently, there is a possibility that Metminco will be adversely affected, particularly in respect of the rate at which its exploration programs and tenements are developed or prioritised, if one or more of the key management personnel cease their employment.

(p) **Transactional Risks**

Metminco intends to divest its non-core assets. This can be impacted by many risks beyond the control of Metminco including market risks which itself is impacted by business cycles, political, government and regulatory risks amongst others. There is no guarantee that Metminco will be able to divest its assets, or achieve reasonable prices for these assets, or complete these transactions in any timeframe.

(q) **Exploration costs**

The exploration costs of Metminco are premised upon a number of assumptions and estimates as regards the method and timing of exploration. These assumptions and estimates are, by their nature, speculative and subject to a number of uncertainties. Consequently, Metminco does not give any assurance that the cost estimates and the underlying assumptions will be realised in practice, which may adversely affect Metminco.

(r) **Tax rules**

Tax rules or their interpretation in relation to equity investments may change. In particular, both the level and basis of taxation may change. In addition, an investment in the Shares involves tax considerations that may differ for each Shareholder. Each prospective Shareholder is

encouraged to seek professional tax advice in connection with any investment in Metminco.

Tax law is complex and is subject to regular change. Changes in tax law, including various proposed but as yet not enacted changes in tax law may adversely impact Metminco's future financial performance and position.

Resulting changes in tax arrangements may adversely impact Metminco's future financial performance and position. In addition, future changes to other laws and regulations or accounting standards, which apply to Metminco from time to time, could materially adversely affect Metminco's future financial performance and position.

(s) **Litigation Risks**

Metminco is exposed to possible litigation risks including contractual disputes, occupational health and safety claims and employee claims. Further, Metminco may be involved in disputes with other parties in the future which may result in litigation. Any such claim or dispute if proven, may impact adversely on Metminco's operations, financial performance and financial position.

Metminco is aware that a former director and chief executive officer previously lodged a claim with the Labour Court in Medellin, Colombia (Juzgado Laboral del Circuito de Medellin) seeking termination payments, unpaid bonus payments and damages in the amount of approximately US\$2 million. The Directors are of the opinion that the claim can be successfully defended and believe that the risk of Metminco facing an unfavourable judgement is remote. The next court hearing is expected to occur on or around November 2019. Metminco intends to defend the proceeding.

(t) **Competition risk**

The industry in which Metminco is involved is subject to domestic and global competition. Although Metminco will undertake all reasonable due diligence in its business decisions and operations, it will have no influence or control over the activities or actions of its competitors, which activities or actions may positively or negatively affect the operating and financial performance of Metminco's business.

(u) **Economic Risks**

General economic conditions, movements in commodity prices, interest and inflation rates may have an adverse effect on Metminco's activities, as well as on its ability to fund those activities.

Further, share market conditions may affect the value of Metminco's securities regardless of Metminco's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) interest rates and inflation rates;
- (iii) currency fluctuations;

- (iv) changes in investor sentiment toward particular market sectors (such as the exploration industry or the base metals sector within that industry);
- (v) the demand for, and supply of, capital; and
- (vi) terrorism or other hostilities.

(v) **Force Majeure**

Metminco, now or in the future may be adversely affected by risks outside the control of Metminco including labour unrest, civil disorder, war, subversive activities or sabotage, extreme weather conditions, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

Metminco will seek to mitigate these risks to the extent possible. However, Metminco's ability to mitigate such risks may be limited by occurrences outside their control.

8.3 General Risks Relating to the Combined Entity

(a) **Risk of High Volume of Sale of Securities in Metminco**

If the Offer is successfully completed, Metminco will have issued a significant number of new securities to various parties. Some of the ARL Shareholders, ARL Optionholders and others that receive Metminco Shares and Metminco options as a result of the Offer may not intend to continue to hold those securities and may wish to sell them on ASX (subject to any applicable escrow period). There is a risk that an increase in the amount of people wanting to sell securities may adversely impact on the market price of Metminco's securities.

In particular, those Metminco Shares that would otherwise be issued to Ineligible Foreign Shareholders pursuant to their acceptance of the Offer will, in accordance with the terms of the Offer and Section 619(3) of the Corporations Act, and unless Metminco otherwise determines, be sold by the Sale Nominee (refer to section 8 of Annexure A of the Bidder's Statement for further details). Assuming 100% acceptance of the Offer, the Metminco Shares to be sold by the Sale Nominee on behalf of the foreign ARL Shareholders is expected to amount to 4.3% of the total issued capital of Metminco immediately after Completion of the Offer.

There can be no assurance that there will be, or continue to be, an active market for Metminco Shares or that the price of Metminco Shares will increase. As a result, ARL Shareholders may, upon selling their Metminco Shares, receive a market price for their securities that is less than the price at the date of this Target's Statement.

(b) **Acquisition of less than 90% of ARL Shares**

It is possible that Metminco could acquire a relevant interest of less than 90% of all ARL Shares on issue under the Offer (in the event that Metminco waives, with the prior written consent of ARL, the Minimum Acceptance Condition). The existence of third-party minority interests in ARL Shares may have an impact on the operations of ARL as ARL would not, in those circumstances, be a wholly owned subsidiary of Metminco. However, this

impact will depend upon the ultimate level of Metminco's ownership in ARL.

(c) **Trading Price of Metminco Shares**

Metminco's operating results, economic and financial prospects and other factors will affect the trading price of the Metminco Shares. In addition, the price of Metminco Shares is subject to varied and often unpredictable influences on the market for equities, including, but not limited to general economic conditions including the performance of the Australian dollar and United States dollar on world markets, inflation rates, foreign exchange rates and interest rates, variations in the general market for listed stocks in general or Australian mining stocks in particular, changes to government policy, legislation or regulation, industrial disputes, general operational and business risks and hedging or arbitrage trading activity that may develop involving the Metminco Shares.

In particular, the share prices for many companies have been and may in the future be highly volatile, which in many cases may reflect a diverse range of non-company specific influences such as global hostilities and tensions relating to certain unstable regions of the world, acts of terrorism and the general state of the global economy. No assurances can be made that Metminco's market performance will not be adversely affected by any such market fluctuations or factors.

(d) **Additional Requirements for Capital**

The capital requirements of the Combined Entity depend on numerous factors. Depending on the ability of the Combined Entity to generate income from its operations, the Combined Entity may require further financing in addition to amounts raised under the Capital Raising. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Combined Entity is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programmes as the case may be.

8.4 There are other risks in not accepting the offer

(a) **Minority ownership consequences**

In section 6.2(c) of the Bidder's Statement, Metminco describes its intentions in the event that it does not become entitled to at least 90% of the ARL Shares.

If the scenario described in section 6.2(c) of the Bidder's Statement occurs, ARL Shareholders who do not accept the Offer will become minority shareholders in ARL and those ARL Shareholders will no longer collectively control ARL.

This has a number of possible implications including the following:

- (i) Metminco will be able to cast the majority of votes at a general meeting of ARL enabling it to control the Board and senior management, determine ARL's dividend policy and control the strategic direction of ARL.

- (ii) Subject to the requirements of the Corporations Act and ARL's constitution, Metminco may appoint nominees of Metminco to the Board.
- (iii) Your Directors believe it is reasonably likely that the liquidity of ARL Shares would be lower than at present if a number of ARL Shareholders accept the Offer.
- (iv) If Metminco acquires 75% or more of the ARL Shares, it will be able to pass special resolutions of ARL. This will enable Metminco to amend ARL's constitution.

There are also risks associated with holding ARL Shares, these are detailed at section 8.5 of this Target's Statement.

(b) **Limited Liquidity**

If the Offer is not successful ARL Shareholders may not be able to sell their ARL Shares in the future while it remains a public unlisted company.

(c) **Compulsory acquisition**

If, after the end of the Offer Period, Metminco becomes the holder of at least 90% of all ARL Shares (for example, by subsequent acquisitions of ARL Shares), then Metminco may be entitled to compulsorily acquire the ARL Shares it does not own in accordance with Part 6A.1 of the Corporations Act (see section 3.17 of this Target's Statement and 6.2(b) of the Bidder's Statement for more information).

(d) **No Scrip for Scrip Rollover Relief**

If the Offer results in Metminco owning less than 80% of ARL Shares, ARL Shareholders will not receive scrip for scrip taxation rollover relief.

8.5 Risks associated with holding ARL Shares

If you decide not to accept the Offer and retain your ARL Shares, you will continue to be exposed to the risks associated with being an ARL Shareholder. Holding an ARL Share provides an economic interest in the ongoing operating activities of ARL. However, there is no guarantee that ARL will become profitable in the future as the business is affected by many risk factors.

These may be risks that are widespread risks associated with any form of business or specific risks associated with ARL's business and its involvement in the exploration and mining industry.

The following summary represents some of the major risk factors which affect ARL. These risk factors ought not to be taken as exhaustive of the risks faced by ARL or by ARL Shareholders. These factors, and others not specifically referred to, may in the future materially affect the financial performance of ARL and the value of ARL Shares.

Where relevant, the risk factors below assume the Offer will not be successful and ARL will continue to develop its projects interests:

(a) **Risks consistent with Metminco**

Many of the risks outlined in Section 8.2 in relation to Metminco's current operations are equally relevant to ARL's operations, given that they are both located within the same region in Colombia. Those risks include:

- (i) Regulatory risks;
- (ii) Foreign government and legal system risk;
- (iii) Sovereign Security Risks;
- (iv) Tenure, access and grant of applications;
- (v) Exploration risk;
- (vi) Environmental risk;
- (vii) Social licence;
- (viii) Mine development risk;
- (ix) Metallurgy;
- (x) Insurance risks;
- (xi) Ability to exploit successful discoveries;
- (xii) Commodity prices;
- (xiii) Loss of key management personnel
- (xiv) Exploration costs;
- (xv) Tax rules;
- (xvi) Competition risk;
- (xvii) Economic risks; and
- (xviii) Force majeure.

(b) **Capital raising risk**

ARL is currently an unlisted public company, and despite the Company's intentions, may not be able, subject to prevailing market conditions, to successfully complete a listing on a public exchange. Being an unlisted public company limits the options available to the Company to raise working capital required, which may impact on the Company's ability to raise sufficient funds to adequately explore its existing granted permits, or any permits that may be granted in the future.

(c) **Granting of permits**

A number of the Company's permits in Colombia remain applications, meaning that the Company has limited areas within its existing portfolio where it can currently drill.

(d) **Liquidity**

As an unlisted public company, the trading of the Company's shares is very illiquid, meaning that there is limited opportunity for investors to realise their investment or buy or trade their ARL Shares.

9. ADDITIONAL INFORMATION

9.1 Details of Directors

The Directors of ARL as at the date of this Target's Statement are:

Director Name	Position
Mr Ross Ashton	Non-Executive Chairman
Mr Jason Stirbinskis	Managing Director
Mr Simon Brown	Executive Director
Mr Stephen Belben	Non-Executive Director
Mr Stuart Moller	Non-Executive Director

9.2 Directors' interests in ARL securities

Details of ARL Shares and ARL Options in which each Director has a Relevant Interest are as follows:

Director Name	ARL Shares	ARL Options
Mr Ross Ashton ¹	7,858,235	2,500,000 ²
Mr Jason Stirbinskis	266,667	3,000,000 ³
Mr Simon Brown	9,354,542	3,000,000 ³
Mr Stephen Belben	3,038,051	1,350,000 ⁴
Mr Stuart Moller	Nil	750,000 ⁵

Notes:

1. Held by Freshwater Resources Pty Ltd, an entity controlled by Mr Ashton.
2. Comprising 1,000,000 options exercisable at \$0.20 on or before 1 July 2023 and 1,500,000 options exercisable at \$0.10 on or before 10 June 2021.
3. Exercisable \$0.20 on or before 1 July 2023 (and subject to vesting conditions).
4. Comprising 750,000 options exercisable at \$0.20 on or before 1 July 2023 and 600,000 options exercisable at \$0.10 on or before 10 June 2021.
5. Comprising 750,000 options exercisable at \$0.20 on or before 1 July 2023.

9.3 Dealings in securities in ARL

ARL note that each of Ross Ashton and Stephen Belben acquired ARL Shares and free attaching Options under the ARL Placement as follows:

- (a) Ross Ashton – 1,500,000 ARL Shares and 1,500,000 Options; and
- (b) Stephen Belben – 600,000 ARL Shares and 600,000 Options.

Mr Ashton and Mr Belben paid the same price for their ARL Shares and Options under the Placement as all other unrelated participants.

Other than as noted above, no Director has acquired or disposed of a Relevant Interest in any ARL Shares or ARL Options during the four-month period ending on the date immediately before the date of this Target's Statement.

9.4 Directors' interests in Metminco securities

No Director has a Relevant Interest in any securities of Metminco as at the date of this Target's Statement.

9.5 Dealing in Metminco securities

Neither ARL nor any Director acquired or disposed of a Relevant Interest in any securities in Metminco during the four-month period ending on the date immediately before the date of this Target's Statement.

9.6 Conditional agreements

No Director is a party to any agreement or arrangement with any other person in connection with or conditional on the outcome of the Offer, other than in their capacity as ARL Shareholders and/or Optionholders.

9.7 Payments and benefits

Except as otherwise disclosed in this Target's Statement, other than a benefit permitted under section 200F of the Corporations Act, no benefit is proposed to be given to a Director in connection with his retirement from office at ARL or a related body corporate of ARL, or in connection with the transfer of the whole or any part of the undertaking or property of ARL.

To the extent permitted by law and subject to restrictions in the Corporations Act, ARL has entered into deeds of indemnity with each of the ARL Directors and indemnifies each Director against any liabilities arising as a result of the Director acting as an officer of ARL.

9.8 Bid Implementation Agreement

On 17 May 2019, ARL and Metminco entered into the Bid Implementation Agreement in relation to the Offer.

A full copy of the Bid Implementation Agreement was lodged with the ASX on 17 May 2019 and can be obtained from Metminco's website (at <http://www.metminco.com.au/site/news/ASX-Announcements>) or on Metminco's profile on the ASX's website at (www.asx.com.au).

The conditions of the Offer are set out in section 3.8 of this Target's Statement and section 9 of Annexure A of the Bid Implementation Agreement.

9.9 Consolidation

Concurrent with the completion of the Offer, Metminco proposes to undertake a Consolidation of its capital on a 1 for 40 basis.

Metminco options will also be consolidated pursuant to the requirements of ASX Listing Rule 7.22.1, in the same ratio as the Metminco Shares, and the exercise price amended in inverse proportion to the ratio.

9.10 Exclusivity

Under the Bid Implementation Agreement, Metminco and ARL have agreed to an exclusivity period commencing 16 May 2019 until the earlier of Completion, termination of the Bid Implementation Agreement or 31 August 2019 (unless otherwise agreed in writing), during which neither party may solicit other proposals

without the other party's consent and must notify each other if a competing proposal is received. In the event that a competing proposal is received by ARL which is superior to the Offer, Metminco will have an opportunity to vary the terms of the Offer to match or better such a superior proposal.

9.11 Termination Fee

If a party terminates the Bid Implementation Agreement due to a material default by the other party (such as the failure of Metminco to satisfy the Metminco Shareholder Approval Condition) under the Bid Implementation Agreement, the defaulting party must pay an amount of \$85,000 as reimbursement for costs incurred in connection with the Bid Implementation Agreement and Offer.

9.12 Capital Raising

It is a condition under the Bid Implementation Agreement that Metminco and ARL undertake a joint capital raising. The proposed capital raising will raise no less than \$4,000,000 (**Capital Raising**) and comprises:

- (a) the issue of Tranche 1 and Tranche 2 Notes, which has been completed and raised \$918,000 (before costs), with the Tranche 1 and 2 Notes convertible into a maximum of 459,000,000 Metminco Shares, subject to Metminco shareholder approval of the issue of the Tranche 2 Notes as equity securities;
- (b) a placement by ARL to raise up to \$750,000;
- (c) a Priority Offer to raise up to \$1,000,000 through the issue of up to 500,000,000 Metminco Shares at an issue price of \$0.002, made to Metminco's eligible Shareholders (**Priority Offer**); and
- (d) a Placement to raise up to \$1,332,000 through the issue of up to 666,000,000 Shares at an issue price of \$0.002 (**Placement**).

On 1 April 2019, Metminco announced that it had issued 306 Notes (comprising 115 Tranche 1 Notes and 191 Tranche 2 Notes) to unrelated professional and sophisticated investors to raise \$918,000 (before costs). Subject to Metminco shareholder approval, the Notes automatically convert upon Completion at an issue price of \$0.003. To reflect the pricing of the Priority Offer and Placement, the noteholders have been invited to amend the terms of the Note Deeds (**Note Amendment Deed**), such that the Notes the subject of the Note Amendment Deed convert at \$0.002.

The Priority Offer and Placement will be conducted under a prospectus and together will raise \$2,332,000 by the issue of up to 1,166,000,000 Metminco Shares. Metminco will accept applications from professional, sophisticated and retail investors.

As announced by Metminco on 3 June 2019, this capital raising has been fully committed through a commitment of \$990,000 from Sandfire and an underwritten portion of \$1.342 million underwritten by Hartleys Limited. These commitments and underwriting reduce the risk of the non-satisfaction of this condition.

9.13 Sandfire Collaboration Agreement

On 16 May 2019, Metminco entered a collaboration agreement with Sandfire (**Sandfire Collaboration Agreement**). The Sandfire Collaboration Agreement replaces an existing collaboration agreement Sandfire had in place with ARL.

The Sandfire Collaboration Agreement becomes effective upon Sandfire having a voting interest of 15% or greater in Metminco. Under the Sandfire Collaboration Agreement, Metminco grants Sandfire:

- (a) an anti-dilution right to ensure Sandfire is offered the ability to participate in any new offer of securities for consideration no more favourable than third party subscribers;
- (b) the right to appoint a nominee to Metminco's technical committee;
- (c) the right to submit a competing proposal in respect of any debt financing; and
- (d) the right to appoint a Board nominee.

The Sandfire Collaboration Agreement will terminate in the event that Sandfire's voting interest falls below 15% as a result of either:

- (a) its non-participation in a new offer of securities; or
- (b) as a result of the conversion of convertible securities, and stays below 15% for a period of greater than 3 months.

On 11 June 2019, Metminco announced that it had received a waiver from ASX in respect of ASX Listing Rule 6.18 to permit it to grant the Anti-Dilution Right to Sandfire.

9.14 RMB Debt-refinancing

It is proposed that Metminco and RMB will enter into a formal binding agreement in respect of a debt refinancing, the key commercial terms of which are summarised below:

- (a) subject to approval from the South African Reserve Bank, conversion of \$2.0 million of repayments due to RMB into equity in Metminco at a price of \$0.002 per share, through the issue of 1,000,000,000 RMB Debt Refinancing Shares;
- (b) a payment of \$1.25 million upon the earlier of Metminco's market capitalisation exceeding \$30 million for more than 10 consecutive trading days, or a new indicated resource on Metminco's current assets of greater than 500,000 oz. of gold at a grade of 5 gpt, or 1Moz grading at 4 gpt;
- (c) a payment of \$1.25 million upon the earlier of Metminco's market capitalisation exceeding \$35 million for more than 10 consecutive trading days, or of the merged company defining a new reserve on Metminco's current assets of greater than 500,000 oz. of gold at a grade of 5 gpt, or 1Moz grading at 4 gpt;
- (d) a final payment of \$1.0 million upon the earlier of Metminco's market capitalisation exceeding \$40 million for more than 10 consecutive trading days, or upon the merged company announcing a decision to mine on any licences or applications or rights to applications or joint venture entitlements held by Metminco in the Quinchia Gold Project prior to the Merger.

Attaining the above noted milestones will trigger a call from RMB for Metminco to repay those debts in cash. A backstop date of 31 March 2025 has been set, at which point any remaining debt outstanding to RMB (if any) would become due. Metminco has also agreed to extend the cap on the 2% royalty due to RMB to \$15M.

RMB will maintain its existing security over Metminco's Quinchia Gold Project assets.

It is a condition within Sandfire's voting intention statement that RMB and Metminco enter into this proposed refinancing agreement.

Metminco has been granted a confirmation from ASX in respect of ASX Listing Rule 10.1 to confirm that ASX Listing Rule 10.1 does not apply to RMB as a substantial shareholder of Metminco, on the basis that RMB acquired the security interest prior to becoming a substantial Shareholder.

9.15 Bonus Options

Following the Completion of the Offer, Metminco has announced that if it intends to issue each Metminco shareholder on the record date of 16 December 2019 one (1) Option for every five (5) Metminco Shares held.

These Options will have a pre-Consolidation exercise price of \$0.004 and an expiry date of two years from the date of issue.

The Options will be offered on a post-Consolidation basis and will be subject to a separate disclosure document.

The terms and conditions of these Options are set out in Annexure B of the Bidder's Statement.

9.16 Publicly available information

This Target's Statement contains statements which are made in or based on statements made in documents lodged by various parties (including ARL) with ASIC (or given to ASX, in the case of Metminco), including the Bidder's Statement.

As required by ASIC Class Order 13/521, ARL will make available a copy of these documents (or of relevant extracts from these documents), free of charge, to ARL Shareholders who request it during the Offer Period. To obtain a copy of these documents (or the relevant extracts), ARL Shareholders may contact ARL by contacting the Company Secretary on +61 8 6245 2050.

9.17 Material litigation

As at the date of this Target's Statement, ARL is not aware of any current or proposed litigation or dispute that is material and to which it is or may be party.

9.18 ASIC declarations

ARL has not been granted any modifications or exemptions by ASIC from the Corporations Act in connection with the Offer.

9.19 Taxation considerations for ARL Shareholders

A general outline of the tax implications of accepting the Offer is set out in section 7 of the Bidder's Statement.

As that section provides a general overview only, ARL Shareholders are encouraged to seek their own personal advice on the taxation implications applicable to their circumstances.

9.20 No other material information

This Target's Statement is required to include all the information ARL Shareholders and their professional advisers would reasonably require to make an informed assessment of whether to accept the Offer, but:

- (a) only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and
- (b) only if the information is known to any of the ARL Directors.

The ARL Directors are of the opinion that the information that ARL Shareholders and their professional advisers would reasonably require to make an informed assessment of whether to accept the Offer is:

- (a) the information contained in the Bidder's Statement (to the extent that the information is not inconsistent with or superseded by information in this Target's Statement);
- (b) the information lodged by ARL with ASIC prior to the date of this Target's Statement; and
- (c) the information contained in this Target's Statement.

The ARL Directors have assumed, for the purposes of preparing this Target's Statement, that the information contained in the Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). The ARL Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all statements contained in it.

In deciding what information should be included in this Target's Statement, the ARL Directors have had regard to:

- (a) the nature of the ARL Shares;
- (b) the matters ARL Shareholders may reasonably be expected to know;
- (c) the fact that certain matters may reasonably be expected to be known to the professional advisers of ARL Shareholders; and
- (d) the time available to ARL to prepare this Target's Statement.

10. CONSENTS

Each of the persons listed below has given and has not, before the lodgement of this Target's Statement with ASIC, withdrawn their consent to the inclusion of the following information in this Target's Statement in the form and context in which it is included and to all references in this Target's Statement to that information in the form and context in which they appear:

- (a) each Director, to being named as a director; and
- (b) Steinepreis Paganin, to being named in this Target's Statement as legal adviser to ARL.

Each person named above as having given its consent to being named in this Target's Statement:

- (a) does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based; and
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement, other than a reference to its name.

As permitted by ASIC Class Order 13/521, this Target's Statement contains statements which are made, or based on statements made, in documents lodged with ASIC (or ASX, in the case of Metminco). Pursuant to this Class Order, the consent of persons to which such statements are attributed is not required for the inclusion of those statements in this Target's Statement.

As permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72, this Target's Statement may include or be accompanied by certain statements:

- (a) fairly representing a statement by an official person; or
- (b) from a public official document or published book, journal or comparable publication.

Pursuant to ASIC Corporations (Consents to Statements) Instrument 2016/72, the consent of persons to which such statements are attributed is not required for the inclusion of those statements in this Target's Statement.

Any ARL Shareholder who would like to receive a copy of any of the documents (or parts of the documents) that contain the statements which have been included pursuant to ASIC Class Order 13/521 may obtain a copy free of charge by writing to the ARL Company Secretary or by contacting the Company Secretary on +61 (8) 6245 2050 at any time between 8:30am and 5:00pm (WST) on Monday to Friday.

11. APPROVAL OF THE TARGET'S STATEMENT

The copy of this Target's Statement that is to be lodged with ASIC has been approved by a resolution passed by the Directors.

This Target's Statement is dated 20 June 2019, which is the date on which it was lodged with ASIC.

Signed for and on behalf of ARL.

Dated 20 June 2019

A handwritten signature in blue ink, appearing to read 'Ross Ashton', with a long horizontal flourish extending to the right.

Mr Ross Ashton
Non-Executive Chairman

12. GLOSSARY AND INTERPRETATION

12.1 Definitions

The following definitions apply in this Target's Statement unless the context requires otherwise:

Acceptance Form means the Acceptance Form provided to you by Metminco with its Bidder's Statement containing instructions on how to accept the Offer.

Announcement Date means 17 May 2019, being the day on which Metminco and ARL announced the Offer.

ARL or **Company** means Andes Resources Ltd (ACN 166 866 691).

ARL Board or **Board** means the board of directors of ARL.

ARL Director or **Director** means a director of ARL.

ARL Group means ARL and its Subsidiaries.

ARL Optionholder or **Optionholder** means a person registered in the register of options of ARL as a holder of one or more ARL Options.

ARL Options or **Options** means options to subscribe for ARL Shares which are on issue at the Record Date.

ARL Placement means the interim working capital placement undertaken by ARL, to raise \$750,000 through the issue of 15,000,000 ARL Shares at an issue price of \$0.05, together with 15,000,000 free attaching ARL Options with an exercise price of \$0.10 and an expiry date 2 years from the date of issue.

ARL Share or **Share** means a fully paid ordinary share in ARL.

ARL Shareholder or **Shareholder** means a person who is registered as the holder of an ARL Share in the ARL register of members.

ASIC means the Australian Shares and Investments Commission.

Associate has the meaning given in Division 2 of Part 1.2 of the Corporations Act.

ASX means ASX Limited or the market operated by it (as the context requires).

ASX Listing Rules means the official listing rules of ASX as amended, varied, modified or waived from time to time.

Authority has the meaning given in the **Bid Implementation Agreement**.

BHC means Bullet Holding Corp, a company incorporated in Panama with address Calle 12A, 32-11, El Poblado, Medellin, Colombia.

Bid Implementation Agreement means the bid implementation deed between ARL and Metminco dated 17 May 2019.

Bidder Material Adverse Change has the meaning given in the Bid Implementation Agreement.

Bidder's Statement means the bidder's statement served on ARL by Metminco on 18 June 2019 in relation to the Offer.

Business Day means a day which is not a Saturday, Sunday or a public holiday in Perth, Western Australia.

Capital Raising has the meaning given in section 9.12 of this Target's Statement.

Combined Entity means the Metminco Group following the acquisition of ARL.

Completion means successful completion of the Offer.

Condition means the conditions of the Offer as provided in Schedule 1 of the Bid Implementation Agreement, and summarised in section 3.8 of the Target's Statement and set out in full in section 9 of Annexure A of the Bidder's Statement.

Consolidation means the consolidation of Metminco's securities described at Section 9.9.

Corporations Act means the *Corporations Act 2001* (Cth).

Delta means Delta Holdings LLC, a company incorporated in Wyoming, USA, of 30 N Gold St, Ste R, Sheridan, Wyoming.

Essential Metminco Shareholder Resolutions has the same meaning as in the Bidder's Statement.

Ineligible Foreign Shareholder has the meaning in the Bidder's Statement.

Merger means the proposed merger of Metminco and Andes following successful Completion of the Offer.

Metminco or **Bidder** means Metminco Limited (ACN 119 759 349).

Metminco Group means Metminco and its Subsidiaries.

Metminco Share means a fully paid ordinary share in the capital of Metminco.

Minimum Acceptance Condition means the condition to the Offer set out in Section 9(a)(i) of Annexure A of the Bidder's Statement.

Notes means the Tranche 1 Notes and/or Tranche 2 Notes.

Notice of Meeting means the Notice for the Metminco Shareholder Meeting to be held on 15 July 2019, as required under the ASX Listing Rules and the Corporations Act.

Offer means the takeover bid by Metminco to acquire all of the ARL Shares on the terms and conditions set out in the Bidder's Statement.

Offer Price means 25 Metminco Shares per ARL Share.

Offer Period means the period within which the Offer is open for acceptance in accordance with the Bidder's Statement and the Corporations Act.

Placement has the meaning given at Section 9.12.

Priority Offer has the meaning given at Section 9.12.

Record Date means the date set by Metminco under section 633(2) of the Corporations Act, being 5:00pm (AEST) on 18 June 2019.

Related Bodies Corporate has the meaning given in the Corporations Act.

Relevant Interest has the meaning given to that term in section 9 of the Corporations Act.

Replacement Options means Options offered to ARL Optionholders on Completion pursuant to the terms and conditions in Annexure B of the Bidder's Statement.

RMB means RMB Australia Holdings Limited (ACN 003 201 214).

RMB Debt means all amounts owed by Metminco to RMB pursuant to the RMB Sale and Purchase Deed, as detailed in Metminco's ASX announcement dated 13 March 2019.

RMB Debt Refinancing Agreement means the proposed debt refinancing agreement set out in Section 9.14.

RMB Debt Refinancing Shares means the issue of 1,000,000,000 Metminco Shares to RMB (or its nominees) pursuant to the proposed debt refinancing agreement.

RMB Sale and Purchase Deed means the sale and purchase agreement between Metminco and RMB dated on or around 30 May 2016, including the requirement for Bidder to pay RMB a royalty from operating cashflows.

Sale Nominee has the meaning in the Bidder's Statement.

Sandfire means Sandfire Resources Limited (ACN 105 154 185).

Sandfire Collaboration Agreement has the meaning given in Section 9.13.

Section means a section of this Target's Statement.

Subsidiary means a subsidiary within the meaning given to that term in Section 9 of the Corporations Act.

Superior Proposal has the meaning given to that term in the Bid Implementation Agreement.

Target Material Adverse Change has the meaning given in the Bid Implementation Agreement.

Target Material Transaction has the meaning given in the Bid Implementation Agreement.

Target Prescribed Occurrence has the meaning given in the Bid Implementation Agreement.

Target's Statement means this document, being the statement of ARL under Part 6.5 of the Corporations Act in relation to the Offer.

Tranche 1 Notes means 115 convertible notes issued by Metminco on the terms and conditions set out in the Notice of Meeting.

Tranche 2 Notes means 191 convertible notes issued by Metminco on the terms and conditions set out in the Notice of Meeting.

Unconditional means that the Offer and any contracts resulting from acceptance of the Offer are no longer subject to fulfilment of the Conditions.

12.2 Interpretation

The following rules of interpretation apply unless the context requires otherwise:

- (a) A term not specifically defined in this Target's Statement has the meaning given to it (if any) in the Corporations Act (as is appropriate to the context).
- (b) A gender includes all genders.
- (c) The singular includes the plural, and the converse also applies.
- (d) A reference to a person includes a corporation, trust, partnership, unincorporated body or other entity, whether or not it comprises a separate legal entity.
- (e) A reference to legislation or to a provision of legislation includes any modification or re-enactment of it, any legislative provision substituted for it and any regulations and statutory instruments issued under it.
- (f) A reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including, but not limited to, persons taking by novation) and assigns.
- (g) A reference to a right or obligation of any two or more people comprising a single party confers that right, or imposes that obligation, as the case may be, on each of them severally and each two or more of them jointly. A reference to that party is a reference to each of those people separately (so that, for example, a representation or warranty by that party is given by each of them separately).
- (h) A reference to an agreement or document is to the agreement or document as amended, supplemented, novated or replaced.
- (i) Headings used in this Target's Statement are for ease of reference only and do not affect the meaning or interpretation of this Target's Statement.
- (j) A reference to a section or Annexure is to a section of, or annexure to, this Target's Statement unless otherwise specified.
- (k) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (l) \$, A\$ or AUD is a reference to the lawful currency of Australia.
- (m) A reference to time is a reference to Australian Western Standard Time.

CORPORATE DIRECTORY

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