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ASX / Media Release

14 August 2017

## **SPITFIRE TO MERGE WITH APHRODITE GOLD TO CREATE A LEADING DIVERSIFIED AUSTRALIAN GOLD DEVELOPMENT COMPANY**

*Combined company will have ~1.3Moz in JORC resources, a vast and highly prospective exploration portfolio in WA and Queensland and will be led by the highly successful management team which founded Pilbara Minerals*

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### **HIGHLIGHTS**

- Spitfire Materials Limited (ASX: SPI) and Aphrodite Gold Limited (ASX: AQQ) have signed a binding terms sheet for a merger by way of a court approved Scheme of Arrangement.
- The merger will create a leading ASX-listed gold company with an advanced and complementary exploration and development portfolio in Western Australia, Queensland and the Northern Territory.
- The key asset of the merged entity will be the Aphrodite Gold Project, located approximately 65km from Kalgoorlie in Western Australia, a PFS-level project with outstanding near-term production potential and exceptional exploration upside.
- The Aphrodite Gold Project offers outstanding synergies with Spitfire's Mulwarrie Gold Project, located 65km away, where it has recently discovered significant high-grade primary gold mineralisation.
- The merged entity plans to embark on an aggressive drilling program with the aim to expand the existing Mineral Resource inventory at Aphrodite and define a JORC Resource at Mulwarrie. Drilling is set to resume at Mulwarrie this week.
- The merged entity also offers exposure to discoveries at the large-scale Alice River Gold Project in North Queensland, where a maiden drilling program is set to commence next month.
- The merged entity's Australian gold strategy will be led by the highly skilled management team (Neil Biddle and John Young) which founded the successful lithium developer Pilbara Minerals Limited. Aphrodite directors Peter Buttigieg and Roger Mitchell will also join the merged entity's board. Peter Buttigieg will be the Non-Executive Chairman.

Spitfire Materials Limited ("Spitfire") (ASX: SPI) and Aphrodite Gold Limited ("Aphrodite") (ASX: AQQ) are pleased to announce that they have entered into a binding terms sheet to merge the two ASX-listed companies to create a significant new diversified Australian gold company with a highly prospective exploration portfolio in Western Australia, Queensland and the Northern Territory and strong growth potential.

Under the terms sheet, Spitfire has agreed to acquire all of the issued capital of Aphrodite that it does not already hold by way of a Scheme of Arrangement (the “Transaction” or “Scheme”). Spitfire currently holds a 10.38% stake in Aphrodite.

The terms sheet is subject to a number of conditions including mutual due diligence and the parties entering into a merger implementation agreement (“MIA”). The terms sheet also contains customary provisions to be included in the MIA covering exclusive dealing, no shop and talk, as well as a mutual break fee (\$320,000). The parties have agreed to complete due diligence and negotiate the MIA in good faith by 25 August 2017 (or such later date as is agreed between the parties).

The Transaction will create a leading gold exploration and development company with a diversified asset base spread across a number of projects including a highly prospective greenfields exploration opportunity at Alice River in QLD, an emerging discovery opportunity at Mulwarrie in WA, and a resource-level near-term development opportunity at the Aphrodite Gold Project near Kalgoorlie in WA.

The merged entity will have a JORC 2012 compliant Indicated and Inferred Mineral Resource inventory comprising 13.1 million tonnes grading 2.99g/t Au for 1.26 million ounces at the Aphrodite Gold Project (with 741,364 ounces of Indicated and 519,502 ounces of Inferred Resource categories), located 65km from Kalgoorlie (refer: Aphrodite ASX Release dated 27 June 2017).

Note: Spitfire has not undertaken sufficient work to independently verify the JORC Mineral Resource for the Aphrodite Gold Project previously announced by Aphrodite on 27 June 2017. Further evaluation work and appropriate studies may be required for Spitfire to independently verify the JORC Mineral Resource at the Aphrodite Gold Project. Subject to completion of the merger, Spitfire expects to undertake this work within 12 months.

The Aphrodite Gold Project offers outstanding synergies with Spitfire’s emerging high-grade primary gold discovery at the Mulwarrie Project, also located near Kalgoorlie, with the two projects expected to form the centrepiece of a new gold consolidation strategy to be pursued by the merged company in WA’s Eastern Goldfields.

The merged entity will have increased scale and liquidity as an emerging Australian gold company, a strengthened investor base and the ability to accelerate exploration and development opportunities within its growth pipeline.

On completion, the merged entity will be led by the highly skilled management team which founded the highly successful Australian lithium developer, Pilbara Minerals (ASX: PLS), including John Young as Managing Director and Neil Biddle as Executive Director. Two Aphrodite directors, Peter Buttigieg and Roger Mitchell, will join the board of the merged entity. Peter Buttigieg will be the Non-Executive Chairman.

### **Transaction Summary**

- Transaction to be implemented by way of a Scheme of Arrangement.
- Both Aphrodite shareholders and Spitfire shareholders will each hold approximately 50% of Spitfire following completion of the Transaction to create a “merger of equals”.
- The Transaction is subject to mutual due diligence being completed by both parties on or before 25 August 2017 (or later date as mutually agreed) to their respective satisfaction.
- The Transaction is subject to the MIA being executed on or before 25 August 2017 (or later date as mutually agreed).

- In exchange for their fully-paid ordinary shares, Aphrodite shareholders will receive one (1) new fully paid ordinary Spitfire share for approximately every two point nine (2.9) Aphrodite shares held under the Scheme.
- The Transaction values the acquisition price of Aphrodite at approximately A\$0.0449 per share, representing a 87% premium to Aphrodite's closing share price on 11 Aug 2017 and a 93% premium to Aphrodite's 5-Day VWAP.
- The term sheet provides that the MIA will include provisions that the directors of Aphrodite, as the Scheme company, will recommend the transaction and intend to vote in favour of the Transaction Resolutions and any general meeting resolutions in relation to their personal shareholdings in Aphrodite, in the absence of a superior proposal (and subject to any other applicable voting restrictions and their fiduciary duties).
- In addition to completion of due diligence and execution of the MIA, the term sheet provides that completion of the Transaction is subject to:
  - the receipt of all regulatory, shareholder and other approvals including (without limitation) the approval of the ASX and any necessary approvals, waivers or modifications of the Corporations Act from the Australian Securities and Investment Commission;
  - approval of holders of AQQ shares under the Scheme of Arrangement under section 411(4)(a) of the Corporations Act;
  - the approval of the Scheme of Arrangement by a court of competent jurisdiction under the Corporations Act.
  - An independent expert providing its opinion to AQQ that concludes that the Scheme of Arrangement is in the best interests of AQQ's shareholders (excluding SPI) and the independent expert not withdrawing or adversely modifying that conclusion;
  - other customary conditions precedent, including but not limited to the absence of a material adverse change in the business affairs, financial conditions of each of SPI and AQQ, and no material transactions being entered into by either SPI and AQQ with the usual or customary carve outs, no prescribed occurrence occurring, accuracy of representations and warranties, obtaining material third party consents and/or waivers.
- Following execution of the MIA the parties have agreed that a mutual break fee (\$320,000) will be payable.
- Spitfire currently holds 74,129,742 shares (10.38%) of the issued capital of Aphrodite.

#### **Transaction Rationale**

The boards of Spitfire and Aphrodite believe that the merger of the two companies has a clear strategic rationale and will generate significant value for the shareholders of both companies.

Shareholders will have exposure to a large and diversified gold exploration and development portfolio in Western Australia, the Northern Territory and Queensland, with a significant JORC 2012 compliant Mineral Resource inventory totalling ~1.3 million ounces and considerable exploration upside.

The portfolio includes the advanced, PFS-level Aphrodite Gold Project near Kalgoorlie, providing an advanced gold development opportunity with the potential to leverage off the emerging gold discovery at Spitfire's Mulwarrie Gold Project, as well as the larger-scale Alice River gold exploration project in North Queensland, where a maiden drill program is scheduled to commence next month.

Shareholders will also benefit from a strengthened Board and management team which includes Neil Biddle and John Young, the founding directors of Pilbara Minerals Limited (ASX: PLS) together with the continuing involvement of Mr Eduard Eshuys and his team from Aphrodite. Messrs Biddle and Young, played a key role in driving Pilbara's growth from a micro-cap junior to an emerging \$600 million mid-tier lithium miner. Mr Young will continue as Managing Director of the merged company. Mr Eshuys has been a consultant and technical advisor to the Aphrodite project since 2014 and is well known in Australia for his exploration, development and operations experience having led the teams that discovered several major gold deposits including Plutonic, Bronzewing and Jundee.

The merged company will have an enhanced capital markets profile, a strengthened investor base and a strong growth pipeline of assets – positioning it to become a significant new ASX-listed gold developer at a favourable period in the market cycle for Australian gold companies. The merged company will also be well positioned to leverage its increased scale to drive operational efficiencies and pursue further value-accretive growth opportunities.

Further information in relation to the Scheme, its implementation and timing will be provided on signing of the MIA.

#### **Benefits to Aphrodite Shareholders**

As a result of the Transaction, Aphrodite shareholders will:

- Receive a significant premium of 87% to Aphrodite's last closing price and a 93% to Aphrodite's 5 day VWAP;
- Gain the benefit of exposure to Spitfire's exploration projects, while retaining exposure to the upside of the Aphrodite Gold Project;
- Become significant shareholders of a leading gold exploration and development company with a diversified portfolio of exploration and development assets;
- Benefit from the enhanced financial strength to optimize funding of the combined projects, including an increased level of liquidity and exposure to a global and expanding retail and institutional investor base; and
- Benefit from Spitfire's exceptionally well-credentialed and experienced exploration team.

#### **Benefits to Spitfire Shareholders**

As a result of the Transaction, Spitfire shareholders will:

- Gain exposure to the advanced Aphrodite Gold Project near Kalgoorlie while retaining the ongoing Spitfire exploration portfolio with synergies from Aphrodite's asset location, next to Mulwarrie in a Tier-1 mining jurisdiction;
- Benefit from the enhanced financial strength of the combined company to optimize funding of the combined projects, including an increased level of liquidity and exposure to a global and expanding retail and institutional investor base, giving greater funding flexibility;
- Benefit from the increased scale and market relevance of the combined group within the ASX gold sector; and
- Become shareholders of a leading gold exploration and development company with a strong balance sheet and a diversified portfolio of exploration and development assets.

## Director Comments

Spitfire's Managing Director, Mr John Young, said:

*"This transaction with Aphrodite provides an exciting platform to fast-track the growth of a significantly enhanced ASX-listed gold company with a strong pipeline of growth assets. The combination of our WA assets at Aphrodite and Mulwarrie gives us the critical mass to pursue a near-term development strategy based on the potential establishment of a new production hub near the world-class mining centre of Kalgoorlie.*

*"The large resource inventory at Aphrodite has exceptional exploration upside and growth potential, and offers significant synergies with our emerging discovery at Mulwarrie. At the same time, shareholders in the combined group will have exposure to a high-potential discovery opportunity at the Alice River Gold Project in North Queensland, where drilling is set to commence next month.*

*"This Transaction is consistent with Spitfire's strategy to create value for our shareholders through aggressive exploration and value-accretive strategic acquisitions in high quality mineral provinces – providing us with what is essentially a fast-track pathway to create Australia's next significant mid-tier gold company.*

*"We are also delighted that Mr Peter Buttigieg and Mr Roger Mitchell have agreed to join the Spitfire board and we believe that their skill-sets will be of great value to Spitfire into the future."*

Aphrodite's Executive Chairman, Mr Peter Buttigieg, said:

*"This transaction represents a great outcome for Aphrodite shareholders, enabling our shareholders to retain participation in the advanced Aphrodite Gold Project while gaining exposure to Spitfire's exploration portfolio and its high-calibre management team, which has a proven track record in the discovery, financing and development of significant resource projects. This transaction will realise a view held by the Aphrodite board for some time that there was potential and merit in a consolidation of projects around Kalgoorlie.*

*"The Board and management of Aphrodite have full confidence in the ability of the combined Spitfire and Aphrodite team to drive the merged company's projects forward and create significant value for shareholders.*

*"I am looking forward to working with the new board and management team, and continuing my involvement with the ongoing success of the Aphrodite Gold Project and the merged company."*

## Spitfire Board

The merged company board will include Neil Biddle and John Young, as well as Aphrodite Executive Chairman Mr Peter Buttigieg and Non-Executive director Mr Roger Mitchell. Mr Young will continue as Managing Director of the merged company, Mr Buttigieg will be the Non-Executive Chairman

## Existing Aphrodite Option-holders

Under the terms of the Transaction, Spitfire will enter into agreements with each of the holders of unlisted options in Aphrodite, under which the Aphrodite option-holders will agree to cancel their unlisted options in exchange for unlisted options in Spitfire on equivalent terms.

Aphrodite shareholders are not required to take any action at this stage in relation to the Scheme of Arrangement.

### Principal Advisors

Hartley's Limited is corporate advisor and Steinepreis Paganin is acting as legal advisor to Spitfire in respect to the Transaction.

GTP Legal is acting as legal advisor to Aphrodite in respect to the Transaction.

### Investor Presentations

Spitfire management will be presenting this week at the *Resources Rising Stars* Investor Luncheon Series, in the following cities and locations:

- **Monday, 14 August**                      **Melbourne, RACV Club (12.30 – 2.30pm)**
- **Tuesday, 15 August**                    **Brisbane, Customs House (12.30 – 2.30pm) \*Fully booked**
- **Wednesday, 16 August**                **Sydney, Sheraton on the Park (12.30 – 2.30pm)**
- **Thursday, 17 August**                    **Auckland, Stamford Plaza (12.30 – 2.30pm)**

Please note that registration is essential to attend these events. Investors interesting in attending can contact Read Corporate on +61-8 9388 1474 or [info@readcorporate.com.au](mailto:info@readcorporate.com.au) to secure a registration. Or visit the Resources Rising Stars website for further information: [www.resourcesrisingstars.com.au](http://www.resourcesrisingstars.com.au).

The Brisbane investor lunch is fully booked.

### PROJECTS

#### Aphrodite Gold Project

The Aphrodite Gold Project is located 65km north of Kalgoorlie in the Eastern Goldfields of Western Australia and has a long history of exploration and resource estimation by several parties dating from its discovery in the mid-1990s. Aphrodite's current 2012 JORC Compliant Mineral Resource estimate completed in May 2017 as part of a Pre-Feasibility Study comprises 13.1Mt averaging 2.99g/t Gold (Au) for a total of 1.26 million ounces with Indicated (741,364 ounces) and Inferred (519,502 ounces) Resource categories (refer: AQQ ASX Release dated 27 June 2017 – Prefeasibility Study Results).

The Aphrodite deposit is covered by five contiguous Mining Leases which are 100%-owned by Aphrodite. All five tenements have been granted a 21-year life, with the earliest expiry date in 2028. Aphrodite has also has been granted one Exploration Licence, two Prospecting Licences and three Miscellaneous Licences within proximity to the Mining Leases.

The Aphrodite mineralisation and current Mineral Resource estimate is situated in the Kalgoorlie Terrance of the Yilgarn Craton, and within the Bardon tectonic Zone – a high-strain zone in supracrustal rocks extending about 120km north of Kalgoorlie.

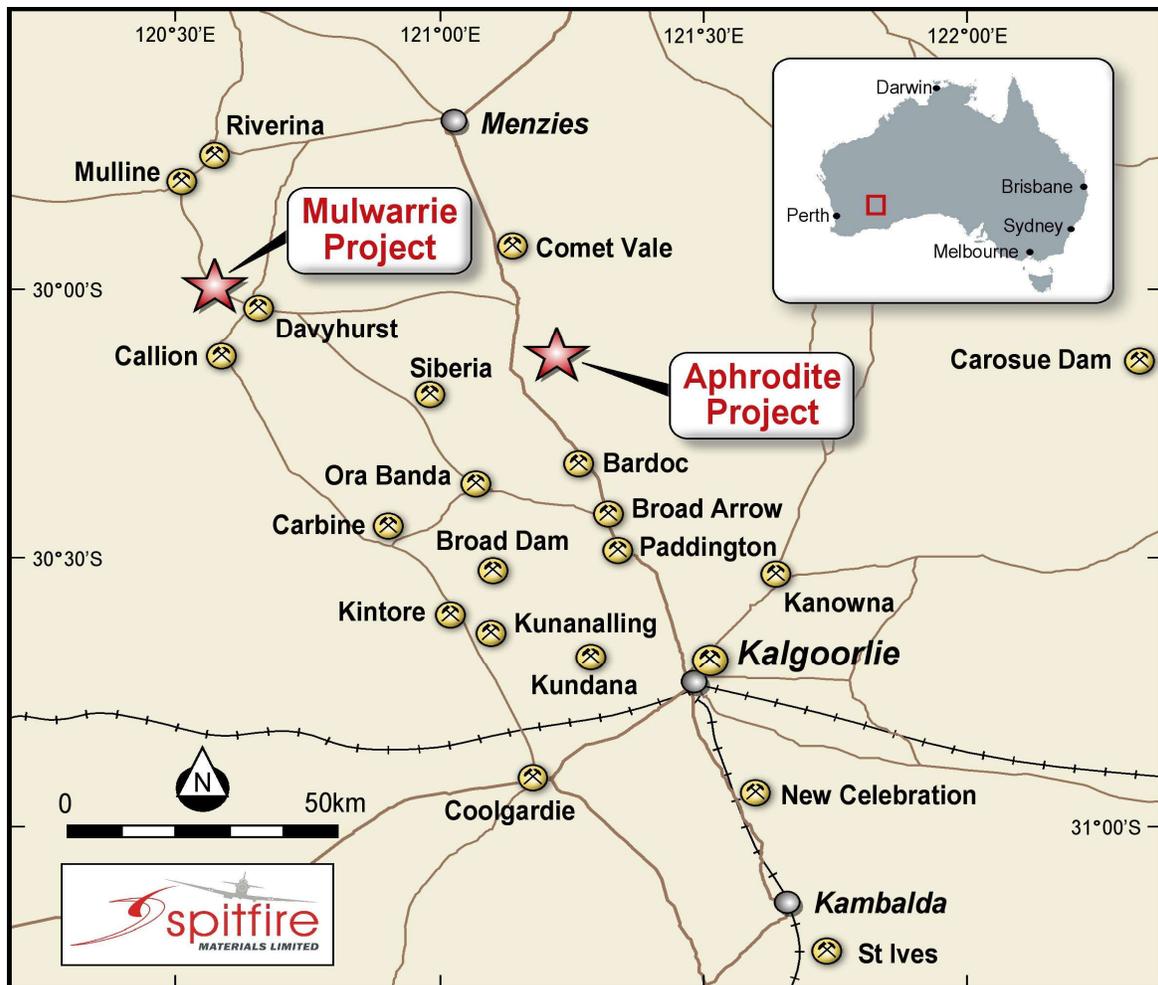
Kalgoorlie is the largest town in the region and a major mining centre with extensive infrastructure and other facilities servicing the mining industry. The sealed road from Kalgoorlie to Meekatharra passes within 5km of the Aphrodite Gold Project area. The distance by road from Kalgoorlie is about 80km.

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Kalgoorlie is the premier gold producing region of Australia with a long history of mining and discovery of substantial gold deposits.

Domain	Indicated			Inferred			Indicated + Inferred		
	Tonnes (t)	Gold (g/t)	Gold (oz)	Tonnes (t)	Gold (g/t)	Gold (oz)	Tonnes (t)	Gold (g/t)	Gold (oz)
OP (05.g/t cut-off)	6,213,875	2.06	411,002	3,956,171	1.47	187,199	10,170,045	1.83	598,201
UG (3.0g/t cut-off)	1,556,158	6.60	330,362	1,380,599	7.49	332,303	2,936,758	7.00	662,665
TOTAL	7,770,033	2.97	741,364	5,336,770	3.03	519,502	13,106,803	2.99	1,260,866

Refer: AQQ ASX Release dated 27 June 2017 – Feasibility Study Results.



#### Alice River Gold Project

The Alice River Gold Project is located 270km west of Cooktown, or 470km north-west of Cairns, in NE Queensland, at the southern end of the Savannah Province. Gold mineralisation occurs at several prospects along the Alice River Shear Zone, a 50-60km long north-west trending set of shear zones which offers outstanding potential for a world-class discovery

Currently Spitfire is undertaking Native Title clearance work and agreements to allow for on-ground exploration to begin in late August/September.

#### Mulwarrie Gold Project

The Mulwarrie Gold Project is located 150km north-west of Kalgoorlie in the Ularring District of the North Coolgardie Mineral Field. The project encompasses two contiguous tenements, M30/119 (67.98 Ha) and M30/145 (111.69 Ha), which lie 10km north-west of the Davyhurst Mining centre.

The Mulwarrie Gold Project is approximately 65km from the Aphrodite Gold Project.

Recent drilling by Spitfire returned highly encouraging results, intersecting significant primary gold mineralisation below and along strike from a historical gold mining area.

The drilling intersected thick zones of primary gold mineralisation both down-plunge and along strike from the historical Mulwarrie Central open pit (Refer: SPI ASX Release dated 3 July 2017 for full results):

- 17MWRC008 **30m @ 16.87 g/t Au** from 56m, including:  
**4m @ 118 g/t Au** from 73m
- 17MWRC010 **7m @ 19.96 g/t Au** from 53m; and  
**12m @ 2.65 g/t Au** from 65m
- 17MWRC012 **23m @ 3.7 g/t Au** from 70m, including:  
**4m @ 14 g/t Au** from 70m
- 17MWRC003 **2m @ 10.86g/t Au** from 31m
- 17MWRC014 **9m @ 4.13 g/t Au** from 137m including  
**1m @ 16.54 g/t Au** from 137m
- 17MWDD001 **23m @ 7.27 g/t Au** from 53m, including:  
**9.5m @ 16.26g/t Au** from 63m
- 17MWRC018 **4m @ 8.69 g/t Au** from 67m;
- 17MWRC019 **7m @ 22.66 g/t Au** from 97m including  
**1m @ 133 g/t Au** from 97m, and  
**5m @ 2.39 g/t Au** from 121m
- 17MWRC024 **4m @ 8.84 g/t Au** from 87m

For further information contact:

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#### **Aphrodite Gold Limited**

##### **INVESTORS:**

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### **COMPETENT PERSON'S STATEMENT – SPITFIRE PROJECTS**

*The information in this announcement relating to Exploration Targets, Exploration Results and Mineral Resources is based on information compiled by the Company's Managing Director, Mr John Young, a competent person, who is a Member of the Australian Institute of Mining and Metallurgy. Mr Young has sufficient experience relevant to the style of mineralisation and to the type of activity described to qualify as a competent person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves." Mr Young has disclosed to the Company that he is a substantial shareholder in the Company. Mr Young consents to the inclusion in this announcement of the matters based on his information in the form and content in which it appears.*

### **COMPETENT PERSON STATEMENT - APHRODITE**

*Information in this report which relates to the Mineral Resource estimation, together with any related assessments and interpretations, is based on information approved for release by Mr. E. Eshuys. Mr. Eshuys holds a B.Sc. University of Tasmania, is a Fellow of The Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation under consideration and to the activity which is being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". Mr. Eshuys consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.*

### **DISCLAIMERS AND FORWARD-LOOKING STATEMENTS**

The Transaction in this announcement remains subject to completion of due diligence by the parties and execution of a formal MIA by 25 August 2017 and accordingly at this point there can be no certainty that the Transaction will progress.

This announcement is for information purposes only and does not constitute a prospectus or prospectus equivalent document. It is not intended to and does not constitute, or form part of, an offer, invitation or the solicitation of an offer to purchase or otherwise acquire, subscribe for, sell or otherwise dispose of any securities, or the solicitation of any vote or approval in any jurisdiction, nor shall there be any offer, sale, issuance or transfer of securities in any jurisdiction in contravention of any applicable law.

This announcement contains forward looking statements. Forward looking statements are often, but not always, identified by the use of words such as "seek", "target", "anticipate", "forecast", "believe", "plan", "estimate", "expect" and "intend" and statements that an event or result "may", "will", "should", "could" or "might" occur or be achieved and other similar expressions.

The forward looking statements in this announcement are based on current expectations, estimates, forecasts and projections about Spitfire and Aphrodite and the industry in which they operate. They do, however, relate to future matters and are subject to various inherent risks and uncertainties. Actual events or results may differ materially from the events or results expressed or implied by any forward looking statements. The past performance of Spitfire and Aphrodite is no guarantee of future performance.

None of Spitfire, Aphrodite or any of their directors, officers, employees, agents or contractors makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law.

You are cautioned not to place undue reliance on any forward looking statement. The forward looking statements in this announcement reflect views held only as at the date of this announcement.