

4 MARCH 2020

NOTICES TO GAIN CONTROL OF THE AURA ENERGY BOARD OF DIRECTORS BY ASEAN DEEP VALUE FUND AND JOHN BENNETT

Aura Energy Limited (AEE; ASX, AURA; AIM) refers to its announcement on 24 February 2020 and advises shareholders of the background circumstances which appear to have led to its largest shareholder, ASEAN Deep Value Fund, and John Bennett seeking significant changes to the board of directors through the nomination of six new directors.

In February 2019, the Company initiated a fund-raising plan via a placement and a share purchase plan (SPP). The placement was only partially completed due to the failure of some subscribers to honour their subscription agreements, and as a result, Aura urgently sought additional funding in order to maintain the business in good standing. Aura subsequently executed a convertible note for \$2 million with the Lind Global Macro Fund, which was approved by shareholders. Aura's Management and Board were and are grateful to Lind for the speed of which they were able to execute the transaction and for offering funds on superior terms that were available at the time from other funding sources.

In the past 4-6 weeks ASEAN, which holds an approximate 18% shareholding in Aura, approached Aura with a proposal to replace the existing convertible note. The proposed terms were as follows:

- Convertible Note - A\$3-4 million
- Coupon/Interest rate - 15% p.a.
- Term - 24 months
- Conversion Price - 1-month VWAP at 24 months
- Aura to have a right to buyback the Convertible Note after:
 - 1 year for A\$6 million (100% of face value); or
 - 2 years for A\$9 million (200% of face value)
- Royalty - US\$1 per pound royalty on each pound of Tiris production, which based on the current mining plan would be equivalent to US\$17m over the current life-of-mine
- Majority board representation for ASEAN for arranging the convertible note when ASEAN's holding in Aura is only 18%.
- Finder's fee payable to ASEAN of 5% of the value of the replacement note raised, equivalent to 23 million AEE options at 0.7c

The Aura Board rejected the offer on these terms which it considered to be unacceptable and well in excess of terms for comparable transactions. In particular the US\$17 million royalty to be granted was disproportionate to the A\$3-4 million funding being provided from the convertible note. This royalty would force the overall cost of the ASEAN convertible note to be several orders of magnitude more expensive than the existing convertible note.

Additionally, ASEAN would not reveal the counterparties behind the funding to be provided for the proposed convertible note and the Board considered this to be vital information for a proper assessment of the offer. Accordingly, Aura did not believe the overall terms of the convertible note proposed by ASEAN were in the best interests of the Company or its shareholders. Negotiations on the note were then suspended.

Whilst the existing convertible note supplied critical funds for Aura at an important time for the Company the Aura Board has been open to replacing the existing convertible note but only on reasonable financial terms.

Additionally Aura notes other elements of ASEAN requests, anomalies from the notices and important implications of the proposed changes. These are:

- Prior to John Bennett's election ASEAN requested Aura appoint Mr Bennett to the board with immediate effect
- ASEAN also requested Aura discontinue legal proceedings against Mr Bennett for the alleged non-payment of subscription monies in the February 2019 placement. Aura's directors maintain they have a fiduciary duty to continue this action
- No details of the experience or qualifications of the three directors proposed by John Bennett, and limited information on the ASEAN nominees, have been provided to Aura
- Under AIM regulations there is potential for disruption to Aura's AIM listing with significant Board changes not approved by the AIM Nomad
- The existing convertible note also contains an event of default triggered by a change of more than 50% of the Company's directors. This event of default gives the holder the right to request repayment of all outstanding amounts, currently approximately \$2 million under the convertible note
- The potential appointment of 6 new directors to the Aura Board is not structurally, or financially, sustainable and as such its future shape and composition is very unclear
- The holders of the existing convertible have expressed concern that they have no knowledge regarding the proposed board members by John Bennett

Costs

Aura Energy's directors have always maintained a strong focus on keeping costs at as low a level as possible. On 13 November 2019, the Company announced a range of cost saving measures as outlined in its announcement. An unfortunate element to these cost reductions is that key technical staff, who have specialisations particular to Aura's projects, are currently not retained by Aura and this puts their future with Aura at risk. Also as part of these reductions the salary of the CEO was reduced to \$280,000 per annum from the end of October 2019 and that level remains ongoing.

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This announcement has been authorised for release by the Company's an authorised sub-committee of the board.