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ASX ANNOUNCEMENT
(ASX: AJR)

ARUNTA ENTERS TERMS SHEET TO ACQUIRE PROFITABLE HIGH SPEED INTERNET AND VOICE DATA SERVICE PROVIDER – SPIRIT TELECOM

Arunta Resources Limited [ASX: AJR] (**the Company** or **AJR**) is pleased to announce that it has entered into a binding terms sheet (**Terms Sheet**) to acquire 100% of the issued share capital of Spirit Telecom (Australia) Pty Ltd (**Spirit**).

TRANSACTION HIGHLIGHTS

- Acquisition of a fast growing profitable telecommunications business in a high growth industry
- Spirit is a provider of Ultra-Fast Internet into Multi-Dwelling Units (MDU's)
 - Providing internet speeds up to 200/200Mbps into residential buildings
 - Servicing approximately 150 buildings at present
 - Large corporate development pipeline
- Spirit has a robust network infrastructure and highly experienced, successful and long standing management
- Acquisition will allow Spirit to expand its sales & marketing activities, invest further in infrastructure and fulfil substantial growth

Additional Information

- 100% acquisition of Spirit Telecom - \$12.225 million purchase value
- Capital raising (Capital Raising) of approximately \$2.75 million at a deemed issue price of 2 cents (\$0.02) on a post 20:1 capital consolidation (unless otherwise agreed by the parties)
- Pro rata in-specie distribution of the shares of Davenport to existing AJR shareholders for nil cash consideration
- Re-compliance with Chapter 1 and 2 of ASX Listing Rules, including 20:1 capital consolidation
- Transaction subject to shareholder and regulatory approvals which AJR expects will be provided

AJR has assessed a number of opportunities in the past six months with a view to seeking to enhance shareholder value. The AJR Board believes the proposed transaction with Spirit is an excellent opportunity for the Company.

In respect of the transaction with Spirit **Angus Edgar, Director of AJR, commented:** "This transaction is a fabulous deal for the existing shareholders of AJR and Spirit alike. The AJR shareholders remain exposed to the Davenport assets whilst also having exposure to a very fast growing profitable telecommunications business. The Spirit shareholders will be able to fast track Spirit's business growth through an ASX listed company with access to the capital markets"

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Spirit Managing Director and co-founder **Geoff Neate said:** "I believe that this transaction will deliver a win/win for both the Spirit and AJR shareholders. I am truly excited about the opportunities that will now be opened up by this transaction. The transaction will allow Spirit to expand our sales & marketing activity, invest further in building infrastructure and to capitalise on the pipeline of growth. It will also be better positioned to acquire and integrate complementary businesses and product offerings."

ABOUT SPIRIT

Spirit is a modern telecommunications provider, utilising the infrastructure of key carriers and cloud service providers, to market ultra-fast Internet access and telephony services.

Spirit is an Australian private company which commenced operations in 2005 and has evolved to become one of the more exciting brands in the Telecommunications sector. Spirit has recognised the ever growing demand for better Internet services and has seized the opportunity to provide Ultra-Fast Internet, through the popular Spirit *Ufi* offering.

Spirit *Ufi* comfortably coexists with other NBN, ADSL and/or PSTN technologies residents may utilise.

Spirit provides one of Australia's fastest residential Internet, with speeds in selected buildings reaching 200/200Mbps. The symmetrical speed, where the upload is as fast as the download, provides not only a better user experience, when accessing the Internet, but also delivers the important integration with cloud services for the growth areas of productivity and entertainment. In addition to residential services, Spirit also provides Ultra-Fast Fibre based Internet to small business and corporates. Through the combined residential and commercial offerings, Spirit currently supplies Internet into approximately 150 Multi-Dwelling Units in Victoria, New South Wales and Queensland.

Spirits' recent history has seen it sell off divisions at the end of their life cycle, acquire new and EBITDA accretive companies to expand and diversify. Most recently the acquisition of 'My Telecom' has brought a solid customer base as well as new technical capabilities, utilising radio communications to transfer Ultra-Fast Internet, thereby extending fibre points of interconnect, improving gross margin, and enabling service reach across the suburbs to connect buildings.

Spirits' 'Anchor & Expand' in-building distribution strategy, in both commercial and residential markets, has seen it acquire on-net buildings at a fast rate with a positive ROI and subsequently exploiting the long term expansion opportunity, within those buildings.

Spirit's entire network has been designed and built with speed and reliability as the main priority.

Spirit offers an expanding suite of cloud based products to its commercial and consumer customer base.

Spirit's network peers with most major content providers such as Google, Microsoft, Yahoo, Apple, Amazon and Akamai to ensure super-fast direct access to vast volumes of on-demand applications and content.

Spirit has been recognised by BRW & Deloitte, as one of Australia's fastest growing companies.



Spirit Management Team

Geoff Neate

Mr Neate is founding Managing Director of Spirit and has enjoyed over 20 years in the telecommunications sector. Prior to Spirit, he championed the then Primus Telecom into a profitable entity, through his running of the consumer divisions 500+ staff and \$360M in revenues. Outside of telecommunications Mr Neate has worked for Lend Lease, NCR and RACV, where he launched and ran the successful RACV Home Security division.

Joe Tigel

Mr Tigel is founding General Manager – Product & Sales and, along with Mr Neate, a major shareholder of Spirit. He is responsible for customer acquisitions and channel development and has successfully demonstrated his significant experience in technical sales. Prior to Spirit Mr Tigel managed Wizard's Business development for Southern Region, developed SME portfolio with Westpac and held management positions with Lend lease and National Mutual.

Alan Dib

Mr Dib is Spirit's Chief Technology Officer and came to Spirit via the acquisition of Voxcom in 2012. His understanding of future technology and business trends has enabled him to start, grow and successfully exit multiple technology start-ups. His first business was a pioneer in the IT space and one of Australia's first true IT managed service providers. He exited this business in 2008 and started Voxcom. In 2011 Voxcom was named by BRW magazine as one of Australia's fastest growing companies and in 2012 was acquired by Spirit Telecom. Mr Dib now heads product development and core network operations at Spirit, continuing to build the Spirit network and suite of services.

TRANSACTION OVERVIEW

The Transaction will proceed on the basis of a valuation of the Company of \$1.826 million and a valuation of Spirit of \$12.225 million.

The acquisition of Spirit will, among other things, be conditional upon: each party completing due diligence investigations; shareholder, regulatory and third-party approvals; the execution of formal documentation with the Spirit shareholders (as vendors); completion of the Capital Raising ; and ASX conditionally confirming that it will re-instate the Company to quotation following completion of the transaction.

A number of major shareholders of Spirit (who in aggregate hold approximately 73% of the issued share capital of Spirit) have executed the Terms Sheet to confirm their support for, and commitment to, the proposed transaction.

As part of its due diligence, and as a condition of the transaction, Spirit will seek advice (to its satisfaction) regarding the taxation implications of the transaction and AJR will seek confirmation (to its satisfaction) that Spirit has all necessary approvals or exemptions required to enable it to continue to operate its retail services business.

Upon completion of the transaction Spirit shall be entitled to appoint 3 suitably qualified directors to the AJR Board. It is intended that all existing members of the AJR Board will resign on completion of the transaction other than Angus Edgar. Further details regarding the qualifications of the proposed directors will be set out in a forthcoming notice of meeting.

As part of the transaction AJR intends to complete a consolidation of its issued share capital on a 20:1 basis and thereafter conduct a capital raising by way of a placement of ordinary AJR shares to

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raise not less than \$2.75 million at an issue price of \$0.02 per share. Assuming a 20:1 consolidation, the consideration payable to the Spirit vendors would be satisfied through the issue of:

- 611,250,000 post-consolidation AJR shares; and
- 197,594,357 post-consolidation AJRO options.

The indicative post-transaction capital stature of AJR, assuming the transaction proceeds on the above basis, is set out on page 5 of this announcement.

Funds raised through the Capital Raising (after costs) are intended to be applied in part to reduce secured borrowings of Spirit and otherwise as working capital for the development of the Spirit business.

The consolidation ratio and capital raising proposal are subject to AJR obtaining appropriate waivers and shareholder approvals and consultation with ASX. The consideration payable to the Spirit vendors, and the issue price and the number of shares to be issued under the Capital Raising will be adjusted in the event that the consolidation ratio is revised by the ASX.

The transaction is also conditional upon AJR divesting itself of its wholly owned subsidiary Davenport Resources Limited (**Davenport**) which holds the Company's Hatches Creek Tungsten project and Southern Cross Bore (SXB) gold/copper Project, both located in Northern Territory, Australia (**Davenport Spin Out**). Subject to shareholder and regulatory approval, AJR intends to implement the **Davenport Spin Out via a pro-rata in-specie distribution of the shares of Davenport to its shareholders at a record date to be determined in consultation with ASX**. AJR and Spirit have agreed that, other than as set out below, all cash, receivables and other liquid assets of AJR will be transferred to Davenport as part of the Davenport Spin Out. An amount equal to the anticipated costs of legal and other advisors and experts engaged by AJR in connection with implementation the Spirit transaction will be retained in AJR together with an additional sum of \$50,000.

Completion of the acquisition of Spirit is conditional upon there being no breach of agreed financial warranties given by Spirit and there otherwise being no event or circumstance which has a material adverse effect on AJR or Spirit prior to completion.

RE-COMPLIANCE WITH CHAPTERS 1 & 2 OF ASX LISTING RULES

The Company anticipates that the transaction with Spirit will constitute a significant change in the nature and scale of the Company's activities which will require the Company to re-comply with the requirements of Chapters 1 and 2 of the ASX Listing Rules. The Company therefore intends to seek approval for the transaction from shareholders under ASX Listing Rule 11.1.2. The Company will, however, consult with ASX regarding the structure of the proposed transaction.

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ANTICIPATED TIMELINE

The Terms Sheet contemplates that the transaction will proceed in accordance with the following indicative timeline, however the parties have agreed to act reasonably to extend the dates below to accommodate delays experienced in the course of implementation of the transaction.

| Event | Indicative Date for Satisfaction |
|--|----------------------------------|
| Completion of due diligence. | 20 July 2015 |
| Execution of formal sale contracts with Spirit shareholders. | 27 July 2015 |
| AJR and Spirit obtaining all necessary shareholder, regulatory and third-party consents. | 30 September 2015 |
| ASX conditionally confirming that it will re-instate the Company to quotation following completion of transaction. | No later than 22 December 2015 |
| Completion of the capital raising and completion of acquisition of Spirit. | No later than 22 December 2015 |

EFFECT ON THE COMPANY

Set out below is a summary of the approximate impact that the transaction will have on the issued capital, assets and liabilities of AJR. The indicative capital structure and pro-forma statement of financial position each assume the transaction proceeds on the basis of a 20:1 consolidation and a capital raising of \$2.7 million at an issue price per share of \$0.02. As noted earlier in this announcement, the consolidation ratio and capital raising proposal are subject to consultation with ASX.

INDICATIVE CAPITAL STRUCTURE

| SHARES | |
|-----------------------------|---------------------------|
| Existing | 91,347,801 (10.87%) |
| Spirit Vendor Consideration | 611,250,000 (72.76%) |
| Capital Raising | 137,500,000 (16.37%) |
| TOTAL: | 840,097,801 (100%) |

| AJRO LISTED OPTIONS | |
|-----------------------------|--------------------|
| Existing | 29,529,342 |
| Spirit Vendor Consideration | 197,594,357 |
| TOTAL: | 227,123,699 |

Notes:

- All shares and options are presented in the tables above on a post-consolidation basis.
- Following a 20:1 consolidation the exercise price of the Company's existing listed AJRO options will be adjusted to \$0.04 per AJRO option.
- AJR would also have 750,000 unlisted post-consolidation options exercisable at \$0.60 on issue at completion of the transaction.

There will be a material effect on the company's total assets and total equity interests. Information about the likely effects of the transaction on the Company's total assets and total equity interests will be set out and provided to shareholders in connection with seeking shareholder approval for the transaction.

FURTHER UPDATES

The Company will update shareholders as the transaction progresses.

ENDS

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