

ASX RELEASE

Wednesday 31 January 2018

QUARTERLY REPORT AND APPENDIX 5B FOR THE QUARTER ENDED 31 DECEMBER 2017

A-Cap Resources Limited (“A-Cap” or “the Company”) (ASX: ACB) is pleased to provide its Quarterly Activities Report for the quarter ended 31 December 2017.

HIGHLIGHTS

- ▲ Staged project optimisation work progressing;
- ▲ Second phase of acid soluble uranium test work completed;
- ▲ XRF and QEMscan mineralogy completed;
- ▲ In-house implementation of mine scheduling and optimisations;
- ▲ Coal prospecting licence extensions approved in October;
- ▲ Unlisted options expired 31 October 2017;
- ▲ AGM held on 28 November 2017, all resolutions were passed.

QUARTERLY ACTIVITIES

A-Cap has continued with its project optimisation and acid consumption studies for the Letlhakane Uranium Project (the Project) during the quarter. This body of work is aimed at de-risking the project by refining and optimising the metallurgical process, including evaluating ways to improve recovered uranium grade and reducing acid consumption.

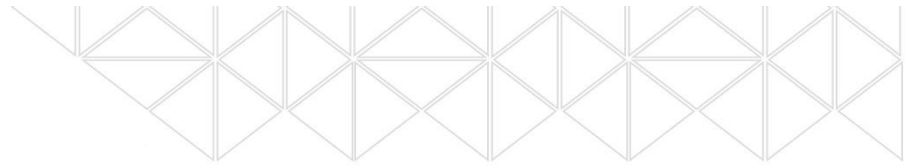
Acid soluble testwork (ASU) which was completed in the June 2017 quarter was followed up with an additional 100 samples being sent to ANSTO labs to expand the sample population of the study. The ASU results showed spatial and mineralogical relationships with higher acid consumption, with the Kraken and Gorgon South areas exhibiting an average increase in acid consumption with depth. RapidMiner data analysis software has been successfully implemented internally and utilised to cluster against an XRF sample database to predict acid consumption based on geochemical signatures. This analytical work using predictive modelling is ongoing, allowing for the assessment of the effects of potential changes in acid consumption spatially.

Results from multi-element XRF analysis undertaken on 834 samples at SGS labs in South Africa were received in November. These results will be used in quantifying acid consumption within the prospect. Mineralogy using QEMscan was also completed on samples representing cluster types with high acid consuming properties, with a final report expected in January 2018.

During the quarter, A-Cap commenced the implementation process of Micromine optimisation software and scheduler. Having the capability to run optimisations internally will allow for the complex nature of the Project to be examined in more detail and more frequently whilst saving in external consulting fees.

With regards to the Company’s provisional surface rights, an asset survey was conducted within the lease area by the Botswana Department of Lands. A consultative meeting was convened with the community Kgotla in November.

During the quarter, The Botswana Minister of Mineral Resources, Green Technology and Energy Security approved the extension of the Company’s Foley Coal Project and Mea Coal Project prospecting licences. A 2-year extension has been granted commencing from 1 October 2017 to 30 September 2019.



LETLHAKANE URANIUM PROJECT

The Letlhakane Uranium Project is one of the world's largest undeveloped Uranium Deposits. The Project lies adjacent to Botswana's main North-South infrastructure corridor that includes a sealed all-weather highway, railway line and the national power grid, all of which make significant contributions to keeping the capital cost of future developments low. The project has the distinct advantage of having all the major infrastructure in place and is one of the few major undeveloped uranium projects in the world in a safe and stable jurisdiction. The strategy is to prepare the project for early development to enable the Company to fully capitalise on an expected recovery in the uranium price.

Mining Licence

- ▲ On 12 September 2016 A-Cap was granted a Mining Licence designated ML 2016/16L by the Ministry of Minerals, Energy and Water Resources over a portion of PL 45/2004 (Letlhakane). The Mining Licence is valid for a period of 22 years.
- ▲ The mining licence was granted on the basis of the results of an Environmental Impact Statement and technical study based on shallow open pit mining and heap leach processing to produce up to 3.75 million pounds of uranium per annum over a mine life of 18 years, incorporating the most up to date metallurgical results and process route, optimised mineral resources, mining, capital and operating costs developed by our feasibility specialists in Australia and internationally. The outcomes of the technical study were released to the market, refer ASX release 11th September 2015 "*Mining Licence Application Submitted & Technical Study Outcomes*".
- ▲ Pursuant to Section 43 of the Botswana Mines and Minerals Act, 1999, a letter was submitted to the DoM on 10 July 2017 to advise that the pre-construction and construction period would be delayed by at least two years. The delay is attributed to the slower than previously forecasted recovery in the price of uranium, couple with staged project optimisation work currently being undertaken by the Company to improve recovered uranium grade and reduce U₃O₈ costs (focussing on acid supply and acid consumption). The Company received correspondence from The Botswana Minister of Mineral Resources, Green Technology and Energy Security on 20 September 2017 formally advising the Company that the amendment to the programme of works for Mining Licence 2016/16L was approved.

Resources

- ▲ A-Cap's JORC Mineral Resource at Letlhakane was completed by independent experts Optiro Pty Ltd. The resource (announced 2 October 2015) uses a recoverable resource methodology which takes into account the proposed Standard Mining Unit (SMU) of 20m x 4m x 0.25m. The SMU is defined by the proposed mining method utilising surface miners and the proposed grade control system using in-pit surface gamma radiation measurements.
- ▲ Localised Uniform Conditioning (LUC) best reflects the mining methodology envisaged, reflecting the surface miner's selective mining capability combined with the proposed grade control methodology. The accurate mining characteristics of surface miners and the ability to measure the gamma radiation on the surface during mining will ensure the optimum grade delivery to the process heap. The SMU forms the basis for the LUC estimation. Historic resource estimations were more reflective of conventional open pit mining and therefore had averaged resource data into blocks of bigger mining panels which smoothed or averaged the grade data.

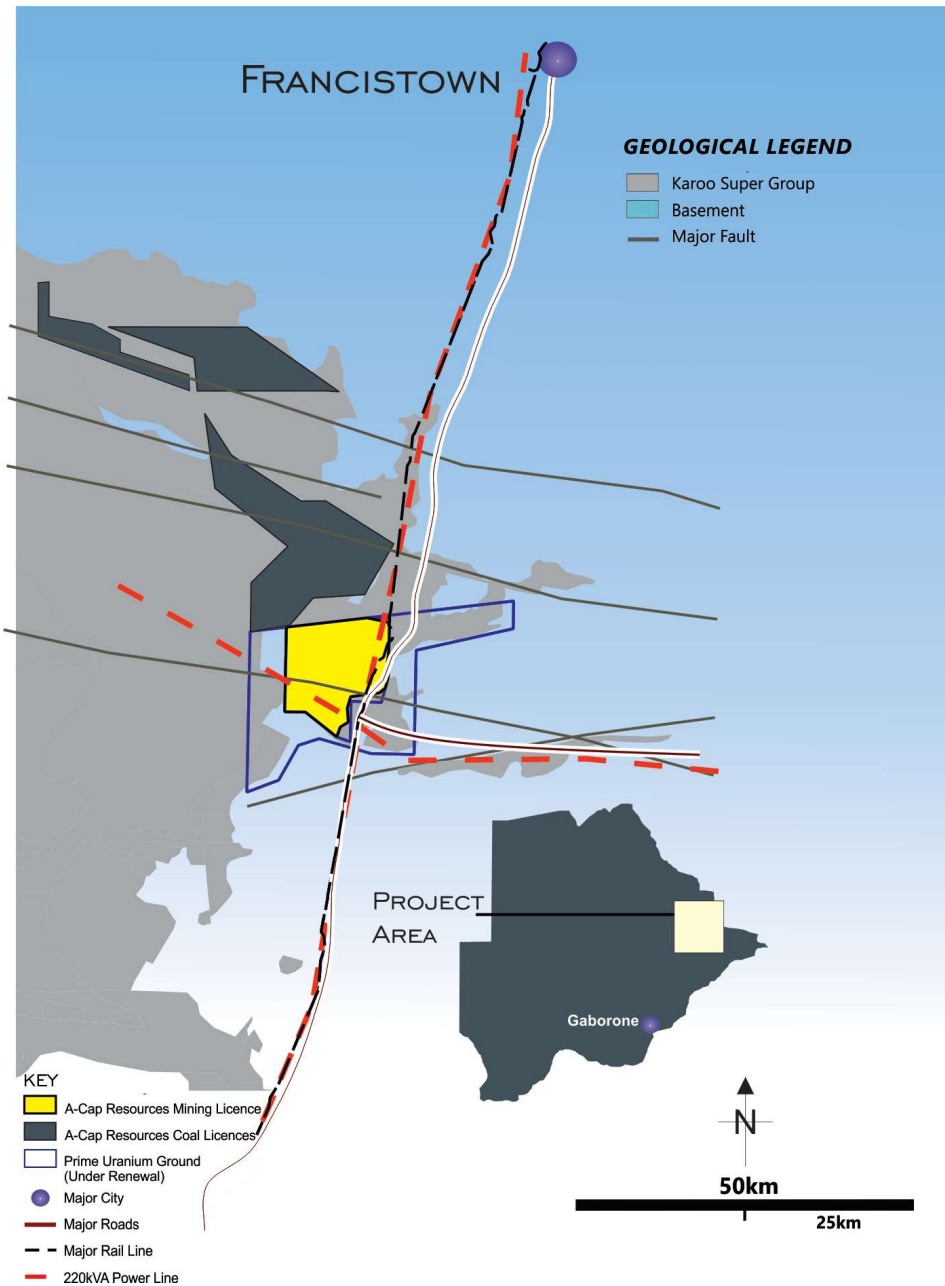
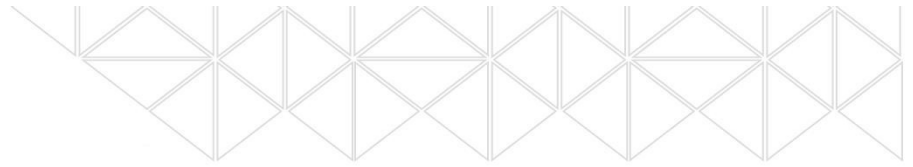


Figure 1: Map of A-Cap's Letlhakane Uranium Project

▲ Uniform conditioning (UC) and LUC is used for assessing recoverable resources inside a mining panel when the drill spacing does not provide sufficient coverage for direct grade estimation at the SMU scale. UC provides the proportion of SMUs inside a panel that are above cut-off and its corresponding average grade. LUC takes the UC result and spatially corrects the blocks making it more suited to extraction and optimisation studies.



The global resource estimate is as follows:



Cut-off (U ₃ O ₈ ppm)	Total Indicated			Total Inferred			Global Total		
	Mt	U ₃ O ₈ (ppm)	Contained U ₃ O ₈ (Mlbs)	Mt	U ₃ O ₈ (ppm)	Contained U ₃ O ₈ (Mlbs)	Mt	U ₃ O ₈ (ppm)	Contained U ₃ O ₈ (Mlbs)
100	197.1	197	85.5	625	203	280.1	822.1	202	365.7
200	59.2	323	42.2	209.7	321	148.2	268.9	321	190.4
300	22.2	463	22.7	81.6	446	80.3	103.8	450	102.9

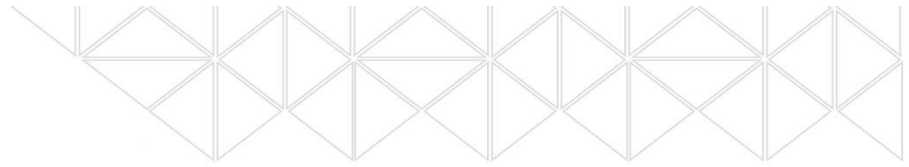
Table 2 - 2015 Mineral resource estimates for ALL DEPOSITS at various U₃O₈ cut-offs

At a 200 ppm U₃O₈ cut-off the resource by prospect is:

2015 Mineral resource estimate for the Gojwane and Serule deposits - 200 ppm U ₃ O ₈ cut off (LUC)											
Ore Type	Deposit	Prospect	Indicated			Inferred			Total		
			Mt	U ₃ O ₈ ppm	U ₃ O ₈ Mlbs	Mt	U ₃ O ₈ ppm	U ₃ O ₈ Mlbs	Mt	U ₃ O ₈ ppm	U ₃ O ₈ Mlbs
Secondary	Gojwane	Gorgon Main/West									
		Mokobaesi	2.0	371	1.6				2.0	371	1.6
		Kraken	0.1	261	0.0	0.0	202	0.0	0.1	261	0.0
	Total Secondary		2.1	367	1.7	0.0	202	0.0	2.1	367	1.7
Oxide	Gojwane	Gorgon Main/West	6.1	313	4.2	9.3	280	5.7	15.4	293	10.0
		Mokobaesi	3.4	365	2.7				3.4	365	2.7
		Kraken	3.9	310	2.6	0.7	280	0.4	4.5	306	3.1
		Gorgon South	4.4	323	3.1	2.6	292	1.6	7.0	312	4.8
	Serule	Serule East				0.5	246	0.3	0.5	246	0.3
		Serule West	0.4	302	0.2	11.7	322	8.3	12.1	322	8.6
Total Oxide		18.1	324	13.0	24.8	301	16.4	42.9	311	29.4	
Primary	Gojwane	Gorgon Main/West	15.4	280	9.5	98.2	313	67.7	113.5	309	77.2
		Mokobaesi	0.5	359	0.4	0.3	330	0.2	0.8	347	0.6
		Kraken	7.7	350	5.9	1.0	349	0.8	8.7	349	6.7
		Gorgon South	12.1	337	9.0	22.8	309	15.5	34.9	319	24.5
	Serule	Serule East				0.4	259	0.2	0.4	259	0.2
		Serule West	3.3	376	2.8	62.4	345	47.4	65.7	346	50.2
	Total Primary		39.0	321	27.5	185.0	323	131.8	223.9	323	159.4
Total		59.2	323	42.2	209.7	321	148.2	268.9	321	190.4	

Table 3 – 2015 LUC resource estimate at 200ppm cut-off.

-  A drill spacing study comparison completed by Perth-based resource specialists Optiro on the Kraken deposit confirmed that at a starting drill spacing of 200m by 200m, the change of contained metal is within +/-10% when drilled down to 100m by 50m drill spacing. The current criteria for inferred resources is nominally greater than 100m by 100m drill spacing. A-Cap has confidence that the deposit will retain its mineralisation continuity when it is further drilled out.
-  As part of the Company's Project optimisation activities, the mine scheduling and optimisation work going forward will be undertaken internally, which will allow for considerable savings in external resource modelling and optimisation costs going forward. Furthermore, in-house optimisation and scheduling capabilities will allow the complex nature of the Project to be examined in more detail and continuously. The data from the acid consumptions studies can be quantified in the optimisation and scheduling for Project economics. An independent consultant has been engaged to assist the Company with recreating the Cube schedule and implementation into Micromine. The in-house implementation and training is expected to be completed next quarter.



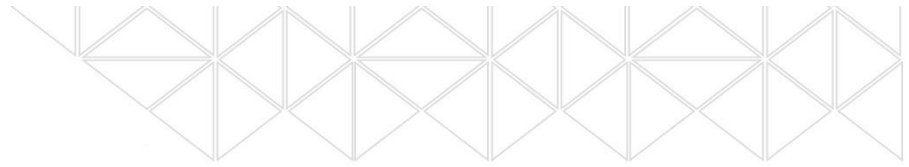
Metallurgy and Process Design

- ▲ The Process Design is based on a 2-stage acid heap leach route for all the primary, oxide and lower mudstone secondary ores with a modified solvent extraction system being the principal uranium recovery method. The process design and uranium recovery has some novel and innovative steps and two patents have been lodged and both patent applications are pending. This is an important step in protecting some of the advances the metallurgical study team have made in the uranium recovery process design on the project.
- ▲ Once the Project has been de-risked and feasibility work recommences, a proposed pilot plant test programme will commence. A Scope of Work has been completed.

Acid Consumption Studies

- ▲ As reported last quarter, an additional 100 samples were sent to ANSTO laboratories at Lucas Heights, NSW in August for acid soluble uranium (ASU) analysis. This follows the initial 296 samples that were sent and analysed in May. The test design was aimed at addressing possible correlations with acid consumption and hence the samples were carefully selected to represent lithological, spatial and mineralogical parameters. The samples utilised are all sample pulps from XRF analysis from previous drill programmes. Chemical assays were returned for the head assay, the Pregnant Liquor Solutions (PLS) and the residue.
- ▲ The ASU results showed spatial and mineralogical relationships with higher acid consumption. Three of the prospects were covered with the analysis: Gorgon South, Kraken and Serule West. At Serule West, around the pit areas, the two basal mineralised lenses indicates an average almost twice the acid consumption of the upper lens. Both Kraken and Gorgon South exhibited an average increase of acid consumption with depth. This relative difference in acid consumption from the pulps could change the optimisation parameters, as the higher lens may become more economic relative to the basal units.
- ▲ The samples were also arranged by similar geochemical signatures or clusters, with some clusters correlating with higher acid consumption. The geochemical clusters were identified initially by the head assay geochemistry, further refined by PLS cluster analysis. The cluster definitions were then used against an XRF sample database to predict the acid consumption based on the type of geochemical signature. This was completed utilising data analytic software (RapidMiner) where predictive models were set up using the ASU head assay data with random sample sets used to measure percentage accuracy.
- ▲ Sample results were also received from SGS laboratories (South Africa). 834 samples were sent for multi-element XRF analysis and will be used in the quantification of acid consumption within the prospect. The predictive model will group the geochemical signatures from the results and attribute a predicted acid consumption based on the learning from the ASU samples. This will be completed using several different predictive methods and the results used to infer potential savings in acid.
- ▲ During the quarter, mineralogy using QEMscan was completed on samples which represent the cluster types with high acid consuming properties. QEMscan is a technique that will define the mineralogical assemblage. The final report is expected in January 2018. The identification of the specific minerals associated with high acid consumption and the lithological and spatial mineralogical alterations will allow an assessment of the economic considerations associated with reducing the Project's overall acid consumption. This could be achieved by eliminating the higher acid consumers from the mining process.

The work programmes being carried out as part of the acid consumption studies will assist the Company to better refine and optimise the metallurgical process, aiming to reduce the overall acid consumption from mineralogy, which would ultimately reduce operating costs. Further work is ongoing with the predictive model software to assess the effects of the potential change in acid consumption spatially.



Environmental Impact Statement (EIS)

- △ The Environmental Impact Statement (EIS) for the Letlhakane Uranium Project has been approved by the Botswana Department of Environment Affairs (DEA) in accordance with Section 12 (1a) of the Botswana Environmental Assessment Act, No.10, of 2011. The DEA formally approved the EIS on 13 May 2016 following a four-week public review process pursuant to the Environmental Act 2011.
- △ A-Cap first commenced work on the environmental study in January 2009, finalising and submitting the report in April 2015. The study identified the overall environmental and social impacts associated with developing a uranium mine in Botswana. The EIS process and documentation was prepared by independent experts SLR Consulting (Africa) (Pty) Ltd (SLR), in conjunction with Botswana-based consulting firm Ecosurv (Pty) Ltd. SLR and Ecosurv completed a professional study process comprising of a screening phase, scoping phase and a detailed impact assessment / environmental management phase, conforming with best practice and IFC guidelines.

Surface Rights and Community Engagement

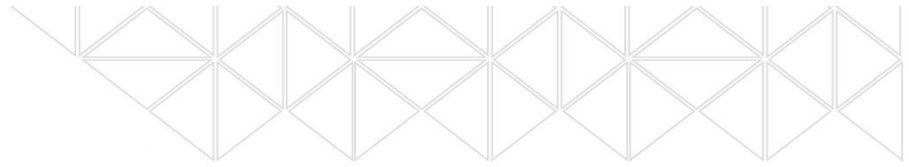
- △ Provisional surface rights were granted on 6 June 2016 over the 144sqkm area covering the Letlhakane Uranium Project.
- △ Following the completion of a review of the asset surveys undertaken by the Department of Lands, a consultative meeting at the community Kgotla was convened in November to inform the community about the Project's progress and the proposed timeline to construction.

COAL PROJECTS

- △ A-Cap's Coal projects consists of the Foley Coal Project (which comprises two PL's Foley PL125/2009 and Bolau PL138/2005) and the Mea Coal Project (PL134/2005). The Company is currently considering options to release value and monetise the coal tenement assets through joint venture participation, corporate re-organisation and assets sale.
- △ During the quarter, The Botswana Minister of Mineral Resources, Green Technology and Energy Security approved the extension of the Company's Foley Coal Project and Mea Coal Project prospecting licences. A 2-year extension has been granted commencing from 1 October 2017 to 30 September 2019.

BASE METALS

- △ The base metal tenements overlay the inferred extents of the Kaapvaal Craton. The Kaapvaal Craton in South Africa is host to a number of platinum and PGEs, iron ore and manganese mines. Whilst ensuring A-Cap continues to meet our commitments in preserving these prospecting licences, A-Cap is currently considering options to release value and monetise these base metals tenements through joint venture participation and corporate re-organisation.
- △ A-Cap has submitted applications for renewal and extension for our base metal tenements, which are currently being assessed by the Department of Mines.



SCHEDULE OF INTEREST IN MINING TENEMENTS

Tenement	Location	Percentage Holding	Title Holder
Letlhakane ML 2016/16L	Botswana	100	A-Cap Resources Botswana (Pty) Ltd
Letlhakane PL 45/2004	Botswana	100	A-Cap Resources Botswana (Pty) Ltd
Mea PL 134/2005	Botswana	100	A-Cap Resources Botswana (Pty) Ltd
Bolau PL 138/2005	Botswana	100	A-Cap Resources Botswana (Pty) Ltd
Foley PL 125/2009	Botswana	100	A-Cap Resources Botswana (Pty) Ltd
Hukuntsi 002/2014	Botswana	100	A-Cap Resources Botswana (Pty) Ltd
Hukuntsi 003/2014	Botswana	100	A-Cap Resources Botswana (Pty) Ltd
Hukuntsi 004/2014	Botswana	100	A-Cap Resources Botswana (Pty) Ltd
Werda 005/2014	Botswana	100	A-Cap Resources Botswana (Pty) Ltd
Kokong 006/2014	Botswana	100	A-Cap Resources Botswana (Pty) Ltd
Kokong 007/2014	Botswana	100	A-Cap Resources Botswana (Pty) Ltd
Kokong 008/2014	Botswana	100	A-Cap Resources Botswana (Pty) Ltd
Jwaneng 012/2014	Botswana	100	A-Cap Resources Botswana (Pty) Ltd
Jwaneng 013/2014	Botswana	100	A-Cap Resources Botswana (Pty) Ltd

CORPORATE

During the quarter ended December 2017:

- ▲ On 31 October 2017, 5.7M unlisted options expired unexercised;
- ▲ The Company's Annual General Meeting was held on 28 November 2017 at the Offices of Ashurst, Brisbane. All resolutions were passed by a show of hands.
- ▲ The Group's consolidated cash position at the end of the quarter was \$2.5M.



Paul Thomson
CHIEF EXECUTIVE OFFICER

Competent person's statement

Information in this report relating to Mineral Resources is based on information compiled by Mr Ian Glacken, the Principal Consultant of Optiro Pty Ltd and a Fellow of the AusIMM. Mr Glacken has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person under the 2012 Edition of the Australasian Code for reporting of Exploration Results Mineral Resources and Ore Reserves. Mr Glacken consents to the inclusion of the data in the form and context in which it appears.

Information in this report relating to Uranium Exploration results, is based on information compiled by Mr Ashley Jones a full-time employee of A-Cap Resources Limited and a member of AusIMM. Mr Jones has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person under the 2012 Edition of the Australasian Code for reporting of Exploration Results Mineral Resources and Ore Reserves. Mr Jones consents to the inclusion of the data in the form and context in which it appears.

Ends

For Further information contact:
Paul Thomson, A-Cap Resources

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Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

A-CAP RESOURCES LIMITED

ABN

28 104 028 542

Quarter ended ("current quarter")

31 DECEMBER 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(292)	(662)
(b) development	-	-
(c) production	-	-
(d) staff costs	(116)	(260)
(e) administration and corporate costs	(260)	(687)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	18
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	157
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(667)	(1,434)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(5)	(5)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(5)	(5)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,141	3,934
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(672)	(1,439)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	25	(1)
4.6	Cash and cash equivalents at end of period	2,494	2,494

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	2,494	3,141
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (Term deposit)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,494	3,141

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	153
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Director fees and consulting fees paid to related entities.

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	(404)
9.2 Development	-
9.3 Production	-
9.4 Staff costs	(116)
9.5 Administration and corporate costs	(386)
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	(906)

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	NA			
10.2 Interests in mining tenements and petroleum tenements acquired or increased	NA			

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: 
(Company secretary)

Date: 31 January 2018

Print name: Nicholas Yeak

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.