

A consolidated activities report setting out the proposed business strategy for the Entity (including an update on the status of the Entity's assets and the current activities with respect thereto).

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## 1. COMPANY AND PROJECT OVERVIEW

### 1.1 The Company

The Company's current activities involve resource exploration. The Company continues to hold an interest in the Retained Assets, being the Princhester Magnesite Project and Bushranger Copper Project (**Projects**).

### 1.2 Princhester Magnesite Project, Queensland

The Princhester Magnesite Project is located 85km north west of Rockhampton, Queensland and comprises two granted Mining Leases (**ML**), ML5831 and ML5832. The ML's are close to the Bruce Highway and are within 2 kilometres of the main north coast railway line.

#### ***Geological Setting***

The Princhester Magnesite Project is located in the northern New England Orogen, and within the Marlborough Province.

The New England Orogen is a significant mineral province in eastern Australia, extending from Port Macquarie, New South Wales, in the south to north of Mackay, Queensland. The New England Orogen mineralisation includes significant gold mineralisation (Mount Morgan, Gympie) and various mineral deposit styles including mesothermal and epithermal gold, VMS, epithermal silver and lateritic nickel. The New England Orogen also contains economically important commodities including tin, sapphires, diamonds, molybdenum, tungsten, magnesite, cobalt and antimony.

The Marlborough province is bounded to the west by the major Yarrol Fault System, which is marked by serpentinite lenses. In the Marlborough area, these ultramafic rocks form an extensive flat-lying thrust sheet of early Paleozoic ocean floor and upper mantle (harzburgite) material. The terrain within the Princhester Magnesite Project consists of steeply dissected ridges where the serpentinite and associated rocks are deeply weathered and overlain in part by laterite. The harzburgite and serpentinite bodies are elongate north west – south east striking and are concordant with the strike of the enclosing rocks. The harzburgites have mostly been serpentinised and these, as well as the separately emplaced serpentinites have largely been weathered. The magnesite mineralisation is a mixture of magnesite, quartz and magnesia silicates which are associated with serpentinite.

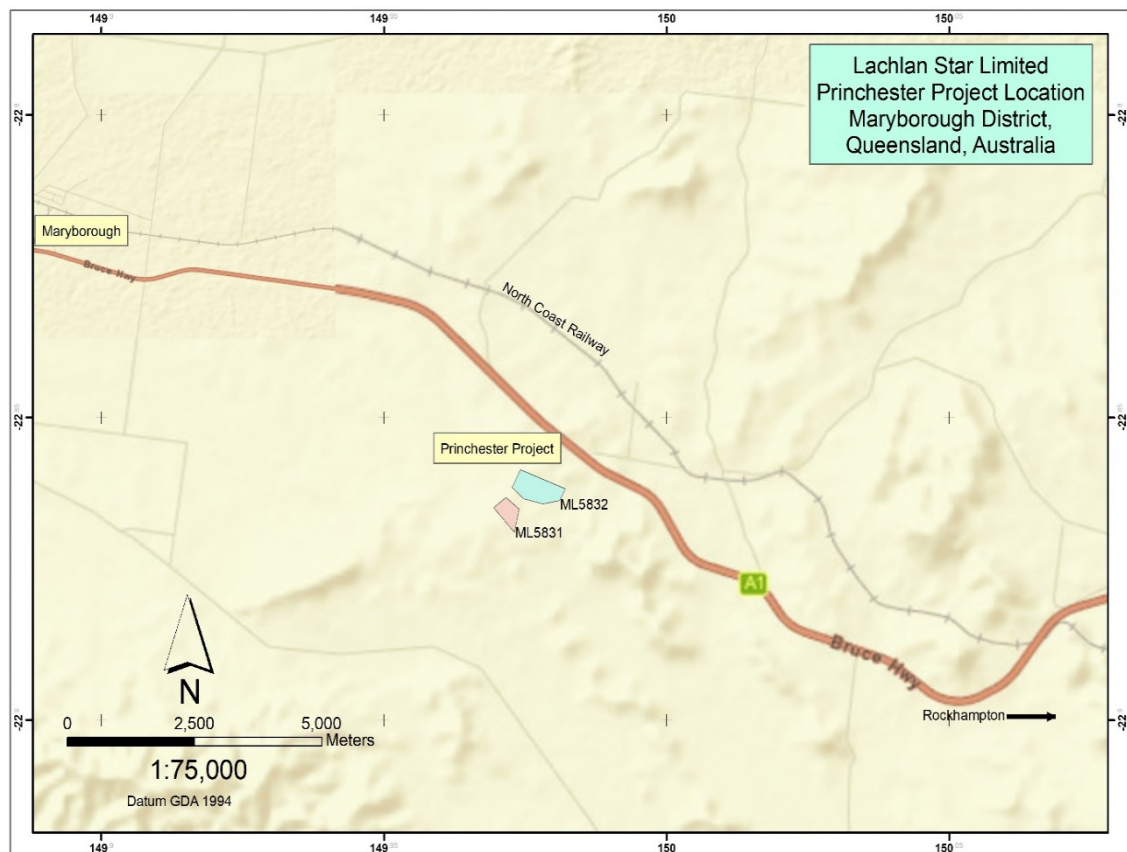
#### ***Magnesite***

Magnesite ( $MgCO_3$ ) is an ore for magnesium production and the source of a range of industrial minerals.

There are two main uses for magnesite. The first is as feedstock in the production of dead-burned magnesia and for refractory brick use in lining furnaces in the steel industry and non-ferrous metal processing units and cement kilns. The second use is for processing to caustic calcined magnesia which is used principally as a food supplement in agribusiness and in fertilisers as well for fillers in paints, paper and plastics. Raw magnesite is used for surface coatings, landscaping, ceramics and as a fire retardant.

## ***Project location***





### 1.2.1 Exploration History

The Princhester Magnesite Project originally consisted of 13 MLs transferred from local prospectors to an exploration company in 1980. In 1986 another company acquired the MLs holding them up until 2005 when the transfer to the Company was completed.

It is noted that limited contract mining was carried out at Princhester for a royalty return during the 1980s and 1990s with an unknown quantity of material removed. The product was used in its crude raw state for agricultural purposes including sugar farming.

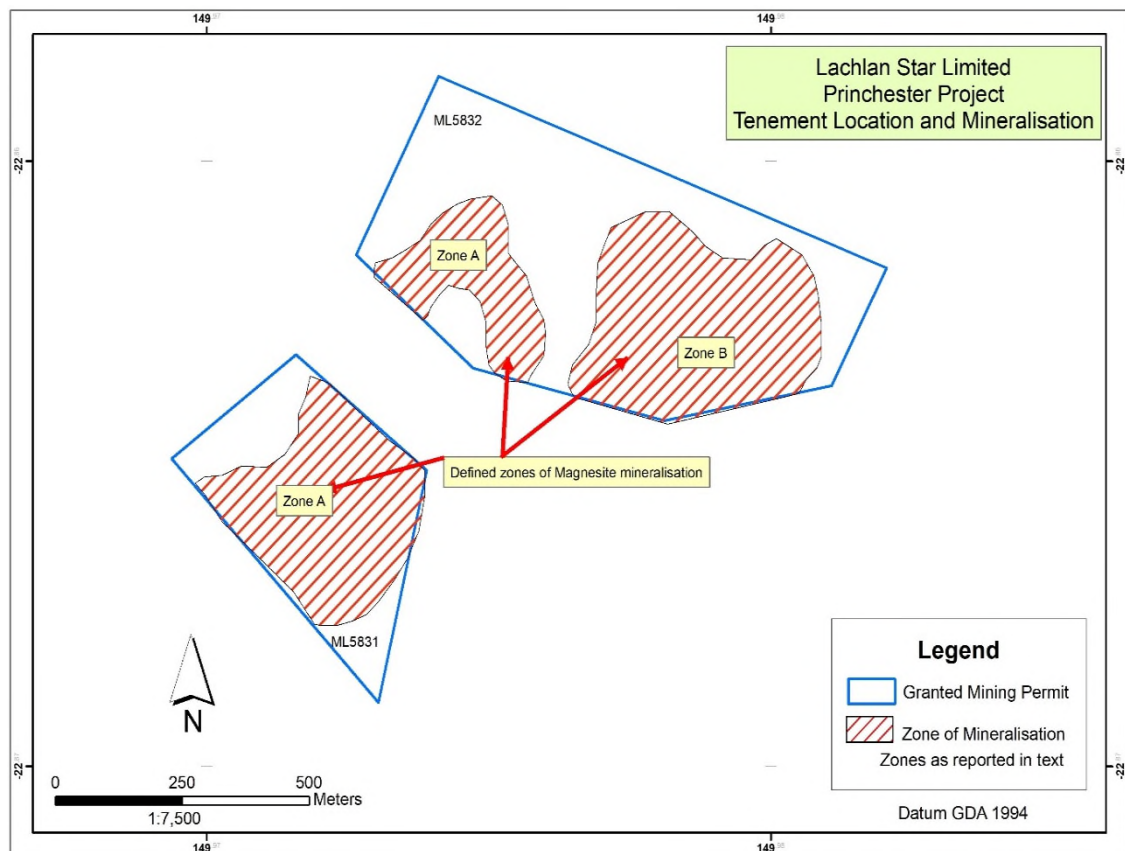
Detailed exploration programmes were conducted in 1984 and 1989 by their respective owners. Only sporadic exploration work was conducted prior to 1984 which has not been included in this Prospectus. Since the Company acquired the MLs, limited exploration work has been conducted on the MLs while the Company focussed on previously owned mining assets.

#### Conceptual exploration target:

Based on the level of exploration work previously undertaken in respect of the MLs, and the size and mineralised nature of the Princhester Magnesite Project, the Company has generated an exploration target tonnage of between **4.13Mt and 5.44Mt of magnesite** at grade between **46% to 47% MgO**.

**Cautionary Statement:** The potential quantity and grade as stated, is conceptual in nature as there has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource. The Exploration Target is based on completed exploration drilling and a review of previous attempts to estimate mineralisation. The information relating to estimates of MgO grade are based on historic sample data from drill holes and check samples completed by previous explorers. The grade range is based on a simple arithmetic mean of samples. The tonnage estimate is based on completed exploration drilling and attempts at a coarse block modelling with 100m square blocks defined with drill holes located in each corner. The volume of each block is based on the arithmetic mean of the thickness of

magnesite intersections in each drill hole, and a tonnage estimated using an assumed SG of 2.2 for magnesite. The Exploration target provides a range of tonnage that reflects the level of exploration drilling and the broad scale attempt to quantify potential mineralisation, and the grade range reflects the sampling.



A short summary of the 1984 and 1989 exploration programmes is detailed below:

#### ***1984 Exploration Programme***

- (a) 91 hole air track drilling programme completed (1,030m in total).
- (b) Holes drilled on a 20m grid over a selected area of shallow mineralisation.
- (c) Four excavations (pits and slots) into magnesite mineralisation in an attempt to correlate mineralisation with drill intersections. No correlation indicated which is common for magnesite mineralisation where discontinuity is common.

#### ***1989 Exploration Programme***

- (a) 95 vertical drill holes at 100m centres across the entire mineralised area.
- (b) Standard sampling procedures were employed with representative samples assayed.
- (c) Four areas of consistent magnesite lode were delineated.

Over time, 11 of the MLs comprising the original Princhester Magnesite Project were steadily surrendered as a function of tenure rationalization with retention of the two MLs containing the known magnesite mineralisation.

### **1999 Company Review**

In 1999 the Princhester Magnesite project was transferred to the Company (although the transfer of title was not completed until 2005), at which time the Company undertook a major review of the historic exploration in the project area, including an early attempt at resource estimation.

### **2002 Mt Grace Review**

In 2002, Mt Grace Resources NL (**MGR**) were granted exploration permit (**EPM**) 13475 which incorporated the Princhester Magnesite Project. The objective of EPM 13475 was to exploit the large exploration potential of Princhester Magnesite mineralisation extending off the existing MLs, at the same time MGR was negotiating with the Company for the purchase of the Princhester Magnesite Project MLs.

#### **1.2.2 Feedstock/Metallurgical Testing**

In 1995 material from the Princhester Magnesite Project was tested to assess its suitability as a raw magnesite feedstock for the magnesium metal plant operated by Norsk Hydro at Beccancour, Quebec. The results were considered unsatisfactory due to elevated nickel values.

As part of the 2002 detailed review by MGR a composite sample from the Princhester Magnesite project was collected for metallurgical testing at Mintek, South Africa. The testwork included determination of calcining characteristics of the magnesite as well as conversion to magnesia vapour in a furnace. The results were positive and confirmed the magnesite's suitability to standard metallurgical processing.

#### **1.2.3 Princhester Magnesite – Evaluation of Modern Context**

The Princhester magnesite mineralisation can be categorized as a hard rock, cryptocrystalline, low iron magnesite deposit with very low lime content and moderately elevated silica content. It is recognised that there is some heterogeneity within the project with regard to both silica and lime contents and commerciality will be dictated by the size and zonation of these gangue elements.

The Princhester Magnesite Project represents a genuine Exploration Target with a long history of detailed exploration and metallurgical evaluation.

Due to the extensive work undertaken to date, the Princhester Magnesite Project represents an opportunity to apply modern analytical techniques to a known deposit. Pursuant to a detailed assessment of Princhester it may be determined that development options be considered.

Princhester is in a good location being on the Bruce Highway and in close proximity to Gladstone and Rockhampton.

#### **1.2.4 Proposed Work Scope**

The following work scope over the next 24 months is proposed in order to best evaluate the potential of the Princhester Magnesite Project and test the viability of the Exploration Target.

- (a) Detailed review of all exploration conducted to date.
- (b) Detailed review of metallurgical testwork conducted to date.
- (c) Pursuant to a positive conclusion on the bullet points above, digitisation of all data associated with the project, particularly focused on building the drilling and assay database should be undertaken. Once complete the database can be interrogated to formulate advanced resource estimations in Micromine/Surpac or similar.

- (d) Ground truthing, including rock characterization (including assays), establishment of previous survey grids and ML boundaries and referencing of potential drill holes trenches/pits should also be undertaken concurrent with the above.
- (e) Upon completion of the scope outlined above, plans for further work to develop the project will be formulated (if warranted).

### 1.3 Bushranger Copper Project, New South Wales

The Bushranger Copper Project comprises a single Exploration Licence (**EL**) 5574 located in New South Wales and is currently the subject of the Bushranger Exploration Farmin and Joint Venture Agreement, which was initially entered into by the Company's wholly owned subsidiary, Ord Investments Pty Ltd (**Ord Investments**) and Newmont Exploration Pty Ltd (**Newmont**) dated on or around 30 September 2011 (**FJVA**). Newmont's entire interest in the FJVA was subsequently novated to Anglo American Exploration (Australia) Pty Ltd (**Anglo American**) pursuant to a Deed of Novation between Anglo American, Newmont and Ord Investments dated on or around 10 January 2014 (**Deed of Novation**).

The initial interests of the participants in the joint venture, subsequent to the Deed of Novation, were:

- (a) Anglo American: 51%; and
- (b) Ord Investments Pty Ltd: 49%.

The Company has since elected not to contribute to exploration expenditure on this Project and its interest in this Project has been diluted according to the terms of the FJVA.

On 2 December 2015, Ord Investments was notified by Anglo American that, due to its failure to contribute, Anglo American had elected, in accordance with the terms of the FJVA, to dilute Ord Investment's participating interest in the Project. The dilution has taken Ord Investments' participating to below the deemed withdrawal threshold contained in the FJVA (being a 10% participating interest). Accordingly, the Company's interest has now been converted into a 2% Net Smelter Royalty (**Royalty**).

Given the early stages of exploration that has been undertaken in respect of the Bushranger Copper Project, the Company does not expect the Royalty to generate any income for the Company until such time as this Project is brought into production stage, which is unlikely to occur in the short term.

#### **Competent Person's statement:**

*The information in this Section that relates to exploration results, including the exploration target, is based on information compiled by Mr Bernard Aylward. Mr Aylward is a Non-Executive Director of the Company. Mr Aylward is a member of The Australasian Institute of Mining and Metallurgy and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking 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 Aylward consents to the inclusion in the announcement of matters based on his information in the form and context it appears.*