

## ASX RELEASE

Tuesday 31 July 2018

### QUARTERLY REPORT AND APPENDIX 5B FOR THE QUARTER ENDED 30 JUNE 2018

A-Cap Resources Limited ("A-Cap" or "the Company") (ASX: ACB) is pleased to provide its Quarterly Activities Report for the quarter ended 30 June 2018.

#### HIGHLIGHTS

- ▲ *Termination of a binding term sheet on 12 April 2018 with ARC Marlborough;*
- ▲ *Prospectus lodged for Non-Renounceable Rights Issue to raise A\$4M (withdrawn on 19 July 2018);*
- ▲ *Acid consumption study completed;*
- ▲ *Binding term sheet with Castillo Copper Limited (ASX:CCZ) - Nickel-Cobalt Project farm-in JV (announced 25 July 2018).*

#### QUARTERLY ACTIVITIES

The acid consumption studies (Study) on the Letlhakane Uranium Project (Project) was completed during the quarter. Management has been focussing on key project optimisation work to identify ways the Company can materially improve its project economics by reducing its OPEX costs, particularly with regards to acid consumption. Results of the study indicated that estimated savings of up to 26% in acid costs could be achieved. Management are further reviewing the results of the study and plan the next phase of project optimisation work to further de-risk the project prior to commencing feasibility study.

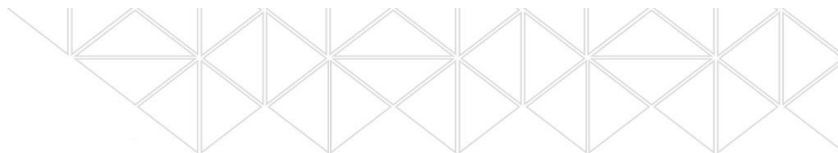
During the quarter the Company announced and lodged a prospectus to raise A\$4 million by way of a fully underwritten non-renounceable rights issue. The rights issue was cancelled on 26 April to correct the basis of allocation to shareholders. A new prospectus was subsequently lodged on 4th May 2018 to issue 66,657,864 shares on the basis of 1 new share for every 13.08 shares held by shareholders (Offer). The Offer closing date was extended to 24 July 2018.

After the quarterly reporting period, on 19 July 2018 A-Cap withdrew the Offer following advice from the underwriter, Jiangsu Shengan Resources Group Co., Ltd that they were unable to meet its obligations under the Underwriting Agreement, as it could not secure a Certificate of Overseas Investment (Certificate) by the Offer closing date of 24 July 2018. The Underwriter applied to the Commercial Bureau of Yancheng, China in April 2018 for the Certificate in response to a notice that a new Certificate is required following a change of the Underwriter's company name from Jiangsu Chixiang Precision Gears Co., Ltd to Jiangsu Shengan Resources Group Co., Ltd. The Certificate is required by the Underwriter to transfer investment funds from China to the Company to meet its Underwriter obligations for the shortfall amount.

The Company is considering its capital raising options and will apprise shareholders of further developments in due course.

On 23 March 2018, the Company announced that it had entered into a binding Term Sheet with ARC Marlborough which provided for an option to purchase a nickel-cobalt project in North Queensland. This term sheet was subsequently terminated on 12 April 2018 following initial technical, legal and corporate due diligence in respect of ARC Marlborough and mining lease 80098. After the reporting period, on 23 July 2018 the Company entered into a trading halt, following which on the 24 July 2018 it was announced that A-Cap had entered into a binding terms sheet with Castillo Copper Limited (ASX:CCZ) which provides for a farm-in joint venture to explore and develop nickel and cobalt tenements in Queensland, Australia.

A-Cap continues to attend to the requirements of the Project's mining licence including maintenance of the mining licence boundary, radiation inspectorate compliance and engaging with the community to update them on the Project's status. The Department of Mines confirmed that our mining licence and all prospecting licences continue to be in good standing.



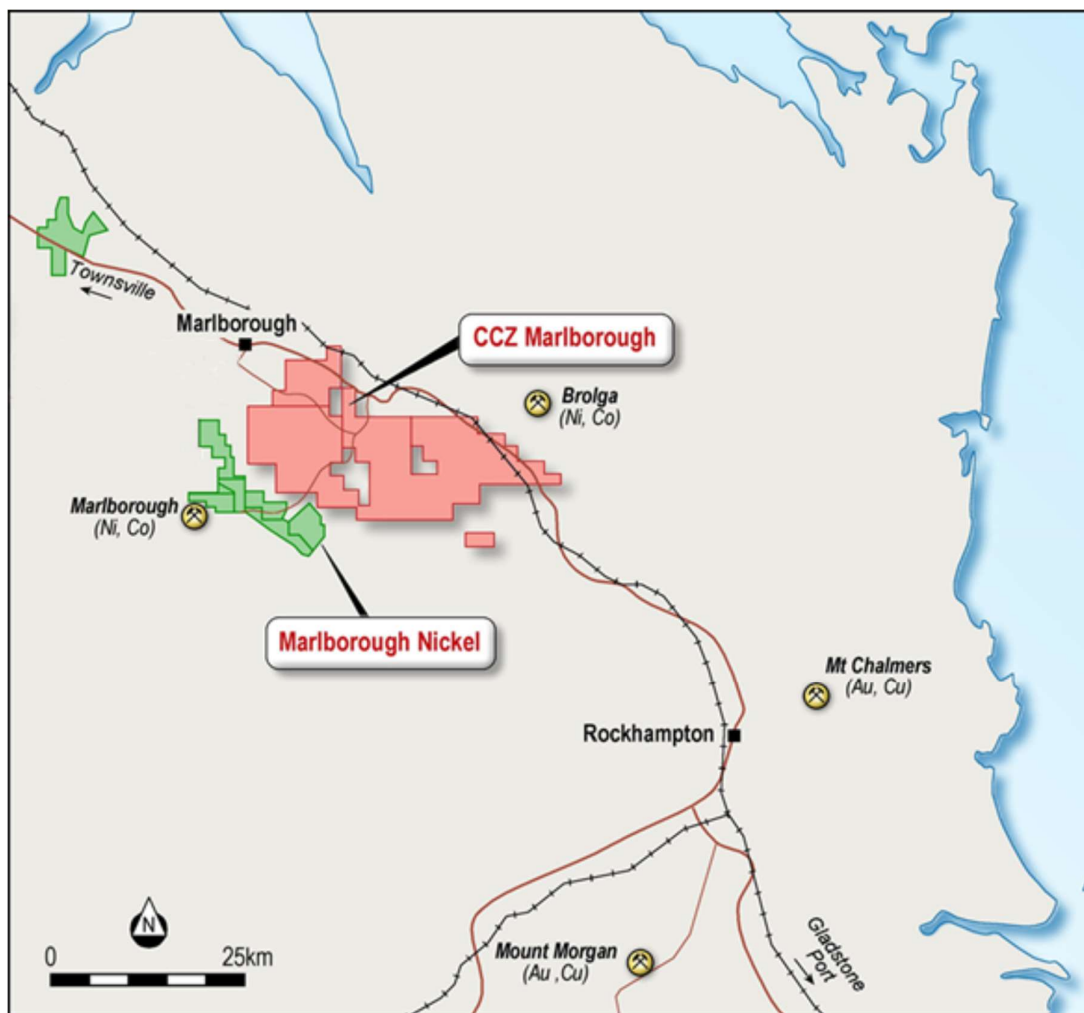
## DIVERSIFIED MINERALS STRATEGY

The Company announced on 23 March 2018 that it had entered into a binding Term Sheet with ARC Marlborough, providing for an option to purchase a nickel-cobalt project in North Queensland. Whilst the term sheet was subsequently terminated, the announcement marked the Company's new strategy for A-Cap to diversify its minerals portfolio into cathode materials production and supply to the battery industry.

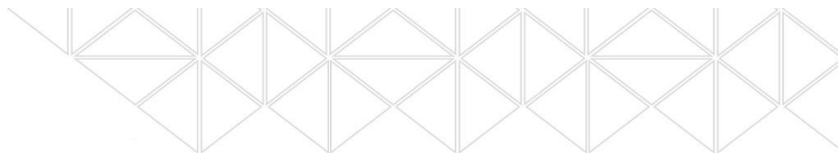
The Letlhakane Uranium Project continues as a core strategy to ultimately supply uranium  $U_3O_8$  product to a nuclear facility as prime fuel for base load power generation and its service to the battery industry markets and its consumers. The Company has a clean energy approach towards future energy requirements and will target cobalt opportunities on a global basis.

### Castillo Copper Limited Joint Venture

After the reporting date, on 23 July 2018 the Company entered into a trading halt, following which on the 24 July 2018 it was announced that A-Cap had entered into a binding terms sheet with Castillo Copper Limited (ASX:CCZ) which provides for a farm-in joint venture to explore and develop nickel and cobalt tenements in Queensland, Australia.



**Figure 1** Locality Map of Castillo tenements, Marlborough, Queensland



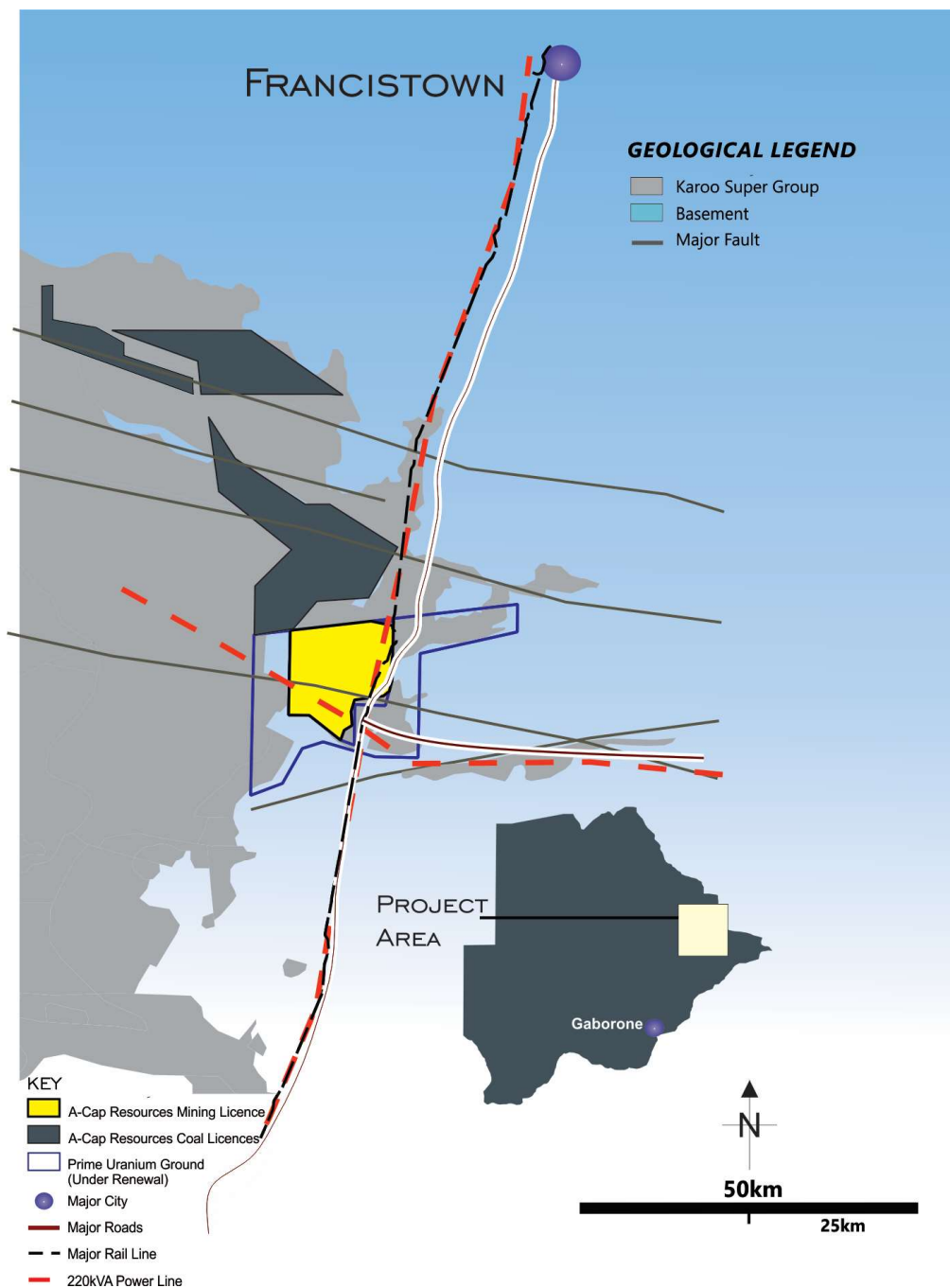
The key terms of the binding Term Sheet provide for a Definitive Joint Venture Agreement to be prepared and entered within thirty days from the signing of the binding Term Sheet, unless otherwise agreed by both parties, the terms of which are summarised as follows:

- ▲ A-Cap has agreed to invest \$2.25 million over two years to fund exploration activities within CCZ Marlborough project tenements comprising EPM 26522, EPM 26541 and EPM 26528 – up to completing the bankable feasibility study – to earn 60% interest in the CCZ Marlborough project, with CCZ free-carried with 40%. The application for the grant of EPM 26522 to CCZ or one of its wholly-owned subsidiaries whilst lodged with the Queensland Department of Natural Resources, Mines and Energy, has not yet been granted;
- ▲ The minimum expenditure that A-Cap has agreed to invest to fund exploration activities within CCZ Marlborough project tenements comprising EPM 26522, EPM 26541 and EPM 26528 is:
  - i. Year 1 - \$200,000; and
  - ii. Year 2 - \$300,000.
- ▲ A-Cap must fund exploration activities through to the completion of the bankable feasibility study, following which the parties will decide whether to progress the bankable feasibility study collaboratively or dissolve the arrangement;
- ▲ The Definitive Joint Venture Agreement may be terminated by A-Cap at any time within the initial two (2) year term with thirty (30) days' notice in writing to CCZ and, by CCZ in the event A-Cap does not expend \$2.25 million in project works programme expenditure within the initial term. In the event the Joint Venture Agreement is terminated without the required project works expenditure amounting to \$2.25 million then, A-Cap shall assign all its JV interests in tenement works project data, test results and reports undertaken by A-Cap at no cost to CCZ.

## LETLHAKANE URANIUM PROJECT

### Project Overview

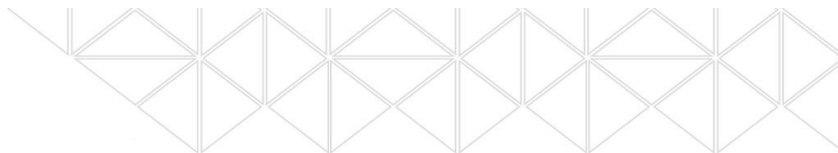
- ▲ The Letlhakane Uranium Project is one of the world's largest undeveloped Uranium Deposits.
- ▲ The project has the distinct advantage of having all the major infrastructure in place and is one of the few major undeveloped uranium projects in the world in the safe and stable jurisdiction of Botswana.
- ▲ 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) on 12 September 2016. The Mining Licence is valid for a period of 22 years.
- ▲ 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.
- ▲ Provisional surface rights were granted on 6 June 2016 over the 144sqkm area covering the Letlhakane Uranium Project.
- ▲ Please refer to the Company's March 2018 Quarterly Activities Report and the 2017 Annual Report for information relating to the Letlhakane Uranium Project's mineral resources and exploration results.



*Figure 2: Map of A-Cap's Letlhakane Uranium Project*

### Acid Consumption Studies

The acid consumption studies were completed during the quarter, with the results indicating that estimated savings of acid OPEX could be up to 26%. This was examined after first recognising that there was a large variation in acid consumption in the individual samples comprised of metallurgical column leach samples used for the mining licence technical study.



### Acid Consumption Studies (continued)

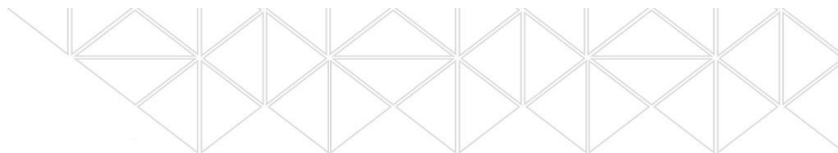
- ▲ To investigate the potential savings;
  - 396 samples were sent to ANSTO labs in NSW for acid soluble uranium analysis (ASU)
    - 12 samples had mineralogy determined using QEMscan
    - 6 samples had mineralogy determined using XRD
  - 834 samples were sent for multi-element XRF analysis SGS laboratories (South Africa)
  - Dilution effects were removed from previous samples used in column leach samples used for the mining licence technical study.
- ▲ The analysis included:
  - Clustering or grouping of similar geochemical signatures. The geochemical clusters were identified initially by the head assay geochemistry, then further refined by pregnant liquor solution (PLS) cluster analysis.
  - A predictive model was generated base on clusters and geochemistry of the ASU data.
  - Predictive acid consumption of the 834 samples analysed by XRF
  - QEMscan and XRD of high acid consuming samples to identify high acid consuming minerals.
  - 3-dimensional spreading of clusters and calculating acid consumptions by kriging and inverse distance methods in the resource block model.
  - Calculation of spatial OPEX costs in relation to various acid consumptions.
  - Optimisation using technical study parameters to understand change in annual acid requirements.
- ▲ Observations and results concluded that:
  - Zeolite minerals in Serule West were responsible for extreme acid consumptions were observed
  - At Serule West, around the pit areas, the two basal mineralised lenses indicate on average almost twice the acid consumption compared to the upper lens.
  - Both Kraken and Gorgon South exhibited an average increase of acid consumption with depth.
  - Results showed spatial differences with higher acid consumption
  - Waste consumes acid regardless of the uranium content, therefore minimising waste in mining is essential.
- ▲ The identification of the specific minerals associated with high acid consumption and the lithological and spatial mineralogical alterations allowed an assessment of the economic considerations associated with reducing the Project's overall acid consumption. The mineralogy and spatial work has focussed the next phase of proposed optimisation work programmes to further mitigate high acid consumption or reduce the acid consumers at the point of mining. Beneficiation with respect to reducing acid consumers is being evaluated.

## 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.

## 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 LICENCE AND PROSPECTING LICENCES

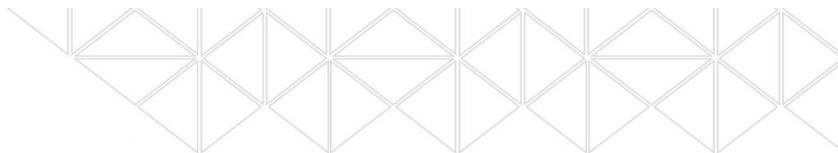
Tenement	Location	Percentage Holding	Title Holder
Letlhakane ML 2016/16L	Botswana	100	A-Cap Resources Botswana (Pty) Ltd
Letlhakane PL 45/2004	Botswana	100	A-Cap Resources Botswana (Pty) Ltd
Mea PL 134/2005	Botswana	100	A-Cap Resources Botswana (Pty) Ltd
Bolau PL 138/2005	Botswana	100	A-Cap Resources 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 June 2018:

- ⚠ A trading halt was requested on 4 April 2018 regarding a capital raising.
- ⚠ On 6 April 2018 the Company announced a fully underwritten non-renounceable rights issue to raise A\$4 million by way of an issue of new shares to shareholders of 66,657,864 shares.
  - On 16 April 2018, the Company lodged a prospectus for the rights issue as announced on 6 April 2018.
  - On 24 April 2018, a replacement prospectus was announced to the ASX to correct the basis of allocation to shareholders for the 66,657,864 shares to 1 new share for every 13.08 shares held.
    - The ASX subsequently called a trading halt to review the announcement;
  - On 26 April 2018, the Company announced the cancellation of the non-renounceable rights issue announced on 6 April 2018 and commence a process for ASX approval of a timetable to announce a new non-renounceable entitlement offer to raise A\$4 million in May 2018.
- ⚠ A trading halt was requested on 11 April 2018 regarding a binding term sheet with ARC Marlborough.
  - On 12 April 2018, the Company announced that a binding term sheet with ARC Marlborough Pty Ltd providing for an option to purchase a nickel-cobalt project in North Queensland was terminated.
- ⚠ On 30 April 2018, a new fully underwritten non-renounceable rights issue (the Offer) was announced to the ASX to raise A\$4 million by way of an issue of new shares to shareholders of 66,657,864 shares on the basis of 1 new share for every 13.08 shares held. The Offer is fully underwritten by Jiangsu Shengan Resources Group Co., Ltd (Underwriter).
  - A prospectus for the Offer was lodged on 4 May 2018;
  - On 23 May 2018, the Company extended the closing date of the Offer from 28 May 2018 to 28 June 2018. The extension was to allow sufficient time for the Underwriter to secure a Certificate of Overseas Investment (Certificate) from the Commercial Bureau of Yancheng, China to transfer the funds to the Company for any shortfall amount arising from the offer. The Underwriter holds a Certificate under their previous company name Jiangsu Shengan Resources Group Co., Ltd. The Commercial Bureau of Yancheng requested that the Underwriter re-apply for the Certificate under their new company name, Jiangsu Shengan Resources Group Co., Ltd.





**During the quarter ended June 2018 (continued):**

- On 22 June 2018 the Company further extended the closing date of the Offer from 28 June 2018 to 24 July 2018. The Underwriter advised that additional time was required to secure the Certificate to meet its Underwriter obligations.

▲ The Group's consolidated cash position at the end of the quarter was \$1.1M.

**Following the end of the quarter ended June 2018 and up to the date of this report:**

▲ On 19 July 2018 the Company withdrew the Non-Renounceable Rights Issue announced on 30 April 2018 following advice from the Underwriter that the Certificate

▲ A-Cap announced on 12 April that the binding term sheet for the right to acquire a nickel-cobalt project in Queensland, Australia had terminated.

▲ A trading halt was requested on 23 July 2018 regarding a potential joint venture agreement.

- On 25 July 2018 the Company announced entering into a binding Term Sheet with Castillo Copper Limited (ASX:CCZ) which provides for a farm-in joint venture to explore and develop nickel and cobalt tenements in Queensland, Australia.
- The key terms of the binding term sheet provide for a definitive joint venture agreement (DJVA) to be prepared and entered into within 30 days from signing, unless mutually agreed, summarised as follows:
  - A-Cap to invest \$2.25M over 2 years on project works programme expenditure within CCZ Marlborough project tenements (EPM 26522, 26541 and 26528) up to bankable feasibility study (BFS) – to earn 60% interest in CCZ Marlborough project, with CCZ free-carried with 40% (EPM 26522 application lodged with QLD Dept of Natural Resources, Mines & Energy, not yet granted);
  - A-Cap minimum expenditure on exploration activities: year 1 - \$200,000, year 2 - \$300,000;
  - A-Cap to fund exploration activities through completion of a BFS, following which both parties to decide on whether to progress the BFS collaboratively or dissolve the agreement.
  - DJVA may be terminated by A-Cap any time within initial 2-year term with 30 days' notice in writing to CCZ, and, by CCZ in the event A-Cap does not spend \$2.25M in project works programme expenditure within initial term. In the event the DJVA is terminated without the required project works expenditure of \$2.25M, A-Cap shall assign all JV interests in tenement works project data, test results and reports undertaken by A-Cap at no cost to CCZ.



Paul Thomson  
CHIEF EXECUTIVE OFFICER

Competent person's statement

*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

+ 61 8 9467 2612

## 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")**

30 JUNE 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(361)	(1,383)
(b) development	-	-
(c) production	-	-
(d) staff costs	(64)	(388)
(e) administration and corporate costs	(420)	(1,413)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	23
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)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(843)</b>	<b>(3,004)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(1)	(12)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	2	2



Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(b) tenements (see item 10)	-	-
	(c) investments	-	116
	(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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>1</b>	<b>106</b>
<b>3.</b>	<b>Cash flows from financing activities</b>		
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	(29)	(29)
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)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(29)</b>	<b>(29)</b>
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	1,876	3,934
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(843)	(3,004)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	1	106
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(29)	(29)
4.5	Effect of movement in exchange rates on cash held	70	68
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>1,075</b>	<b>1,075</b>

5.	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	1,075	1,876
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Term deposit)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,075</b>	<b>1,876</b>

**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

158

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.	<b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
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.	<b>Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1	Exploration and evaluation	(289)
9.2	Development	-
9.3	Production	-
9.4	Staff costs	(64)
9.5	Administration and corporate costs	(409)
9.6	Other (provide details if material)	-
9.7	<b>Total estimated cash outflows</b>	<b>(762)</b>

10.	<b>Changes in tenements (items 2.1(b) and 2.2(b) above)</b>	<b>Tenement reference and location</b>	<b>Nature of interest</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>
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 July 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.