

ASX Release

Monday 1 October 2018

ASX: ACB

A-Cap and Blackham enters Binding Term Sheet for a 75 percent Cobalt Nickel Project Farm-In and Joint Venture Interest - \$11 million

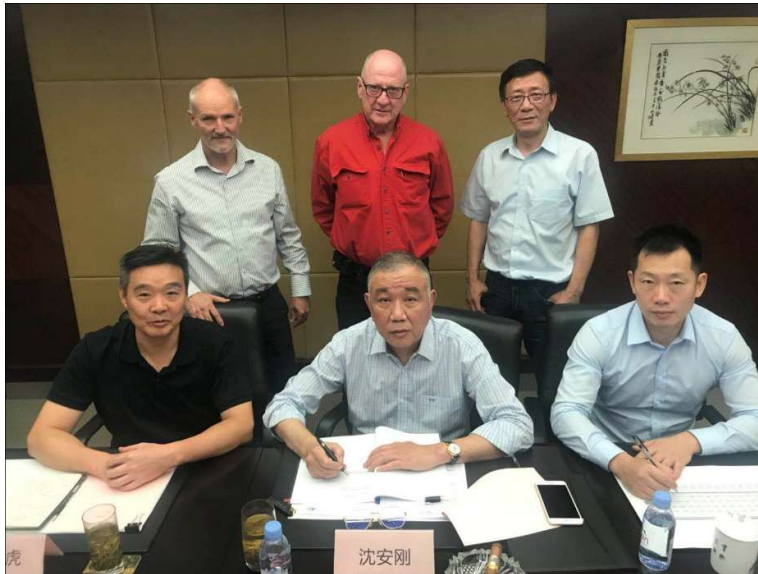


Figure 1: A-Cap Board of Directors signing Joint venture term sheet in Shanghai. From left to right standing: John Fisher-Stamp, Paul Ingram, Michael Liu. Seated are Mr Zhu Chenghu, Mr Shen AnGang (Chairman) and Mr Niu Jijing.

Highlights

- A-Cap Resources Limited ACN 104 028 542 (ACB) has entered into a binding Term Sheet on 28 September 2018 (Effective Date) with Blackham Resources Limited ACN 119 887 606 (BLK) to acquire a 75 percent Farm-In Joint Venture Interest in the nickel, cobalt and associated metals of the Wiluna Cobalt Nickel Project (Wilconi Project) in Western Australia. The agreement is the continuation of ACB's firm commitment to focus on cobalt and energy related resources.
- The Wilconi Project Tenements comprises seven granted mining leases, two granted exploration licences, one granted prospecting licence, one retention licence and two exploration licence applications. The Project covers a total area of 490 square kilometres.
- A previous operator had commissioned Snowden Mining Industry Consultants (Snowden) to conduct a mineral resource study. This study, completed in 2005, returned a JORC (2004) inferred resource of 80.5 Mt grading 0.77% Ni and 0.058% Co using a 0.5% Ni cut-off grade. It is the intention of ACB to infill this resource and focus on the cobalt zones in and around the known resource to bring the resource into a JORC (2012) compliant figure.
- The Wilconi Project is situated 700 kms from Perth and has excellent associated infrastructure in the vicinity. BLK has a 280-man camp and operates a fly-in fly-out mining roster for its Wiluna Gold Operation. Power generation is fuelled by a gas pipeline connected to the Goldfields Gas

transmission line with backup diesel power. The township of Wiluna lies immediately east of the project.

- ACB plans to immediately begin an aggressive drilling campaign at Wilconi to bring existing inferred resources in line with the JORC 2012 standard, as well as step-out drilling to follow anomalous cobalt away from the currently defined zones.

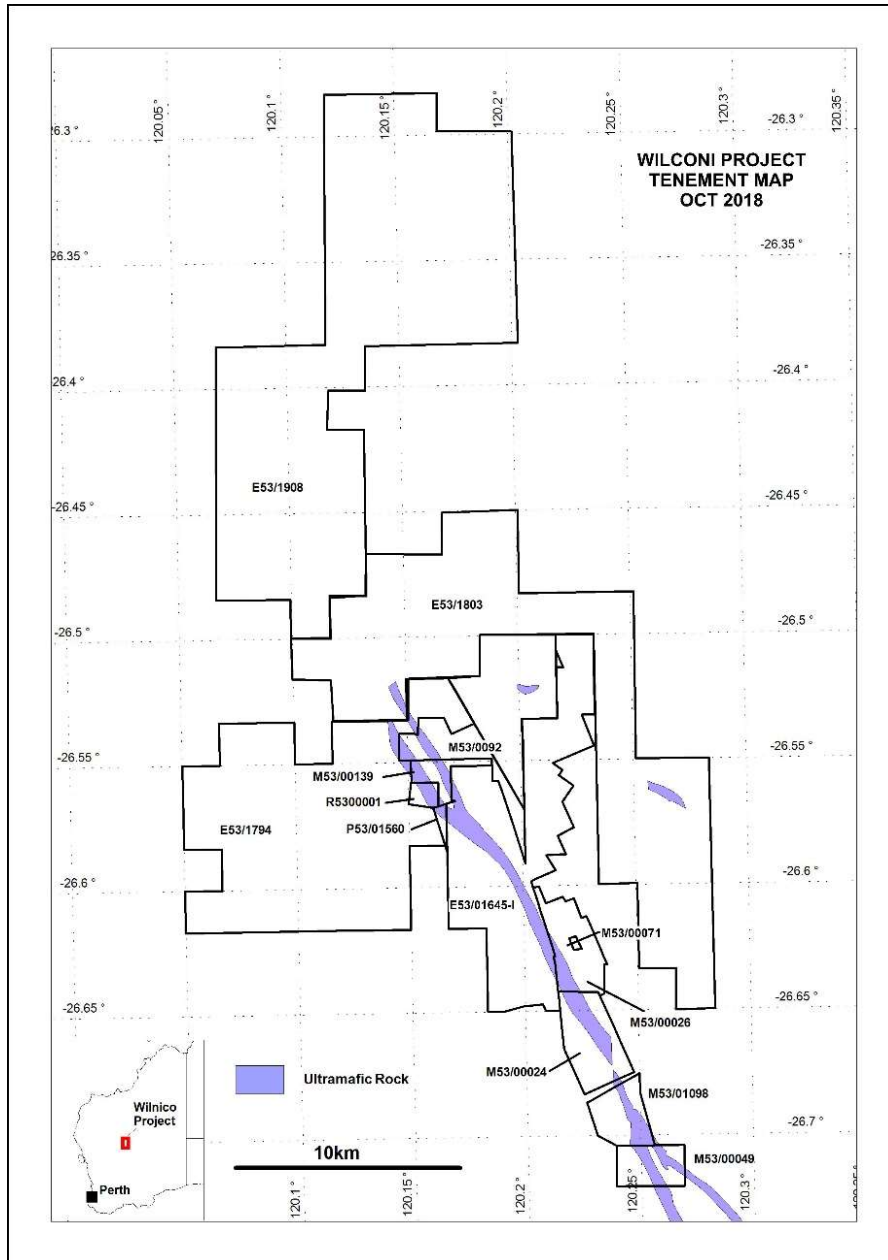


Figure 2 Locality diagram of the Wilconi Project area showing the position of the cobalt-bearing ultramafic rocks (purple).

Background

In late 2017, ACB began a programme of property assessments for cobalt, focussing on lateritic style mineralisation. Australia is well endowed with nickel laterite regions that earlier explorers and developers had mostly defined nickel resources and reserves with cobalt being the by-product of this resource definition. Recent advances in laterite metallurgy combined with a surging cobalt price driven by the EV market, make previously defined resources more attractive for the principal commodity being cobalt rather than nickel in the laterite profiles. Nickel will be the by-product.

Historical Exploration Work

The Wiluna region was first explored in the late 1960's for nickel sulphides (Mt. Keith style). In the early 1970's the Wilconi area was drilled for nickel laterite mineralisation and subsequent explorers focussed again on the nickel sulphide potential until 2005, when the then operator Agincourt Resources Ltd (Agincourt) drilled the deposit for nickel laterite. Agincourt commissioned Snowden Mining Industry Consultants (Snowden) to conduct a mineral resource study. This study, completed in 2005, returned a JORC (2004) inferred resource of 80.5 Mt grading 0.77% Ni and 0.058% Co using a 0.5% Ni cut-off grade.

Wilconi Project Geology

The project is the northern part of the Agnew-Wiluna greenstone belt, more specifically the Perseverance ultramafic sequence, which forms the protore for the Co-Ni laterite through the tenements. This sequence hosts several high-grade nickel sulphide prospects, including Honeymoon Well. The easterly dipping ultramafic sequence strikes NNW-SSE and is 200-300metres wide in the project area. A blanket of laterite has formed on the ultramafics, concentrating cobalt and nickel during the laterisation process. There is over thirty kilometres of the ultramafic sequence running through the Wilconi Project tenements, with thick (+10m) layer of laterite developed on top of the ultramafics. Previous drilling has shown that the laterite can be up to 90 metres in depth.

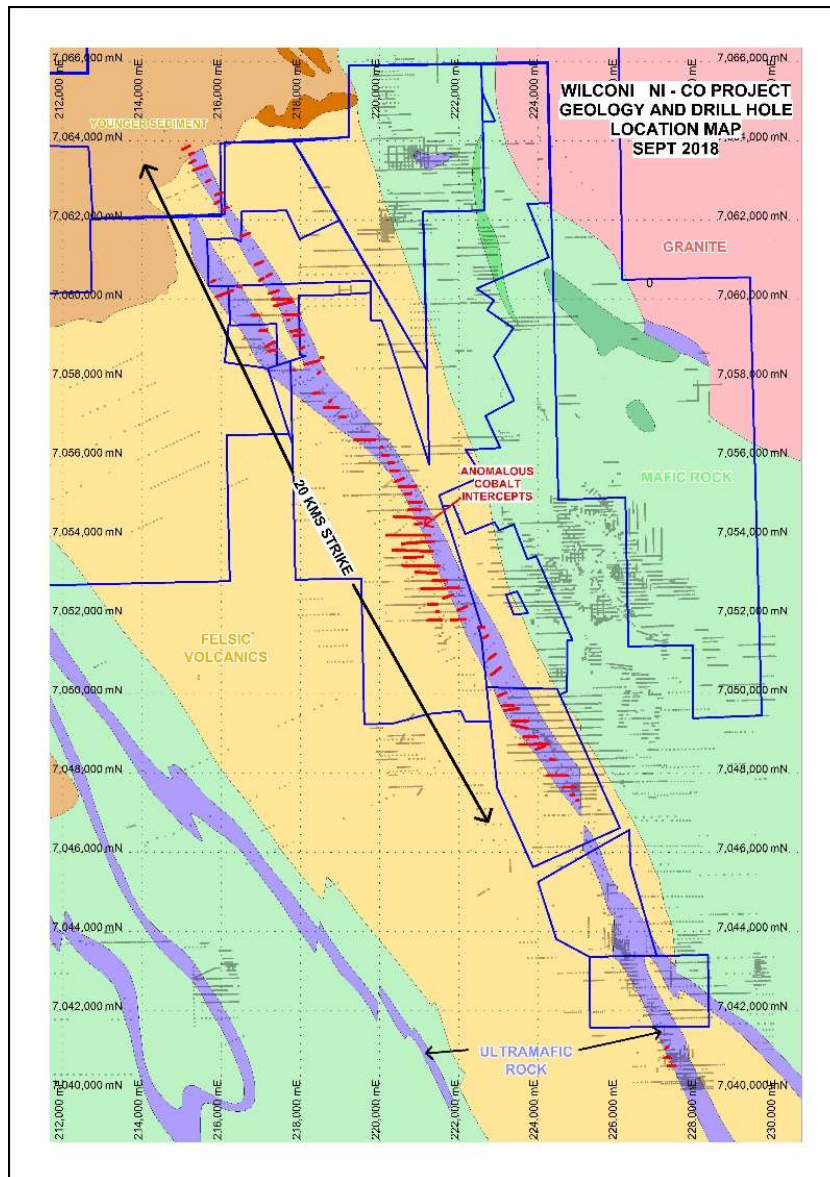


Figure 3 Geology of the Wiluna region showing the ultramafic rocks in purple and highlighting previous drilling for nickel laterite mineralisation that had intercepted anomalous cobalt.

Previous drilling totalling 1594 drillholes, has defined a 20-kilometre strike length of cobalt-nickel mineralisation in the laterite. Work done by Snowden in 2008 partially defined geological continuity of the deposit, but the drilling done was widely spaced.

Proposed Exploration

A-Cap propose to infill the previous drill pattern to define JORC 2012 resources and reserves. ACB will also focus on the higher cobalt grades within the resource, where many cobalt rich zones were spread across the nickel intercepts. Drilling will be reverse circulation and planned to systematically step out from historical cobalt zones within the previously defined nickel laterite zone.

In addition, the Company will concentrate on metallurgical studies from an early stage to determine the most efficient metallurgical techniques for the deposit. Work done over the years on ACB's Letlhakane uranium deposit in Botswana has enabled the company to build a strong background with atmospheric acid leach studies. ACB will adopt the most efficient processing route to deliver a battery grade product to the end users, with a final product being a sulphate or hydroxide compound.

Agreement Outline – Key Terms

The key terms of the binding Term Sheet provide:

- a) BLK and ACB will negotiate in good faith to agree the terms of a definitive Farm-in and Joint Venture Agreement (JVA) to more fully document the Term Sheet. The JVA will be prepared and entered into on the later of (a) the date that is 45 days after the date of the binding Term Sheet and (b) the date that is 2 business days after satisfaction of the last Condition Precedent, failing which the terms of the Term Sheet will prevail;
- b) The Project JV earn-in terms agreed between BLK and ACB shall comprise:
 - i. the JV comprise nickel, cobalt and associated metals.
 - ii. Tenements in the JV comprises the following seven granted mining leases, two granted exploration licences, one granted prospecting licence, one retention licence and two exploration licence applications included in Figure 2.

E53/1794, E53/1803, E53/1908, M53/0092, M53/0139, R53/0001, P53/1560,
E53/1645-1, M53/0026, M53/0024, M53/1098, M53/0049 and M3/0071.
 - iii. ACB will acquire an initial 20% JV Interest by making a cash payment to BLK of A\$2,800,000 within two business days of the parties entering into the JVA;
 - iv. On making the initial interest payment ACB will also acquire the third-party exploration data on the project by making a cash payment of A\$100,000;
 - v. ACB may acquire an additional 35% JV Interest (such that ACB's total JV Interest will be 55%) (Second Earn-in Interest) by:
 - A. making a cash payment to BLK of A\$500,000 within a period of 24 months; and
 - B. incurring minimum expenditure on exploration works programme activities and investing activities expenditure in respect of the Reserved Minerals on the Tenements (completing the definitive feasibility study (Project DFS); within a period of 36 months of A\$5,000,000;
 - vi. ACB may acquire an additional 20% JV Interest (such that ACB's total JV Interest will be 75%) (Third Earn-in Interest) by:
 - A. completing the Project DFS within 36 months;
 - B. making a further cash payment to BLK of A\$1,000,000; and

- C. issuing to BLK on completion of the Project DFS A\$1,500,000 worth of ACB shares which valued at 30 day volume-weighted average price. ACB new shares issued to BLK shall be subject to a six (6) month escrow period. ACB new shares issued to BLK will be subject to shareholder approval;
 - vii. ACB must undertake the works programme activities during the Earn-in Period with the intention of advancing the Project to a completion of the Project DFS;
- c) ACB will be responsible for the costs of BLK ownership of the Tenements during the Earn-in Period. During the Earn-in Period, ACB will be the manager of the Project JV. BLK will be free carried during the Earn-in Period. At the end of the Earn-in Period, BLK may elect to fund its share of project development costs or otherwise elect to dilute its JV Interest in accordance with the usual dilution process.

The Term Sheet and the proposed JVA are subject to the satisfaction of the following Conditions Precedent:

- a) ACB obtaining Foreign Investment Review Board approvals;
- b) BLK obtaining consents from secured funders and royalty interests in the tenements; and
- c) ACB having received consent of the Minister of Mines and Petroleum to the transfer of an equitable interest in the Tenements to the extent required.

BLK and ACB must use its reasonable endeavours to ensure that each Conditions Precedent are satisfied on or before 29 November 2018

Strategic Relationships

The Chairman of A-Cap, Mr Shen AnGang, stated:

“A-Cap’s strategic relationships will be pivotal to the company’s implementation of its diversified minerals strategy. A-Cap is in a fortunate position to have two substantial Chinese shareholders, Ansheng Investment Co Ltd and Jiangsu ShengAn Resources Group Co Ltd who are working together diligently with the support of the A-Cap board to identify Chinese key strategic and partner relationships to establish longer-term market for its cathode materials supply. Moreover, the A-Cap board continues to engage with potential strategic investors resident in China who are working with A-Cap to support its capital management plan for new cobalt projects acquisition and initial resource exploration work.”

The Chairman of Blackham, Mr Milan Jerkovic stated:

“Blackham is delighted to have partnered with A-Cap to add value to the sizeable Wiluna Cobalt Nickel Project. This transaction is consistent with Blackham’s previous stated strategy of divesting non core assets allowing it to focus on its Matilda-Wiluna Gold Operation.”

For and on behalf of the Board

A-Cap Resources Limited



Nicholas Yeak
Company Secretary

Competed Person Statement

Information in this report relating to nickel, cobalt and associated metals of the Wiluna Cobalt Nickel Project (Wilconi Project), is based on information compiled by Mr Paul Ingram, a director of A-Cap Resources Limited and a Member of AusIMM. Mr Ingram has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and the activity he is undertaking to qualify as a Competent Person under the 2012 Edition of the Australasian Code for reporting Exploration Results Mineral Resources and Ore Reserves. Mr Ingram consents to the inclusion of the data in the form and context in which it appears.