

SEPTEMBER 2018 QUARTERLY REPORT

16 October 2018

PELICAN RESOURCES LIMITED

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Capital:

Ordinary shares: 361,923,540

Unlisted options: 85,000,000

HIGHLIGHTS

- Negotiations for the sale of Sibuyan Nickel Properties Development Corporation continued during the quarter with parties agreeing to revised terms for a Share Sale and Assignment of Debt Agreement subsequent to the end of the September 2018 quarter.
- The Romblon Project continued on care and maintenance due to a Cease and Desist Order issued by the Mines and Geosciences Bureau of the Department of Environment and Natural Resources in September 2011, which restricts access to site.

REPUBLIC OF THE PHILIPPINES

SALE OF SIBUYAN NICKEL PROPERTIES DEVELOPMENT CORPORATION

In June 2015 Pelican entered into a Memorandum of Understanding (“MOU”) with Dynamo Atlantic Limited, a BVI registered company (“Dynamo”) for the sale of 100% ownership of Sibuyan Nickel Properties Development Corporation (“SNPDC”) which is owned by Pelican in conjunction with its 25% venture partner All-Acacia Resources Inc. (“All Acacia”). SNPDC is the beneficial owner of the Romblon Project located on Sibuyan Island in the Romblon Province in the Philippines.

During the quarter, Pelican and All Acacia continued negotiations with Dynamo on varying certain terms of the Memorandum of Understanding (“MOU”) for the sale of SNPDC for AUD\$4.7 million and a two and a half percent (2.5%) royalty on net income generated from any operations undertaken on Sibuyan Island. Pelican and All Acacia concluded that varying the terms of the MOU, including a reduction in the consideration payable for SNPDC was necessary in order to conclude the transaction, following concerns expressed by Dynamo that political changes in the Philippines had placed the Romblon Project at risk. Pelican had previously announced in its March 2017 Quarterly Activities Report that numerous media reports had suggested numerous mineral production sharing agreements (MPSA), including that held by SNPDC in relation to the Romblon Project, were to be cancelled by the Philippines Department of Environment and Natural Resources.

Following significant delays in reaching agreement with Dynamo to revised terms for the sale of SNPDC, the board of Pelican travelled to Manila on 7 October 2018 to meet with both All-Acacia and with representatives of Dynamo to finalise the Share Sale and Assignment of Debt Agreement (“SSADA”).

Following two days of discussions, the parties reached agreement on the revised terms for the SSADA and the vendor parties executed and delivered the SSADA to the purchaser’s lawyers in Manila. Dynamo’s lawyers advised the SSADA is expected to be executed by the officers of Dynamo on or around 17 October 2018.



The principle terms of the SSADA are as follows:

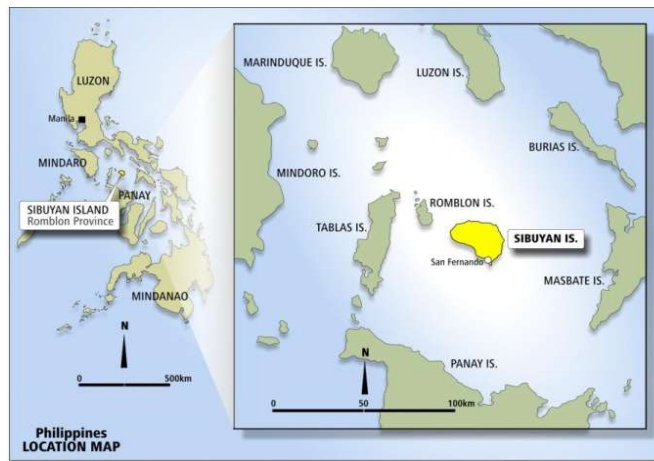
- The total consideration for the sale of all shares in SNPDC is AUD\$3.6 million (of which Pelican has received and is holding in escrow the sum of AUD\$1.41 million).
- There is no longer a royalty payable to the vendors on any future revenue from operations on Romblon Island.
- The SSADA is conditional only on Pelican obtaining the approval of its shareholders to the revised terms to the original terms.
- The vendors will be responsible for all taxes payable on the transaction.
- Settlement is to occur on 5 April 2019, or 15 business days after the Philippines Bureau of Internal Revenue issues a Certificate Authorising Registration of the transfer of shares (whichever is later).

Pelican will seek the approval of shareholders for the sale of its interests in SNPDC at the forthcoming AGM, in accordance with the requirements of Listing Rule 11.2. The AGM is likely to be held in late November 2018.

ROMBLON PROJECT, SIBUYAN ISLAND, ROMBLON PROVINCE (MPSA No. 3042009-IVB)

Interest: MPSA 3042009-IVB

The Romblon Project, on Sibuyan Island in the Romblon Province in the Philippines, is considered a potential source of direct shipping lateritic nickel ore (DSO). The nickel resource explored by two Japanese nickel companies in 1972 is covered by a MPSA No. 3042009-IVB. The project is still in the process of being evaluated and also transferred from Altai Resources Philippines Inc. (Altai), the original applicant of the MPSA, to SNPDC.



Further exploration is required to fully evaluate the laterite nickel resource but the project is currently on care and maintenance due to a Cease and Desist Order (CDO) issued in September 2011 by the Mines and Geosciences Bureau (MGB) of the Department of Environment and Natural Resources (DENR). Counsel for SNPDC has pursued all legal avenues with respect to the appeal to the MGB and DENR to lift the CDO.

During the September 2018 quarter, no project development field work was undertaken to minimise expenses in the Philippines.

WESTERN AUSTRALIA

KIMBERLEYS

COCKATOO ISLAND PROJECT, KIMBERLEYS

Completion of the sale of Pelican's interests in the Cockatoo Island Project comprising mining lease 04/235-I, miscellaneous licence applications 04/102 and 04/103 ("Mining Lease") and certain contractual rights to use the Ship Loader and Jetty ("Use Rights") located within the Mining Lease has occurred in accordance with the terms



of the legally binding term sheet and formal agreement (“Agreement”) with Cockatoo Iron NL (“Cockatoo Iron”) and its wholly owned subsidiary Pearl Gull Pty Ltd (“Pearl Gull”).

Pelican has received \$2.25 million in holds 5,000,000 fully paid ordinary shares in Cockatoo Iron.

Pelican and Cockatoo Iron have executed a Revenue Sharing Agreement (“RSA”), whereby Pelican will be entitled to receive up to a maximum of \$500,000 per annum of gross revenue received by Cockatoo Iron and Pearl Gull from certain non-mining activities that may be conducted by third parties within the tenements. Cockatoo Iron will have the right of pre-emption in respect of a sale by Pelican of its rights under the RSA.

RELINQUISHMENTS

Refer to previous section.

NEW ACQUISITIONS

Nil

CORPORATE

Following completion of the sale of its interests in the Cockatoo Island Project, ASX advised Pelican it considered the sale constituted the disposal of the Company’s main undertaking, in accordance with Guidance Note 12. During the quarter Pelican lodged a submission with ASX, arguing unsuccessfully the Cockatoo Island Project was not the Company’s main undertaking. As a consequence of this ASX has afforded the Company six months from 30 April 2018 to demonstrate the Company is in compliance with listing rule 12.1. If the Company does not demonstrate compliance with listing rule 12.1 to the ASX’s satisfaction by the close of business on 30 October 2018, ASX may suspend the Company’s securities from official quotation.

SHAREHOLDER INFORMATION

As at 30 September 2018 the Company had 339 shareholders and 361,923,540 ordinary fully paid shares on issue with the top 20 shareholders holding 68.89% of the total issued capital.

BUSINESS DEVELOPMENT

The Company continued to search for new opportunities in the resources sector which could demonstrate capacity to add long term shareholder value. The directors believe that existing cash reserves combined with funds received from the sale of its interest in Sibuyan Nickel Properties Development Corporation leave the Company well positioned to fund new opportunities in the resources sector.

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Competent Person’s Statement

The information in this report which relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Brian Varndell, who is a Fellow of the Australasian Institute of Mining and Metallurgy and independent consultant to the Company. Mr Varndell is an associate of Varndell & Associates and has over 45 years of exploration and mining experience in a variety of mineral deposit styles including iron ore and nickel mineralisation. Mr Varndell has sufficient experience which 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 as defined in the 2012 Edition of the “Australasian Code for reporting of Exploration Results, Exploration Targets, Mineral Resources and Ore Reserves” (JORC Code). Mr Varndell consents to inclusion in the report of matters based on this information in the form and context in which it appears.

