

SEPTEMBER 2015 QUARTERLY REPORT

15 October 2015

PELICAN RESOURCES LIMITED

ASX: PEL & PELOA

Office address:

Level 7 BGC Centre
28 The Esplanade
Perth, Western Australia 6000

Postal address:

PO Box Z5108
St Georges Terrace
Perth, Western Australia 6831

Telephone: +61 8 9421 2107

Facsimile: +61 8 9421 2100

Email:

info@pelicanresources.com.au

Web:

www.pelicanresources.com.au

Capital:

Ordinary shares: 361,923,540

HIGHLIGHTS

- Dynamo Atlantic Limited completes due diligence investigations on Sibuyan Nickel Properties Development Corporation and makes second payment of \$A940,000 in accordance with the terms of the Memorandum of Understanding.
- The Romblon Project site continued on care and maintenance with the result of the representation made on the lifting of the Cease and Desist Order (CDO) issued by the Mines and Geosciences Bureau (MGB) of the Department of Environment and Natural Resources (DENR) in September 2011. Counsel for SNPDC has been pursuing all legal avenues with respect to the appeal to the MGB and DENR to lift the CDO still pending.
- The Cockatoo Island project was purchased by Pluton Resources Limited and its joint venture partner Wise Energy from Cliffs Asia Pacific Iron Ore Pty Ltd in September 2012. Pluton is the operator and maintains management control of the project. One shipment of ore was made during the quarter ended 30th September 2015.
- Withdrawal from farm-in and joint venture agreement on the San Marcos Gold Project.
- Implementation of share sale facility for holders of less than a marketable parcel of the Company's shares.

REPUBLIC OF THE PHILIPPINES

SALE OF SIBUYAN NICKEL PROPERTIES DEVELOPMENT CORPORATION

On 25 June 2015, the Company announced that it had concluded negotiations for the sale of Sibuyan Nickel Properties Development Corporation ("SNPDC"), the beneficial owner of the Romblon Project located on Sibuyan Island in the Romblon Province in the Philippines and entered into a Memorandum of Understanding ("MOU") with Dynamo Atlantic Limited, a BVI registered company ("Dynamo").

Under the terms of the MOU, Dynamo has agreed to purchase SNPDC for a purchase price of \$A4.70 million ("Consideration") payable in cash as follows:

- an initial payment of \$A470,000 as a non-refundable deposit which was received by the Company on signing of the MOU, prior to the end of the quarter;
- Dynamo granted exclusivity for the purchase of SNPDC;
- Dynamo granted 90 days to undertake technical, legal and financial due diligence investigations;
- on Dynamo completing due diligence investigations to its satisfaction, a second payment of \$A940,000; and
- on completion of sale and transfer of 100% ownership of SNPDC, a final payment of \$3,290,000.



Dynamo has further agreed to grant a 2.5% royalty on net income generated by SNPDC from any operations undertaken on Sibuyan Island.

During the September quarter Pelican initiated discussions with its venture partner All-Acacia Resources Inc. to secure support for the sale of SNPDC.

Subsequent to the September 2015 quarter, Pelican announced Dynamo had provided formal notice that due diligence investigations on SNPDC had been completed to its satisfaction and the second cash payment of \$A940,000 representing twenty percent (20%) of the purchase price had been received.

Drafting of a sale and purchase agreement and a royalty agreement has commenced.

The proposed sale of Pelican's interest in SNPDC constitutes a disposal of main undertaking pursuant to the Listing Rule 11.2, therefore the Company will seek shareholder approval for the disposal at a shareholder meeting to be held later this year.

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 being evaluated as a source of direct shipping lateritic nickel ore (DSO). The nickel resource explored by two Japanese nickel companies in 1972 is covered by a Mineral Production Sharing Agreement (MPSA). 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 is pursuing all legal avenues with respect to the appeal to the MGB and DENR to lift the CDO.

The MGB and DENR are currently focused on reviewing a map issued during the current quarter by the Mineral Industry Coordinating Council (MICC) that specifies Go and No-Go Zones for mining throughout the Philippines. The map is a draft proposal that does not take into consideration approved Exploration Permits, MPSA's and existing mining operations. Approvals for new mining projects are expected to be deferred until the Go and No-Go Zones are finalised along with implementation rules and regulations. Counsel for SNPDC has advised that approved MPSA's should be included in Go Zones.



Additional issues such as revised mining tax regulations, Minahang Bayan Zones (Small Scale Mining) and domestic processing of DSO are currently being reviewed by various Government departments. New mining exploration projects are expected to be delayed until all issues are resolved by the current Administration. Projects with an approved MPSA or Foreign Technical Assistance Agreement (FTAA) can proceed with approvals to develop mining and plant operations. A new laterite nickel project in the Province of Agusan del Norte was commissioned in 2014 and existing mining operations have been allowed to apply for expansions of their MPSA's and Environmental Compliance Certificates (ECC's).

During the June quarter, the Company continued discussions with several local companies currently involved in nickel laterite mining in an effort to identify a potential joint venture partner for the Romblon Project,. The Company believed that involvement of an active local mining company in the project could potentially assist in the permitting process and Local Government Unit (LGU) support for the project. An interested party which had previously conducted a site visit to the Romblon Project, submitted a revised draft joint venture term sheet during the quarter. Another party which had previously submitted a draft proposal for a 90-day due diligence period with exclusive rights to negotiate an agreement, also submitted a revised draft proposal during the quarter. These proposals were reviewed and compared to the Dynamo proposal to acquire SNPDC, and the directors concluded the Dynamo proposal was superior.

Interest in laterite nickel resources in the Philippines has increased since Indonesia banned the export of DSO on 12 January 2014. The FOB price of laterite nickel DSO rose to a 6 year high during the first half of 2014. Prices declined during the current quarter as demand for nickel products in China decreased and some DSO is being replaced by other nickel products such as FeNi, nickel concentrates and nickel metal. It is expected that DSO prices will decrease or be relatively flat in the next two quarters as exports from the Philippines will increase due to improved weather and sea conditions in the mining areas of Mindanao and Dinagat Islands.

An internal study into nickel laterite processing through the use of direct reduction technology is ongoing along with discussions with local companies with processing experience. A new bill has been submitted to the Senate that proposes a ban on DSO similar to the Indonesian legislation. It is expected that there will be an implementation period of about 5 years if the bill is approved.

During 2014, the MICC approved a Minahang Bayan Zone in Eastern Leyte and Samar for Black (Iron) Sand Mining but the product must be processed domestically. It is anticipated that all new Minahang Bayan Zones will be subject to the same regulations. The MGB and DENR are preparing implementation rules and regulations for Minahang Bayan. Currently on gold, silver and chromite are allowed to be mined in Minahang Bayan Zones but the Government intends to include iron sand in the revised regulations.

As previously reported all project development field work continued on hold to minimise expenses in the Philippines.

WESTERN AUSTRALIA

KIMBERLEYS

COCKATOO ISLAND PROJECT, KIMBERLEYS (M04/235)

Interest: 100%

Operator: Pluton Resources Limited ("Pluton")

During the September quarter, Pluton produced and shipped iron ore with 1 shipment totalling 43,050 tonnes.

In August 2015 Pluton advised that it had experienced regulatory delays in completing the proposed €50,000,000 senior secured bonds through a subsidiary company, Irvine Island Finance Corporation Ltd. Pluton's largest shareholder, General Nice Recursos Comercial Offshore De Macau Limitada ("GNR"), reaffirmed its commitment to support Pluton via a proposed bridge financing arrangement to ensure payment of royalty obligations and payment of debts related to the period that KordaMentha was appointment as Receiver and Manager. On 8 September 2015 Pluton announced that Bryan Kevin Hughes and Daniel Johannes Bredenkamp of Pitcher Partners had been appointed as Receivers and Managers by GNR, the first ranking secured creditor of



Pluton. The appointment of the Receivers and Managers formed part of a recapitalisation and restructure proposal which if successful would result in GNR or an associate (Lender) providing significant financial support to Pluton. As a condition of the recapitalisation and restructure proposal, the Pluton board has contemporaneously appointed Vince Smith and Sam Freeman of Ernst & Young as joint and several voluntary administrators of Pluton.

Pelican has met with the Receivers and Administrators of Pluton to discuss the recapitalisation and restructure proposal and the settlement of outstanding royalty payments.

Pluton recently announced that Sam Marsden and Derrick Vickers of PricewaterhouseCoopers were appointed as Voluntary Administrators on 5 October 2015 following the resignation of Vincent Smith and Samuel Freeman of Ernst & Young.

The Company has previously issued Pluton with a Default Notice seeking settlement of outstanding royalty payments totalling \$1,163,147.

USA

SAN MARCOS GOLD PROJECT, ARIZONA

During the quarter and in accordance with the terms of the farm-in and joint venture agreement (“Agreement”) on the San Marcos Gold Project, Pelican on behalf of Dore 5 Resources confirmed its withdrawal from the Agreement with AusROC Metals Limited.

Pelican has no further rights in connection with the Agreement or the San Marcos Gold Project.

Pelican has commenced the process to dissolve Dore 5 Resources.

RELINQUISHMENTS

Refer to section above relating to San Marcos Gold Project.

NEW ACQUISITIONS

Nil

CORPORATE

GENERAL MEETING OF SHAREHOLDERS

At a general meeting of shareholders held on 30 July 2015 approval was obtained for the following:

- the issue of 25,547,324 Underwriter Options to Capital Investment Partners Pty Ltd (or its nominees);
- the issue of 24,452,676 Underwriter Options to directors (or their nominees) as a sub-underwriting fee;
- approval for the prior issue of options; and
- the adoption of a new constitution.

LESS THAN MARKETABLE PARCEL SHARE SALE FACILITY

The Company has implemented a share sale facility (“Facility”) for holders of less than a marketable parcel (defined in the ASX Listing Rules as a parcel of securities of not less than \$500 in value) (“Less Than Marketable Parcel”) of the Company’s shares.

The Company is providing the Facility to holders of Less Than Marketable Parcels to sell their shares without incurring any costs that could otherwise make a sale of their shares uneconomic. In addition, the Company expects to reduce the administrative costs associated with maintaining a large number of small shareholdings.



The sale price will be equal to \$0.008 being the average sale price of the Company's shares quoted on the Australian Securities Exchange ("ASX") for the (10) ten consecutive trading days preceding this announcement. Each shareholder will receive the sale proceeds via direct credit for their shares sold through the Facility on or around 11 November 2015.

BUSINESS DEVELOPMENT

The Company continues to actively investigate new business development opportunities with a focus on low entry cost projects. As and when acquisitions are completed, the Company will make announcements to the market at appropriate times.

To assist with the Company's strategy of identification and acquisition of new business development opportunities, Pelican has engaged Capital Investment Partners Pty Ltd ("CIP") to the role of Corporate Advisor to Pelican.

Under the terms of the engagement, on completion of an acquisition by Pelican, CIP will be entitled to receive a fee of 10% of the transaction value and satisfied by the issue of securities in Pelican.

CIP will also be granted 14.5 million Advisor Options which will vest on completion of an acquisition by Pelican. It is proposed these Advisor Options will be exercisable at \$0.02 and expire on 31 December 2019.

The Company will seek the approval of Shareholders for the issue of the Advisor Options at the Annual General Meeting to be held on 12 November 2015.

The Company proposes to grant of 20,000,000 Incentive Options to Directors in recognition of their efforts since their appointment and to support the achievement of the Company's business development strategy by linking executive reward to improvements in the financial performance of the Company and aligning the interests of executives with shareholders.

It is proposed the Incentive Options will be exercisable at \$0.02 and expire on 31 December 2019.

The Company will also seek the approval of Shareholders for the issue of the Incentive Options to Directors at the upcoming Annual General Meeting.

For further information:

Mr Anthony Torresan
Director
Telephone: +61 411 152 185
E-mail: atorresan@pelicanresources.com.au

Mr Alec Pismiris
Director & Company Secretary
Telephone: +61 402 212 532
E-mail: apismiris@pelicanresources.com.au

Competent Person's Statement

The information in this Report that relates to Mineral Resources is based on, and accurately reflects, the information compiled by Dr John Hills a consultant to Pelican Resources Limited. Dr Hills is a member of the Australasian Institute of Mining and Metallurgy, respectively. Dr Hills has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activities which they are undertaking to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Dr Hills consents to the inclusion in this report of the matters based on the information in the form and context in which it appears.

