

## SEPTEMBER 2016 QUARTERLY REPORT

13 October 2016

### PELICAN RESOURCES LIMITED

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**Capital:**

Ordinary shares: 361,923,540

### HIGHLIGHTS

- Pelican secured support of All Acacia Resources Inc. for the sale of Sibuyan Nickel Properties Development Corporation to Dynamo Atlantic Limited (DAL). Pelican considers the agreement with DAL unconditional and the parties are able to proceed towards completion.
- 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.
- The Cockatoo Island project was purchased by Pluton Resources Limited (Pluton) and its joint venture partner Wise Energy from Cliffs Asia Pacific Iron Ore Pty Ltd in September 2012. Bryan Hughes and Daniel Bredenkamp of Pitcher Partners act as Receivers and Managers of Pluton with all project operations under their control.
- Legal proceedings by a creditor of Pluton resulted in the Supreme Court of Western Australia ordering the DOCA executed on 4 January 2016 be terminated. The Court subsequently ordered that Pluton be wound up and that Sam Marsden and Derrick Vickers be appointed Joint and Several Official Liquidators of Pluton.

### 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;
- a second payment of \$A940,000 was received by the Company on Dynamo completing technical, legal and financial due diligence investigations; and
- on completion of sale and transfer of 100% ownership of SNPDC, a final payment of \$A3,290,000.

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



Pelican previously reported attempts to secure the support of its venture partner, All Acacia Resources Inc. (“AARI”) for the MOU had been unsuccessful. During the quarter Pelican received notification from AARI that it was prepared to support the MOU and therefore the sale of SNPDC. Dynamo completed due diligence enquiries to its satisfaction in October 2015 and advanced payments totaling \$A1.41 million in accordance with the terms of the MOU.

Subsequent to securing AARI’s support for the sale of SNPDC, Pelican notified Dynamo that it considered the MOU unconditional and the parties could proceed towards completion. Pelican provided Dynamo with an updated draft Share Sale Agreement (“SSA”) that facilitates the transfer of 100% ownership of SNPDC.

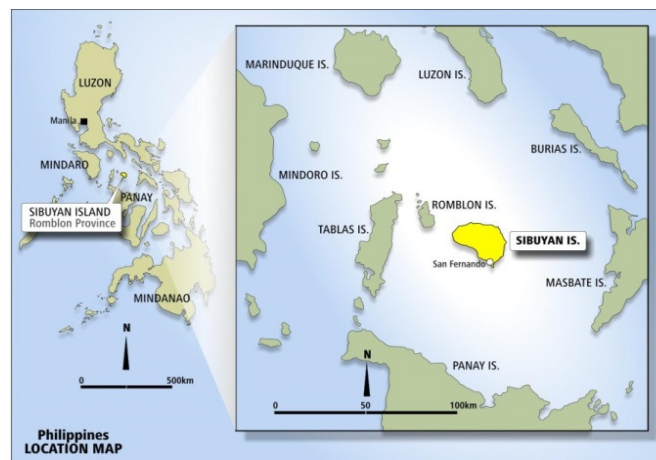
Dynamo has written to Pelican indicating that it does not wish to proceed with the purchase of SNPDC, and has requested a full refund the purchase price paid to date under the MOU. Pelican has advised Dynamo that it considers the MOU, and the parties’ respective obligations under it, remain on foot, and that it requires Dynamo to complete the MOU by payment of the balance of the purchase price at settlement of the sale.

The 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 the Annual General 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).

Interest in laterite nickel resources in the Philippines did increase when Indonesia banned the export of DSO on 12 January 2014. During the first half of 2014 the FOB price of laterite nickel DSO rose to a 6 year high. Since that peak the FOB price of laterite nickel DSO has declined significantly and remains subdued due to the oversupplied nature of the global market for nickel.

The Company held 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 support for the project. An interested party which had conducted two site visits to the Romblon Project, submitted a draft joint venture term sheet during the first quarter of 2015. 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 first quarter of 2015. The Company ceased these discussions on entering into negotiations with Dynamo for the sale of the whole of SNPDC. The Company considered the terms proposed by Dynamo to acquire the whole of SNPDC to be more beneficial to the Company than the terms previously proposed by other interested parties.

An internal study into nickel laterite processing through the use of direct reduction technology was undertaken by the Company in conjunction with discussions with local companies that had 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.

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 (Receivers and Managers Appointed)(Subject to Deed of Company Arrangement)

On 5 October 2015 Sam Marsden and Derrick Vickers of PricewaterhouseCoopers ("PWC") were appointed as Voluntary Administrators of Pluton Resources Limited ("Pluton") following the resignation of Vincent Smith and Samuel Freeman of EY.

Bryan Hughes and Daniel Bredenkamp of Pitcher Partners continued to act as Receivers and Managers of Pluton. Throughout the quarter the assets and undertakings of Pluton remained subject to the Receivers' appointment and all operations of Pluton were under the control of the Receivers.

A second meeting of creditors of Pluton was held on 9 December 2015 at which creditors voted in favour of the proposal for the Deed of Company Arrangement (DOCA) proposal from World System Capital Investment Limited (BVI) ("WSCF"), a related entity of General Nice Recursos Comercial Offshore De Macau Limitada.

On 6 January 2016 PWC announced that Pluton and WSCI executed the DOCA on 4 January 2016. On execution of the DOCA, Sam Marsden and Derrick Vickers retired as Joint and Several Voluntary Administrators of Pluton and were appointed Joint and Several Deed Administrators.



WSCJ was unable to comply with the terms of the DOCA and at a subsequent meeting of creditors held on 23 May 2016, creditors approved a proposal to provide WSCJ with an extension of time to comply with the terms of the DOCA. The varied DOCA was subsequently executed on 20 July 2016.

Legal proceedings were initiated by a creditor of Pluton to set aside the varied DOCA which resulted in the Supreme Court of Western Australia ordering the DOCA be terminated on 21 July 2016. On 3 August 2016 the Court ordered that Pluton be wound up and that Sam Marsden and Derrick Vickers be appointed Joint and Several Official Liquidators of Pluton.

The Receivers and Managers have been advertising for expressions of interest for Pluton's interests in the Cockatoo Island Project (held via a joint venture in that project).

Pelican is a creditor of Pluton. Whether Pelican will receive any dividend in the winding up is likely to depend on the ability of the receiver to sell Pluton's interest in the Project, and whether there is any surplus after secured creditors are paid. It is not possible to determine at this time whether Pelican will or is likely to receive any dividend from the winding up.

There were no shipments of ore completed during the quarter.

## **RELINQUISHMENTS**

Nil.

## **NEW ACQUISITIONS**

Nil

## **CORPORATE**

### **BUSINESS DEVELOPMENT**

The Company continues to 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.

For further information:

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### **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.*

