

ASX / AIM ANNOUNCEMENT

19 September 2018

## ACQUISITION OF DSO NICKEL LATERITE PROJECT AND FINANCING

### Highlights

- **Strategic acquisition of a potential direct shipping (DSO) nickel laterite project, the Jejevo Nickel Project, with near-term development potential in close proximity to numerous international markets.**
- **The Jejevo Nickel Project is based on nickel laterite mineralisation which was previously held by Inco and Sumitomo, has been the subject of considerable drilling and development studies.**
- **The Jejevo Nickel Project is held under a current Prospecting License and is located on Santa Isabel Island in the Solomon Islands. It is proximate to the coast and has DSO potential.**
- **Placement and Rights Issue to raise approximately \$3 million (before costs) on a combined basis to fund the advancement of this nickel opportunity as well as its Colombian gold projects.**

Executive Chairman Mr. Kevin Wilson commented:

*“The acquisition of the Jejevo Nickel Project, gives Metminco exposure to nickel at a time when rising battery manufacture is expected to accelerate demand for the metal. We will commence advancing Jejevo as soon as the acquisition completes.*

*Together with our Quinchia Gold Project we now have two advanced exploration projects that we believe offer near term development potential.”*

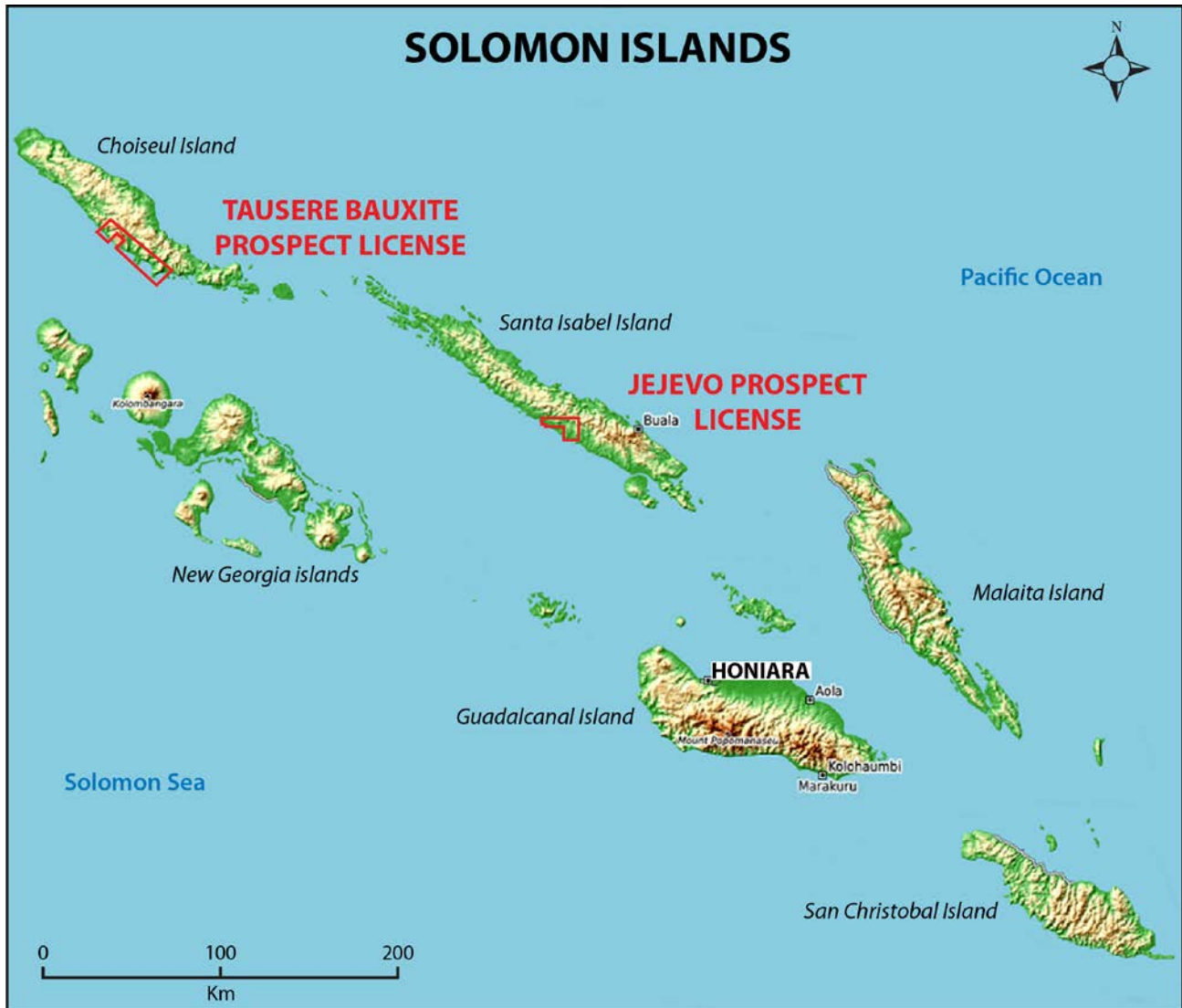
Metminco Limited (Metminco, ASX: MNC; AIM: MNC) is pleased to announce that it has entered into a binding term sheet to acquire 100% of the issued capital of Sunshine Metals Ltd (**Sunshine**) which holds 80% of the Jejevo Nickel Project on Santa Isabel Island in the Solomon Islands, as well as an 80% interest in an early stage bauxite prospect, the Tausere Project, located on the southern coastline of Choiseul Island, situated at the northwest extent of the Solomon Islands.

The Jejevo Nickel Project is based on a nickel laterite deposit which was previously held by Inco and Sumitomo and the subject of considerable drilling and studies. The Project combines attractive nickel grades, with close proximity (approximately 11kms) to a site believed suitable for barge exports and is potentially suitable for a low capital direct shipping operation (**DSO**) development.

The acquisition will provide Metminco with a project that the Company intends to rapidly advance and provides exposure to nickel prices in a period when demand growth is expected to be driven by, in particular, the growing market for batteries to support increasing electric vehicle production. Together with its Quinchia Gold Project in Colombia, Metminco will have two diverse and rapidly advancing metal projects and is well positioned to benefit from any upswing in metal pricing.

## Jejevo Nickel Project

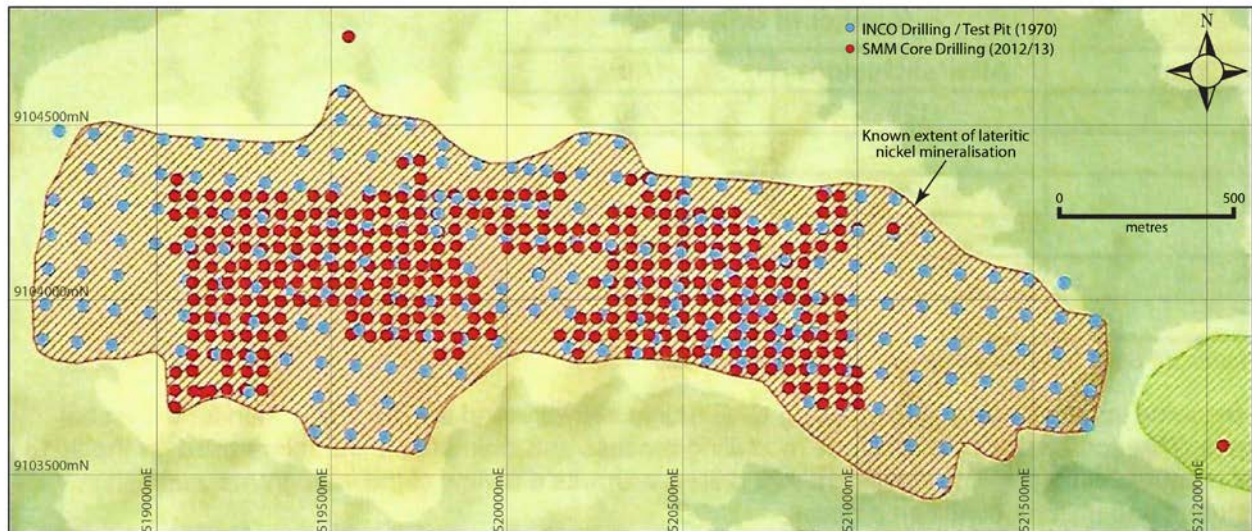
The Jejevo nickel deposit is an advanced exploration nickel laterite deposit located on Santa Isabel Island in the Solomon Island chain. The area is covered by a Prospecting Licence (PL-01/18) granted to Sunshine Metals in July 2018 (*refer Figure 1*).



**Figure 1: Location Map, showing the Jejevo Nickel and Tausere Bauxite exploration areas.**

Previous owners including Inco, BHP and Sumitomo Metal Mining (**SMM**) undertook several phases of investigations since the 1970s including drilling (428 holes including 338 diamond holes drilled by SMM in 2012/13) and pitting (158) returning nickel mineralisation over an area extending for approximately 3,000m long by 650m wide (*refer Figure 2*). The exploration drilling and pitting has hole spacing ranging from 50m to 400m and tested the zone of weathering which extended down to approximately 12m depth. The nickel mineralisation encountered in these holes are reported to have average grades ranging between 1.1% and 1.3% Ni over 5m to 7m in thickness.

The grade range was determined from the results of a statistical analysis commissioned by SMM of 5,524 one metre composite samples collected from 472 vertical drill holes and pits spaced between 50m and 400m apart. Geochemical domaining of the composite samples was undertaken to further refine the average grades for the limonite, transition and saprolite zones of the lateritic profile. Global average densities were used for the various domains.



**Figure 2: Plan showing location and extent of exploration drilling and pitting over the Jejevo Project and the known extent of the nickel mineralisation.**

### Cautionary Statement

The above exploration information was derived from a report undertaken by Golders Associates in 2014 and commissioned by SMM, and has not been reported in accordance with the JORC Code 2012. The exploration information was based on the 428 holes (including 338 diamond holes drilled by SMM in 2012/13) and pitting (158) returning nickel mineralisation over an area extending for approximately 3,000m long by 650m wide set out in *Figure 2*. A Competent Person has not done sufficient work to disclose the exploration information in accordance with the JORC Code 2012. It is possible that following further evaluation and /or exploration work that the confidence in the prior reported exploration information may be reduced or modified when reported under the JORC Code 2012. Nothing has come to the attention of Metminco that causes it to question the accuracy or reliability of the former owner's exploration information, however, Metminco notes that it does not appear that SMM undertook independent laboratory analysis of assay data, and accordingly, Metminco intends to address this as part of its proposed evaluation process. Metminco has not independently validated SMM exploration information and therefore is not to be regarded as reporting, adopting or endorsing those results. There is no more current information in the public domain relating to the Jejevo Nickel Project.

SMM undertook preliminary test work and completed internal company estimates of mineralisation and economic studies of the Jejevo Nickel Project. Based on this information, and the analysis of this information undertaken by Metminco's competent person, as set out in the JORC Table 1 attached to this announcement, Metminco has estimated an Exploration Target of approximately 10Mt-15Mt at grades of approximately 1.1%-1.3% Ni.

The Exploration Target is conceptual in nature and there has been insufficient exploration to estimate a mineral resource. It is uncertain if further exploration will result in the estimation of a JORC Code (2012) compliant mineral resource in whole or in part.

Metminco intends to assess the existing data, and undertake any confirmatory studies (including drilling and other data acquisition as necessary) with the aim of generating a JORC resource in 2019 to support economic studies on the deposit.

Development studies were also undertaken by international external consultants which will also need to be confirmed by Metminco's studies. An EIS indicated there did not appear to be significant development hurdles and a DSO would not require tailings facilities. A barging location was identified approximately 11km from the proposed mine site and exported laterite was being considered as feedstock into HPAL plants in various locations. Metminco intends to seek a Mining Licence in 2019 on successful completion of these confirmatory studies.

For further details of the Jejevo Nickel Project please refer to the company presentation announced today 19 September and available on the Company's website [www.metminco.com.au](http://www.metminco.com.au).

### Summary Terms of the Transaction

Metminco proposes to acquire 100% existing share capital in Sunshine Minerals Limited (**Sunshine**) through the issue of shares on a staged basis (**Acquisition**).

Sunshine is a private company based in the Solomon Islands, to northeast of Australia, focused on the exploration and development of its 80% interest in an advanced stage DSO nickel laterite project, the Jejevo Nickel Project, located on the south coast of Santa Isabel Island. The remaining 20% interest is held by a representative of the local landowner group with a carry arrangement on terms still to be negotiated.

Sunshine also has an 80% interest in an early stage bauxite prospect, the Tausere Project, located on the southern coastline of Choiseul Island, situated at the northwest extent of the Solomon Islands.

The consideration for the Acquisition of Sunshine is as follows:

- (a) \$1,500,000 less the Deposit (see below) and agreed debts in Sunshine which will be satisfied through the issue of up to 250,000,000 fully paid ordinary shares in the capital of Metminco (**Metminco Shares**) at a deemed issue price of \$0.006 each (**Upfront Consideration Shares**);
- (b) 250,000,000 Metminco Shares upon announcement to the ASX by Metminco of an initial JORC compliant resource estimate at Jejevo Nickel Project of at least 125,000 tonnes of contained nickel metal at a cut-off grade of not less than 0.7% nickel, which must be based upon exploration information delivered to Metminco by Sunshine and exploration work undertaken by Metminco in the amount of not greater than \$500,000 (**Stage 1 Deferred Consideration Shares**); and
- (c) 500,000,000 Metminco Shares upon the receipt of a mining license over the Jejevo Nickel Project located in the Santa Isabel Province, Solomon Islands (**Stage 2 Deferred Consideration Shares**).

Metminco has agreed to pay Sunshine a non-refundable deposit of \$50,000 (**Deposit**). The Deposit funds are to be used to pay part of the landowner access fees for the Jejevo Project.

The Acquisition is conditional upon a number of items, including but not limited to:

- (a) successful completion of due diligence by Metminco;
- (b) Metminco completing a minimum \$3,000,000 equity capital raising; and
- (c) Metminco shareholder approval of all required resolutions. This will include Metminco obtaining shareholder approval under ASX Listing Rules 7.1 and 11.1.2 to issue the Upfront Consideration Shares, Stage 1 and Stage 2 Deferred Consideration Shares and a waiver from ASX Listing Rule 7.3.2 to issue the Stage 1 and Stage 2 Deferred Consideration Shares at a date later than 3 months after the date of shareholder approval.

Further details concerning Sunshine and the Transaction are presented below in this announcement.

### Placement

Metminco has received firm commitments for a placement of 135,000,000 Metminco Shares at an issue price of AUD0.4c (**Issue Price**) to raise \$540,000 using the Company's available capacity pursuant to ASX Listing Rule 7.1 (**Placement Shares**).

Each recipient of Placement Shares will also receive one (1) attaching listed option (**Placement Option**) (ASX: MNCOA) exercisable at AUD1.1c per share on or before 1 June 2020 for every three (3) new Metminco Shares subscribed under the Placement. The issue of Placement Options will be subject to shareholder approval.

Following the issue of Placement Shares to be issued under the Placement the Company will have 1,047,548,977 Metminco Shares on issue and after this time this figure may be used by shareholders as the denominator for the calculations to determine if they are required to notify their interest in, or a change to their interest in, the Company under the FCA's Disclosure Guidance and Transparency Rules.

It is intended that the Placement funds will be settled on Tuesday 25 September 2018.

Patersons Securities Limited (**Patersons**) acted as lead manager to the Placement.

### Renounceable Rights Issue

Metminco will undertake a pro rata renounceable rights issue to raise up to \$2,514,118 (before costs of the offer) (**Rights Issue**), comprising an offer of three (3) Metminco Shares (**Rights Shares**) for every five (5) existing Metminco Shares at issue price of AUD0.4c per Rights Share, together with one (1) attaching listed option (**Rights Option**) (ASX: MNCOA) exercisable at AUD1.1c per Metminco Share on or before 1 June 2020 for every three (3) Rights Shares subscribed under the Rights Issue.

The Rights Issue is intended to be underwritten by Patersons, who is also acting as lead manager to the Rights Issue, although the extent and terms of such underwriting is yet to be finalised.

The offer of securities under the Rights Issue will be made pursuant to a prospectus prepared in accordance with section 713 of the Corporations Act 2001 which is anticipated to be lodged on ASX before the end of September 2018 (**Prospectus**).

It is intended that only shareholders with a registered address in Australian and New Zealand will be eligible to participate in the Rights Issue (**Eligible Shareholders**). Eligible Shareholders will have the opportunity to apply for additional rights above their pro-rata entitlement. However, the acceptance of these applications for additional rights is the decision of the Board and the underwriter.

Metminco intends to appoint Patersons to act as a nominee to seek to sell ineligible shareholders' rights during the Rights Issue period. Any proceeds of this sale (less transaction costs) will be paid to ineligible shareholders on a pro rata basis.

The new Metminco Shares to be issued under the Rights Issue and Placement total 763,529,386 comprising 628,529,386 Rights Shares (on the basis that the record date follows after settlement of the Placement) and 135,000,000 Placement Shares.

The Company intends to seek quotation on the ASX for the Placement and Rights Shares and Placement and Rights Options issued under the Rights Issue and Placement, and will make an application for admission to trading on AIM for the Placement Shares issued under the Placement. Trading in the Placement Shares is expected to commence on AIM on or around 26 September 2018.

The Placement Shares and Rights Shares will rank equally with existing Metminco Shares.

The Company has not received any updated notification from Significant Shareholder Lanstead Capital L.P., but should their holdings remain unchanged since their last notification their interest in Metminco will decrease on unchanged holdings and the impact of dilution to 6.85% (71,768,608 Metminco Shares)

The shareholding in Metminco of Mr Nevres Crljenkovic and associated entities has increased to 45,375,000 Metminco Shares through the acquisition of 5,375,000 Metminco Shares since 26 April 2018. Combined with the impact of dilution this revised shareholding represents an interest of 4.33% in Metminco.

Funds raised under the Placement and Rights Issue will be used for advancing the Company's Quinchia Gold Project in Colombia, advancing the Jejevo Nickel Project, and working capital. In the event that the Rights Issue is not successful this represents a failed condition precedent in the proposed acquisition of Sunshine Minerals and the acquisition will not proceed.

### **Intention to cancel Admission to trading on AIM**

Metminco is currently listed on two securities exchanges - the Official List of the Australian Securities Exchange (**ASX**) and the AIM market of the London Stock Exchange (**AIM**).

Following due consideration, and in an effort to streamline listing and compliance costs and best advance and protect shareholder's interests, the Board has determined that the continued admission to trading of Metminco Shares on AIM (**Admission**) is no longer in the best interests of Metminco and its shareholders. Factors the Board has considered include the following:

- the very low holding of Metminco Shares on AIM, with less than 6% of Metminco Shares at 6 September 2018 held via UK Depositary Interests (**DI**s), with this figure likely be less than 5% upon completion of the Placement;
- limited trading and liquidity on AIM. For the past 12 months, less than 9% of the trading in Metminco Shares has occurred on AIM, with this figure falling to less than 5% since completion of the Entitlements Issue in April 2018. Low levels of liquidity also carry the risk that the Company's share price can move up or down significantly following trades of small numbers of shares;
- limited success in attracting significant funding out of the UK;
- the high costs of compliance and marketing in the UK against the limited benefits obtained, which capital could be better deployed to the company's fundamental business; and
- given the Acquisition constitutes a reverse takeover (**RTO**) under Rule 14 of the AIM Rules for Companies (**AIM Rules**) the Company would be required to prepare and publish a full circular to shareholders and seek shareholder approval, which would also be accompanied by the preparation and publication of an admission document in respect of the proposed enlarged entity. The Board considers that significant diversion of already limited funds toward such an exercise, and the additional delay and uncertainty that it would bring to the Acquisition, are not in the best interests of the Metminco or its shareholders.

Therefore, the Board believes that the burdens and risks of the Company's current Admission to trading on AIM outweigh the benefits and that, accordingly, it would be in the best interests of the Company and shareholders as a whole if the Company's Admission to trading on AIM were cancelled (the **Cancellation**).

Pursuant to Rule 41 of the AIM Rules, the Company, by way of its nominated adviser, has notified the London Stock Exchange of its preferred date of the intended Cancellation.

The listing and trading of Metminco Shares on the ASX will continue and is not affected by the Cancellation.

The principal effects that the Cancellation would have on shareholders are as follows:

- Metminco Shares will no longer be traded on AIM, and it is expected that trading of the Metminco Shares on AIM will remain suspended until the Cancellation;
- the Company's Depositary Interest (**DI**) facility is expected to be cancelled and the securities transferred to the Australian share register;
- Metminco Shares will remain freely transferable following the Cancellation;
- the regulatory and financial reporting regime, including but not limited to the AIM Rules, the corporate governance requirements for companies trading on AIM, and the EU Market Abuse Regulation, applicable to companies whose shares are admitted to trading on AIM will no longer apply, but the regulatory framework of the ASX, including its corporate governance requirements, and Australian company law will still apply;
- shareholders will no longer be afforded the protections given by the AIM Rules, such as the requirement to be notified of certain events and the requirement to obtain shareholder approval for certain transactions where applicable, such as reverse takeovers and fundamental changes in the Company's business, albeit similar protection may be afforded pursuant to the ASX Listing Rules and Australian company law;
- RFC Ambrian will cease to be the nominated advisor to the Company;
- arrangements will be made by the Company for Metminco Shares held by existing Metminco shareholders on the DI register be able to trade their Metminco Shares on the

ASX while trading in Metminco securities remains suspended on AIM, subject to undertaking certain actions; and

- the Cancellation might have either positive or negative taxation consequences for shareholders. Shareholders who are in any doubt about their tax position should consult their own professional independent tax adviser.

The above considerations are non-exhaustive and shareholders should seek their own independent advice when assessing the likely impact of the Cancellation on them.

Further details of the various arrangements for the cancellation of the DI facility, transfer of securities to the Australian register and the trading of Metminco Shares held via DI's while Metminco remains suspended on AIM will be notified to shareholders shortly.

Under the AIM Rules, the Company is required to notify the intended Cancellation and separately inform the London Stock Exchange of its preferred Cancellation date at least 20 Business Days' prior to such date. The timetable for the Cancellation is set out below:

- 19 September 2018: commencement of 20 business day period under AIM Rule 41
- 16 October 2018: Last day of trading on AIM
- 17 October 2018: Cancellation of Admission of Metminco Shares to trading on AIM (7.00am British Summer Time)

In accordance with the guidance notes to AIM Rule 41, shareholder consent in a general meeting of the Company, which would otherwise be required pursuant to AIM Rule 41, will not be required as the Company is maintaining its listing on ASX, being an AIM Designated Market as defined in the AIM Rules.

## Further details of the Transaction

### Sunshine Metals Ltd

Sunshine is a private company incorporated in the Solomon Islands, to northeast of Australia, focused on the exploration and development of its 80% interest in an advanced stage DSO nickel laterite project, the Jejevo Project, located on the south coast of Santa Isabel Island. The remaining 20% interest is held by a representative of the local landowner group with which a carry arrangement is to be negotiated as a condition precedent to the transaction.

Sunshine also has an 80% interest in an early stage bauxite prospect, the Tausere Project, located on the southern coastline of Choiseul Island, situated at the northwest extent of the Solomon Islands.

These interests are held through two Solomon Islands incorporated subsidiaries:

- an 80% interest in Sunshine Nickel Limited (**SUB1**); and
- an 80% interest in Sunshine Moumolu Limited (**SUB1**)

The remaining 20% of SUB1 is held by Mr Nelson Kile (**Nelson Interest**) and the remaining 20% of SUB2 is held by the Bugotu Landowners Association.

Sunshine has 5 shareholders, each of which are a counterparty to the Acquisition (together the **Vendors**):



- Eagle Ray Investments Pty Ltd (**Eagle Ray**) 30.2% interest
- Gunsynd PLC (**Gunsynd**) 19.8% interest
- Pawel Misiec 23.6% interest
- Andrew Kuzemko 23.6% interest
- Nelson Kile 2.9% interest

Sunshine's unaudited loss for the financial year ended 31 March 2018 was SBD3,514,188 (~AUD619,000), and it has net assets of negative SBD2,552,484 (~AUD450,000) made up of:

- Current assets: SBD20,703 (~AUD4,000)
- Fixed assets: SBD0 (AUD0)
- Current Liabilities SBD2,573,187 (~AUD453,000)

The Current Liabilities of Sunshine include the Deposit. Amounts in excess of the Deposit are subject to payment at the discretion of Metminco.

### Conditions Precedent

The Acquisition is conditional upon a number of items (**Conditions Precedent**), including:

- i) successful completion of due diligence by Metminco;
- ii) Metminco completing a minimum \$3,000,000 equity capital raising;
- iii) execution of a JV arrangement between Metminco and Nelson Kile whereby Nelson Kile is carried until production is commissioned on any project on a SUB1 tenement via "carried interest finance" to be provided by Metminco where exploration and development costs attributable to the Nelson Interest (plus interest at the interbank bank bill swap rate plus 5%) are offset against the future cash flows or sale proceeds of the relevant Tenement and must be fully repaid before dividends can be paid by SUB1;
- iv) Metminco shareholder approval of all required resolutions, including the issue of the Upfront, Stage 1 Deferred and Stage 2 Deferred Consideration Shares; and
- v) all necessary regulatory approvals, including ASX granting the Company a waiver from listing rule 7.3.2 to permit the Company's notice of meeting to seek shareholder approval to issue the Stage 1 and Stage 2 Deferred Consideration Shares up to 5 years after the date of the relevant shareholder approval, and ASX confirming to Metminco, on terms satisfactory to Metminco, that Metminco will not be required to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

If the Conditions Precedent are not satisfied (or waived by Metminco) on or before 5.00pm (Western Standard Time) on 17 November 2018, any party may terminate the Acquisition. The Company cautions that there can be no guarantee that the Acquisition will successfully complete, however settlement of the Acquisition would occur 5 business days after the satisfaction (or waiver by Metminco) of the Conditions Precedent.

The Acquisition includes warranties, representations and undertakings typical of a transaction of this nature.

Should the Acquisition complete, the interests in Metminco Shares of the Vendors, on a post-Placement, post-Rights Issue basis, on the payment of the Upfront Consideration (on the basis the maximum payable is paid) and in the event all Deferred Consideration is paid are set below (rounding errors may be present):

	<u>Upfront only paid</u>	<u>All Consideration Paid</u>
• Eagle Ray	75,000,000 (3.9%)	300,000,000 (11.2%)
• Gunsynd	50,000,000 (2.6%)	200,000,000 (7.5%)
• Pawel Misiec	58,878,945 (3.1%)	235,515,780 (8.8%)
• Andrew Kuzemko	58,878,945 (3.1%)	235,515,780 (8.8%)
• Nelson Kile	7,242,110 (0.4%)	28,968,440 (1.1%)
• Total Vendors	250,000,000 (13.0%)	1,000,000,000 (37.4%)
• Metminco Shares on issue	1,926,078,363	2,676,078,363

This would result in Eagle Ray, Pawel Misiec and Andrew Kuzemko becoming Significant Shareholders of Metminco for the purposes of the AIM Rules upon issuance of the Upfront Consideration. Should the Stage 1 and Stage 2 Deferred Consideration be issued Gunsynd would also become a Significant Shareholder, while Eagle Ray would become a Substantial Shareholder for the purposes of the AIM Rules. This assumes no further Shares in Metminco are issued prior to the issuance of the Stage 1 and Stage 2 Deferred Consideration.

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**COMPETENT PERSONS STATEMENT**

The technical information contained in this presentation that relates to exploration results and the Exploration Target (excluding those pertaining to Mineral Resources and Reserves) is based on information compiled by Mr Gavin Daneel, who is a Member of the Australasian Institute of Mining and Metallurgy and who is an independent Consulting Geologist. Mr Daneel 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, Mineral Resources and Ore Reserves' and to qualify as a Qualified Person for the purposes of the AIM Rules for Companies. Mr Daneel consents to the inclusion in the release of the matters based on the information he has compiled in the form and context in which it appears.

The Company is not aware of any new information or data that materially affects the information included in this announcement.

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**Market Abuse Regulation (MAR) Disclosure**

The information communicated in this announcement includes inside information for the purposes of Article 7 of Regulation 596/2014.

**Forward Looking Statement**

All statements other than statements of historical fact included in this announcement including, without limitation, statements regarding future plans and objectives of Metminco are forward-looking statements. When used in this announcement, forward-looking statements can be identified by words such as "anticipate", "believe", "could", "estimate", "expect", "future", "intend", "may", "opportunity", "plan", "potential", "project", "seek", "will" and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this announcement, are expected to take place. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, its directors and management of Metminco that could cause Metminco's actual results to differ materially from the results expressed or anticipated in these statements.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this announcement will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements. Metminco does not undertake to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this announcement, except where required by applicable law and stock exchange listing.

# JORC Code, 2012 Edition – Table 1 report template

## Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation	Commentary
Sampling techniques	<ul style="list-style-type: none"> <li>Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.</li> <li>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.</li> <li>Aspects of the determination of mineralisation that are Material to the Public Report.</li> <li>In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.</li> </ul>	<ul style="list-style-type: none"> <li>INCO completed extensive drilling and pitting activities for the Takata and San Jorge areas (Kaiser, 1993) as well as the Jejevo area from 1965 to 1970. No exploration reports are available to support the work completed. The data was supplied to the Solomon Island government and has subsequently been lost. The available drilling and pitting data for Jejevo comprising samples obtained from 82 drill holes and 158 test pits (shallow shafts) were sourced from data and maps from SMM archives from their original involvement with INCO over many years stretching back to the 1970s.</li> <li>Sumitomo Metal Mining Co Ltd (SMM) completed 4 auger holes in 2008, 4 scout drill holes in 2009, 6 diamond core drill holes in 2012 and 332 diamond core drill holes in 2013 on the Jejevo Project. SMM drill core was sampled as 1m lengths of whole core after logging and prepared for analysis in the SMM laboratory. Assaying was by pressed pellet XRF also undertaken by SMM at Honiara.</li> <li>Mitsui undertook initial prospecting work on the Tausere area in the 1970s. Auger sampling of the soil profile was used to obtain samples that were prepared and submitted to a laboratory for analysis for Al, Si and P<sub>2</sub>O<sub>5</sub>.</li> </ul>
Drilling techniques	<ul style="list-style-type: none"> <li>Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).</li> </ul>	<ul style="list-style-type: none"> <li>The majority of the drilling at Jejevo was undertaken using a core drilling technique. No details of the drilling machine, core diameter and tube configuration used are currently available.</li> <li>The sampling undertaken at Tausere was by soil auger.</li> <li>The holes were drilled vertically downwards</li> <li>No details are currently available describing whether the core was oriented or not.</li> </ul>
Drill sample recovery	<ul style="list-style-type: none"> <li>Method of recording and assessing core and chip sample recoveries and results assessed.</li> <li>Measures taken to maximise sample recovery and ensure representative nature of the samples.</li> <li>Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.</li> </ul>	<ul style="list-style-type: none"> <li>No details are currently available describing the measures taken to ensure the representative nature of the samples, including the regularization of the core recovered from the drilling at both Jejevo and Tausere.</li> <li>No details are currently available accounting for potential sample bias resulting from any preferential loss/gain of fine/coarse material.</li> </ul>
Logging	<ul style="list-style-type: none"> <li>Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support</li> </ul>	<ul style="list-style-type: none"> <li>All holes were marked up for recovery calculations, logged for geology, structural elements and recovery and marked up for sampling interval.</li> </ul>

Criteria	JORC Code explanation	Commentary
	<p><i>appropriate Mineral Resource estimation, mining studies and metallurgical studies.</i></p> <ul style="list-style-type: none"> <li>• <i>Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.</i></li> <li>• <i>The total length and percentage of the relevant intersections logged.</i></li> </ul>	<ul style="list-style-type: none"> <li>• Details are currently being sought describing the level of logging detail and the use of core photography which are likely to have been undertaken at a level and standard that satisfied prevailing industry standards.</li> </ul>
<p><i>Sub-sampling techniques and sample preparation</i></p>	<ul style="list-style-type: none"> <li>• <i>If core, whether cut or sawn and whether quarter, half or all core taken.</i></li> <li>• <i>If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.</i></li> <li>• <i>For all sample types, the nature, quality and appropriateness of the sample preparation technique.</i></li> <li>• <i>Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.</i></li> <li>• <i>Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.</i></li> <li>• <i>Whether sample sizes are appropriate to the grain size of the material being sampled.</i></li> </ul>	<ul style="list-style-type: none"> <li>• SMM drill core at Jejevo was sampled as whole core.</li> <li>• No records are currently available detailing the sample preparation technique and the quality control procedures adopted to maximise sample representivity for the work undertaken at both the Jejevo and Tausere exploration areas.</li> <li>• The work was undertaken by SMM between 2012 and 2013 and it is likely that industry standard procedures were adopted as the work was undertaken by a major industrial company.</li> <li>• The Company is in the process of acquiring all relevant and available records and data pertaining to the work undertaken by both SMM and Mitsui.</li> </ul>
<p><i>Quality of assay data and laboratory tests</i></p>	<ul style="list-style-type: none"> <li>• <i>The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.</i></li> <li>• <i>For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.</i></li> <li>• <i>Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.</i></li> </ul>	<ul style="list-style-type: none"> <li>• All SMM analyses were undertaken by SMM using the pressed pellet XRF method in their laboratory at Honiara.</li> <li>• Industry standard QA/QC procedures and practices ensuring analysis accuracy and repeatability were implemented by the SMM laboratory.</li> <li>• No records are currently available detailing these procedures and the company is in the process of discovery of these records.</li> </ul>
<p><i>Verification of sampling and assaying</i></p>	<ul style="list-style-type: none"> <li>• <i>The verification of significant intersections by either independent or alternative company personnel.</i></li> <li>• <i>The use of twinned holes.</i></li> <li>• <i>Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.</i></li> <li>• <i>Discuss any adjustment to assay data.</i></li> </ul>	<ul style="list-style-type: none"> <li>• No records are currently available accounting for the verification of sampling and assay by independent or alternative company personnel; the use of twinned holes; and data capture, validation and storage protocols.</li> </ul>
<p><i>Location of data points</i></p>	<ul style="list-style-type: none"> <li>• <i>Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.</i></li> <li>• <i>Specification of the grid system used.</i></li> <li>• <i>Quality and adequacy of topographic control.</i></li> </ul>	<ul style="list-style-type: none"> <li>• No records are currently available accounting for the accuracy and quality of locating the vertical drill holes.</li> <li>• All locational data pertaining to the Jejevo Project are referenced using the WGS 84 datum, Zone 57 South projection.</li> <li>• The topographic control is adequate for the standard of reporting of the project</li> </ul>

Criteria	JORC Code explanation	Commentary
		at its current advanced exploration/pre-resource stage.
<i>Data spacing and distribution</i>	<ul style="list-style-type: none"> <li>• <i>Data spacing for reporting of Exploration Results.</i></li> <li>• <i>Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.</i></li> <li>• <i>Whether sample compositing has been applied.</i></li> </ul>	<ul style="list-style-type: none"> <li>• The initial core drilling and pitting conducted by INCO in the 1970s was on 400 m centres. The verification and infill core drilling undertaken by SMM in 2012/13 was on 50 m centres.</li> <li>• The data spacing and distribution at Jejevo is sufficient to establish the degree of geological and grade continuity appropriate for the definition of an Exploration Target.</li> <li>• The use of sample compositing is not required for the definition of an Exploration Target.</li> <li>• For the sake of clarity, despite the significant amount of data obtained from a substantial number (338) of relatively close-spaced (50m) diamond core holes drilled, the current inability to verify the validity and accuracy of the exploration data precludes the ability to declare a Mineral Resource for the Jejevo Nickel Project.</li> </ul>
<i>Orientation of data in relation to geological structure</i>	<ul style="list-style-type: none"> <li>• <i>Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.</i></li> <li>• <i>If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.</i></li> </ul>	<ul style="list-style-type: none"> <li>• The nickel laterite at Jejevo is a weathered geomorphic surface draped over ultramafic source units. Similarly, the mineralization at Tausere has been described as a residual bauxite type, formed as an in-situ mantle of laterite as a result of weathering of an underlying limestone horizon. Consequently, all holes and pits were vertical and provide a suitable intersection. Regular grid drill spacing is used within field or topographic practicalities.</li> <li>• The level of detail evident in the records currently available indicate that there is no evidence of crosscutting structures or units that would bias the assay results.</li> </ul>
<i>Sample security</i>	<ul style="list-style-type: none"> <li>• <i>The measures taken to ensure sample security.</i></li> </ul>	<ul style="list-style-type: none"> <li>• No details are currently available of the measures undertaken to ensure sample security. As SMM undertook the work, it is likely that industry standard procedures were implemented.</li> </ul>
<i>Audits or reviews</i>	<ul style="list-style-type: none"> <li>• <i>The results of any audits or reviews of sampling techniques and data.</i></li> </ul>	<ul style="list-style-type: none"> <li>• No records are currently available detailing the nature and findings of any audits or reviews of sampling techniques and data. The Company is in the process of discovery of these records.</li> </ul>

## Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
<i>Mineral tenement and land tenure</i>	<ul style="list-style-type: none"> <li>• <i>Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national</i></li> </ul>	<ul style="list-style-type: none"> <li>• Prospecting Licence (PL) 01/18 is held by Sunshine Nickel Ltd referred to as “Jejevo Prospecting, South Isabel” in the Isabel Province of the Solomon Islands. A plan showing the PL is presented on pages 8 &amp; 11 in the accompanying company presentation announced to the ASX on 18 September</li> </ul>

Criteria	JORC Code explanation	Commentary
<i>status</i>	<p><i>park and environmental settings.</i></p> <ul style="list-style-type: none"> <li><i>The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.</i></li> </ul>	<p>2018 (Nickel Laterite Development Opportunity- Proposed Acquisition and Capital Raising).</p> <ul style="list-style-type: none"> <li>PL-01/18 was granted on 9 July 2018 and is valid for three years.</li> <li>Sunshine Nickel Ltd entered into an agreement with the person acting for and on behalf of the Landowners. There are no known threats to the security of tenure held at the time of reporting.</li> <li>Prospecting Licence (PL) 02/17 is held by Sunshine Minerals Limited referred to as the Tausere Bauxite Prospect, Choiseul Province of the Solomon Islands.</li> <li>PL-02/17 was granted on 13 March 2017 and is valid for three years.</li> <li>Sunshine Minerals Ltd entered into an agreement with the Trustees acting for and on behalf of the Landowners in April 2017. There are no known threats to the security of tenure held at the time of reporting.</li> </ul>
<i>Exploration done by other parties</i>	<ul style="list-style-type: none"> <li><i>Acknowledgment and appraisal of exploration by other parties.</i></li> </ul>	<ul style="list-style-type: none"> <li>INCO undertook extensive pitting and drilling programs in the 1970s that helped to define the prospective nickel laterite areas at Jejevo.</li> <li>SMM commenced exploration in the Jejevo area in 2008 when they drilled four auger holes. They followed up in 2009 with four scout drill holes; in 2012 with 16 diamond core drill holes and in 2013 with 332 diamond core drill holes. SMM use some of these results to define and in-house non-JORC (2012) compliant resource estimate in 2013. Furthermore, SMM conducted enough work to complete an Environmental and Social Impact Assessment (ESIA) which forms a critical requirement to apply for a Mining Lease.</li> <li>Sunshine Nickel Ltd has a Land user Agreement in place for the Jejevo Project which is a prerequisite for the grant of a Prospecting Licence.</li> <li>Mitsui undertook initial reconnaissance mapping and auger soil geochemical sampling in the 1970's at the Tausere Bauxite exploration area.</li> <li>Sunshine Minerals Ltd has a Land User Agreement in place for the Tausere Bauxite Prospect which is a prerequisite for the grant of a Prospecting Licence.</li> </ul>
<i>Geology</i>	<ul style="list-style-type: none"> <li><i>Deposit type, geological setting and style of mineralisation.</i></li> </ul>	<ul style="list-style-type: none"> <li>The Jejevo Project is a wet tropical laterite deposit type, developed over ultramafic rocks. The nickel laterites are developed through residual and supergene enrichment of nickel in the soil and saprolite horizon as part of the weathering process.</li> <li>The mineralization at Tausere has been described as a residual bauxite type, formed as an in-situ mantle of laterite as a result of weathering of an underlying limestone horizon.</li> </ul>
<i>Drill hole Information</i>	<ul style="list-style-type: none"> <li><i>A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:</i> <ul style="list-style-type: none"> <li><i>easting and northing of the drill hole collar</i></li> <li><i>elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar</i></li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>It is not currently possible to provide a summary of all material drill holes in the form required as the data held by the Solomon Islands government for the work undertaken by INCO has been lost, and the Company is in the process of discovery of the records/data generated by SMM .</li> <li>A plan showing the location of the drilling undertaken by both INCO and SMM on the Jejevo project is presented on page 12 in the accompanying company</li> </ul>

Criteria	JORC Code explanation	Commentary
	<ul style="list-style-type: none"> <li>○ <i>dip and azimuth of the hole</i></li> <li>○ <i>down hole length and interception depth</i></li> <li>○ <i>hole length.</i></li> <li>● <i>If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.</i></li> </ul>	<p>presentation announced to the ASX on 18 September 2018 (Nickel Laterite Development Opportunity- Proposed Acquisition and Capital Raising).</p> <ul style="list-style-type: none"> <li>●</li> <li>● All drilling and pitting/shafts are vertical.</li> <li>● The Company is in the process of discovery of records/data generated by Mitsui and compiled by Sunshine Minerals Ltd for the Tausere Bauxite Prospect.</li> </ul>
<i>Data aggregation methods</i>	<ul style="list-style-type: none"> <li>● <i>In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.</i></li> <li>● <i>Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.</i></li> <li>● <i>The assumptions used for any reporting of metal equivalent values should be clearly stated.</i></li> </ul>	<ul style="list-style-type: none"> <li>● No detailed exploration results are being reported</li> </ul>
<i>Relationship between mineralisation widths and intercept lengths</i>	<ul style="list-style-type: none"> <li>● <i>These relationships are particularly important in the reporting of Exploration Results.</i></li> <li>● <i>If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.</i></li> <li>● <i>If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known').</i></li> </ul>	<ul style="list-style-type: none"> <li>● No detailed exploration results are being reported.</li> <li>● The morphology of the deposit types is one of a weathered geomorphic surface draped over basement rocks so sampling conducted vertically through the profile is likely to represent true mineralisation thickness.</li> </ul>
<i>Diagrams</i>	<ul style="list-style-type: none"> <li>● <i>Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.</i></li> </ul>	<ul style="list-style-type: none"> <li>● A plan showing the location of the drilling undertaken by both INCO and SMM on the Jejevo project is presented on page 12 in the accompanying company presentation announced to the ASX on 18 September 2018 (Nickel Laterite Development Opportunity- Proposed Acquisition and Capital Raising).</li> <li>● No plans are currently available locating the auger soil sampling undertaken by Mitsui on the Tausere Bauxite Prospect.</li> </ul>
<i>Balanced reporting</i>	<ul style="list-style-type: none"> <li>● <i>Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.</i></li> </ul>	<ul style="list-style-type: none"> <li>● No detailed exploration results are being reported</li> </ul>
<i>Other substantive exploration data</i>	<ul style="list-style-type: none"> <li>● <i>Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater,</i></li> </ul>	<ul style="list-style-type: none"> <li>● SMM assessed the potential mine development of the Jejevo exploration area and commissioned a technological study completed by an independent consultant in August 2014. This work included the commencement of environmental baseline studies which included groundwater and ecological studies.</li> </ul>



Criteria	JORC Code explanation	Commentary
	<p><i>geotechnical and rock characteristics; potential deleterious or contaminating substances.</i></p>	<ul style="list-style-type: none"> <li>No other substantive exploration data has been recorded or compiled for the Tausere Bauxite Prospect.</li> </ul>
<p><i>Further work</i></p>	<ul style="list-style-type: none"> <li><i>The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).</i></li> <li><i>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.</i></li> </ul>	<ul style="list-style-type: none"> <li>Acquire copies of all relevant available data and records pertaining to the Jejevo and Tausere exploration areas.</li> <li>Verify and validate the base data and records and the database respectively. This process may require further confirmatory drilling, surveying and assaying on a statistically representative scale to verify the usefulness of the historical records, particularly for the Jejevo Nickel Project.</li> <li>Compile a geological/geomorphological 3D wireframe model for use in constraining a resource estimate for the Jejevo Nickel Project.</li> <li>Commission a JORC (2012) compliant resource to be estimated by an independent consultant for the Jejevo Nickel Project.</li> <li>Undertake reconnaissance exploration including scout drilling of the known extensions of the outcropping/sub-cropping ultramafic sequence at Jejevo, and the limestone sequence at Tausere.</li> <li>Review and, where necessary, update the ESIA, resurrect any necessary baseline environmental studies and commission a technical study along with any other processes required for the submission of an application for a mining lease for the Jejevo Nickel Project.</li> </ul>