



Pure Minerals Limited

15 October 2018

ASX Announcement

PURE MINERALS TO ACQUIRE EMERGING BATTERY METALS COMPANY

- Pure Minerals Limited has entered into a binding option agreement to acquire 100% of the issued capital of Queensland Pacific Metals Pty Ltd ("QPM")
- QPM is an emerging battery metals company focussed on the production of nickel sulphate and cobalt sulphate for the global battery industry
- QPM has secured a binding ore supply agreement to purchase high grade nickel-cobalt ("Ni-Co") ore from two established, producing New Caledonian mining companies and also holds prospective nickel-cobalt exploration ground in the Marlborough region of Queensland
- QPM's management team are highly respected mining veterans with extensive experience managing nickel operations, including Queensland Nickel, in which they were essential in setting up the original ore supply agreements for ore sourced from New Caledonia
- New Caledonia holds a substantial proportion of the world's known nickel reserves, and was a supplier of nickel laterite ore to Queensland Nickel from 1986 to 2016 - the ore supply agreement minimises the geological, exploration and mining risk for QPM
- QPM has an ongoing working relationship with the Queensland State Development Authority and plans to undertake a feasibility study in respect of the development of a modern processing plant in Townsville, a location well supported by existing infrastructure, skilled labour and decades of experience in handling and processing imported and domestic Ni-Co ore

The Board of Pure Minerals Limited ("PM1" or the "Company") is pleased to announce it has entered into a binding option agreement ("**Option Agreement**") with Queensland Pacific Metals Pty Ltd ("QPM") and the shareholders of QPM to acquire 100% of the issued capital in QPM ("**Acquisition**"). The Option Agreement provides for an exclusive period of 45 days to allow PM1 to finalise its due diligence on QPM and its assets. The material terms of the Option Agreement are set out in Annexure A of this Announcement.

QPM is a private Australian company seeking to develop a modern processing plant in Townsville that will produce nickel sulphate and cobalt sulphate for the battery industry. QPM's management team, including John Downie, Robert Pearce and Andrew Matheson, have had decades of experience in the nickel industry including involvement with Queensland Nickel, Goro Nickel Project and Gladstone Pacific Nickel. QPM's management team has long standing relationships in New Caledonia which has

resulted in QPM being able to secure a binding ore supply agreement to purchase high grade Ni-Co ore. At settlement of the Acquisition Mr John Downie will be appointed to the PM1 Board.

Mr Downie has extensive international, corporate and project experience with a career spanning over 30 years. He has held roles of Director of Mines, General Manager, Operations Manager, Chairman, President and CEO for various resource related companies including Inco, Rothschilds, Barrack Mines, Alcoa of Australia, Boral Resources, Goldminex and Austpac Resources. As Director of Mines at Vale's New Caledonian Goro operations, he was responsible for all mining related activities, start up approvals and operations, including ore preparation, residue disposal and community relations. During his time as CEO of Gladstone Pacific Nickel, CEO of ASX listed exploration company AusNiCo and Director of Projects at Queensland Nickel, he has gained significant experience in lateritic nickel development, financing and operations.

QPM plans to use the New Caledonia ore as a baseload feed source for its planned processing plant and will assess and explore for other complementary feed sources. In addition to QPM's intention to undertake the feasibility study to develop the Townsville processing plant, QPM's assets include the binding ore supply agreement with two New Caledonian entities (see section 1 below) and the Eden Garry Project (EPMA 27035) in the Livingstone Shire of the central region of Queensland (see section 4 below).

1. QPM Ore Supply Agreement

The key terms of the ore supply agreement that QPM has with the New Caledonian entities are detailed in the table below:

Ore Suppliers	Societe des Mines de la Tontouta (" SMT ") Societe Miniere Georges Montagnat S.A.R.L (" SMGM ")
Ore Source	From, but not limited to, any of three operating mines located in New Caledonia
Minimum ore grade to be supplied	Nickel > 1.4% Cobalt > 0.15% (From discussions with SMT/SMGM, expected grade to exceed contractual minimums, in line with export history to Townsville detailed below)
Term	5 years from the date of first ore shipping of first ore (being not before June 2020), extendable by mutual agreement
Tonnes	600,000 tonnes Ni-Co ore per annum commencing from the commencement of the Term
Price	Indexed to the Nickel and Cobalt LME price
Conditions	The ore supply agreement is conditional on the following: 1. The completion of a feasibility study to the satisfaction of QPM in respect of the development of the processing plant and QPM providing a notice to SMT/SMGM regarding its decision to proceed with the development of the processing plant 2. New Caledonia regulatory export approvals 3. Formalisation of a detailed ore supply contract based on the current agreed terms in the ore supply agreement

Table 1: Key terms of QPM ore supply agreement between QPM, SMT and SMGM dated 2 May 2018

2. Townsville Processing Plant

QPM plans to commence feasibility studies in respect of the development of a modern plant that will process approximately 600,000wmt of Ni-Co ore per annum with the intention of producing approximately 25,000tpa of nickel sulphate and 3,000tpa of cobalt sulphate. Subject to the outcome of the feasibility study, QPM plans to locate the plant in Townsville where Queensland Nickel imported ore from New Caledonia from 1986 to 2016. Townsville is considered a preferred location as it is well supported by existing infrastructure, skilled labour, engineering support proximity and a long history in handling New Caledonia ore. Townsville's proximity to New Caledonia is also advantageous, located approximately 2,000km from New Caledonia, which will assist in minimising the cost of ocean freight.

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Ore imports (M wmt)	1.56	1.53	2.30	2.20	1.79	1.58	2.01	1.00	0.08
Ni % Grade	1.62%	1.62%	1.55%	1.56%	1.58%	1.57%	1.54%	1.54%	1.68%
Co % Grade	0.17%	0.17%	0.18%	0.18%	0.17%	0.17%	0.19%	0.17%	0.17%

Table 2: New Caledonia ore exports to Townsville, Australia (assumed moisture 35%)

Source: DIMENC Direction de l'Industrie, des Mines et de l'Energie August 2018 (<https://dimenc.gouv.nc>)

The grade of ore to be imported and processed from New Caledonia is on average superior to typical Ni-Co grades of reserves and resources for Australian nickel laterite projects.

3. New Caledonia

New Caledonia hosts the highest grade Ni-Co ore in the Asia pacific region and has the world's largest laterite Ore Reserves, estimated to contain 7Mt of nickel, 700kt of cobalt, 140Mt of iron and 15 Mt of magnesia (source: <https://minerals.usgs.gov>). QPM's ore supply partners SMT and SMGM collectively control approximately 20% of the total nickel permitted areas within New Caledonia (source: <https://dimenc.gouv.nc>).

As well as exporting nickel lateritic ore to Australia, New Caledonia also exports to major companies in Japan, Korea and China. In 2017, total ore export was 6.5Mt. New Caledonia is also a substantial exporter of ferro nickel.

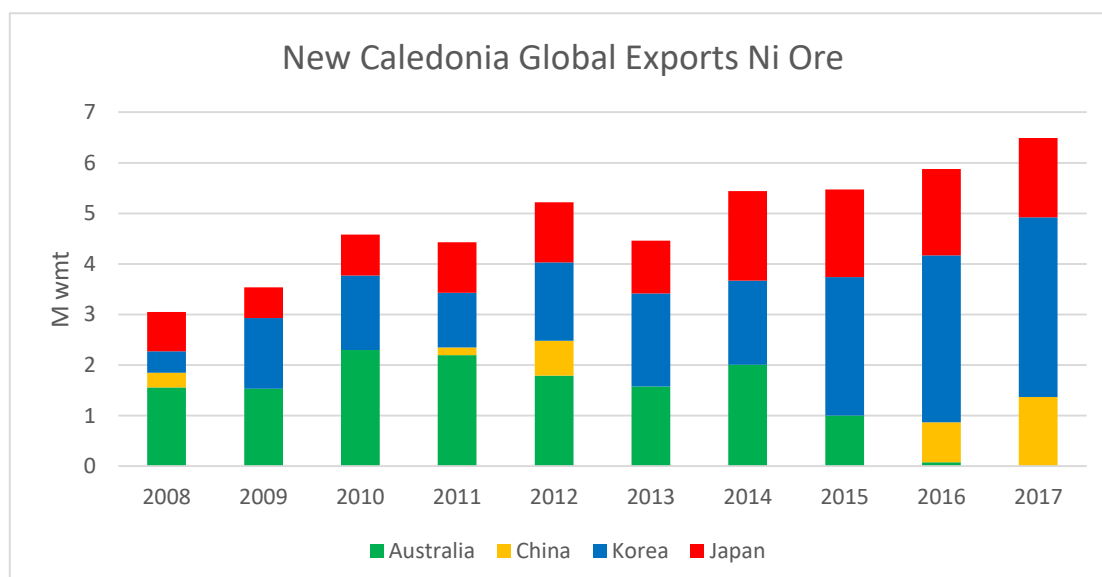


Figure 1: New Caledonia Global Exports

Source: DIMENC Direction de l'Industrie, des Mines et de l'Energie August 2018 (<https://dimenc.gouv.nc>)

Australia is a long term trading partner with New Caledonia, with ore supplied to Queensland Nickel since 1986. QPM is currently receiving project facilitation support and advice from the Queensland

Government's Department of State Development, Manufacturing, Infrastructure and Planning in respect of the potential development of the proposed processing plant.

The schematic below shows the typical geological profile of New Caledonia nickel mines and deposits. The Ni-Co ore comes from the yellow limonite zone through to the saprolite zone. The large ferro nickel producers in New Caledonia and other Japanese and Korean ore importers process ore from the saprolite zone (highest nickel grade, negligible cobalt grade). In order to mine the saprolite zone, the (red-yellow) limonite zone and transition zones must be mined. Unless this material is sold, it is effectively mine overburden / waste, despite the underlying grade. Therefore, the QPM ore supply agreement will provide SMT and SMGM with additional operating synergies by reducing their limonite stockpiles.

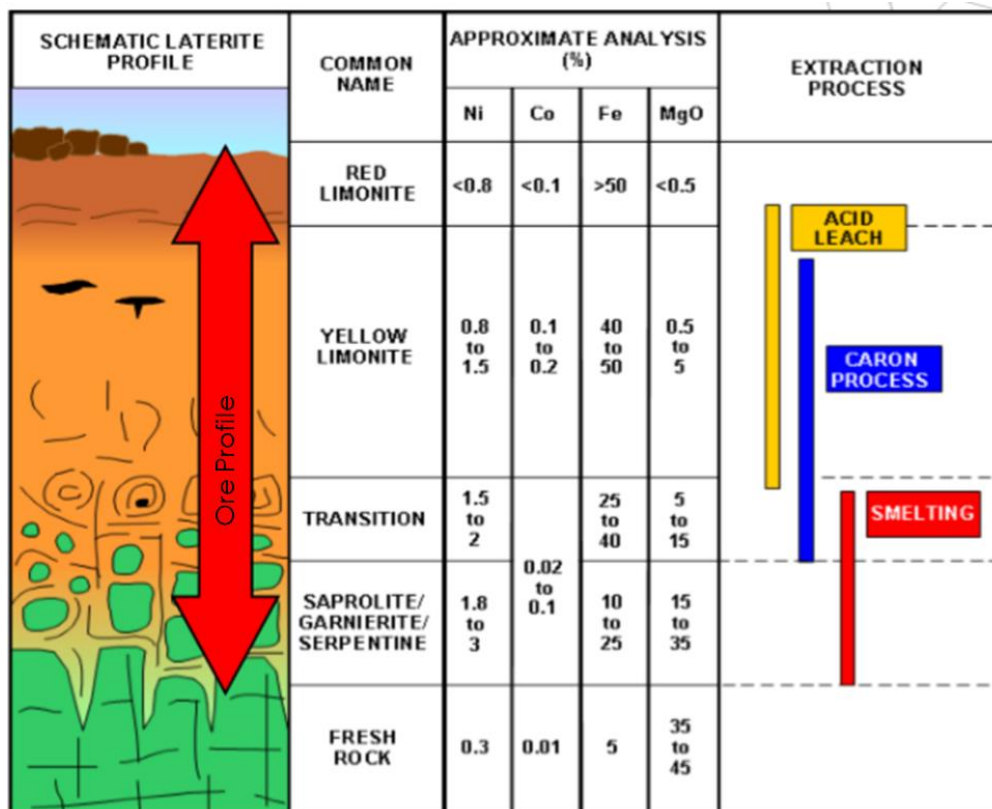


Figure 2: Laterite profile in New Caledonia

Source: Mag Min 2015 Conference- <https://www.indmin.com/events/magmin>

Due to rain events in New Caledonia, stockpiles of limonite and transition zone ore cause environmental issues. QPM's ore supply will consist of ore from these two zones – therefore the relationship with its ore supply partners is one of mutual strategic benefit.

4. Exploration Ground – Eden Garry Project (EPM 27035)

QPM plans to search for other sources of ore to complement the base load feed to be provided from New Caledonia. QPM holds the prospective Eden Garry Serpentinite Ridge project (EPM27035) (in application) located in the prospective Marlborough region of Queensland. Marlborough hosts other Ni-Co lateritic deposits including the major Marlborough Nickel Pty Ltd deposit.

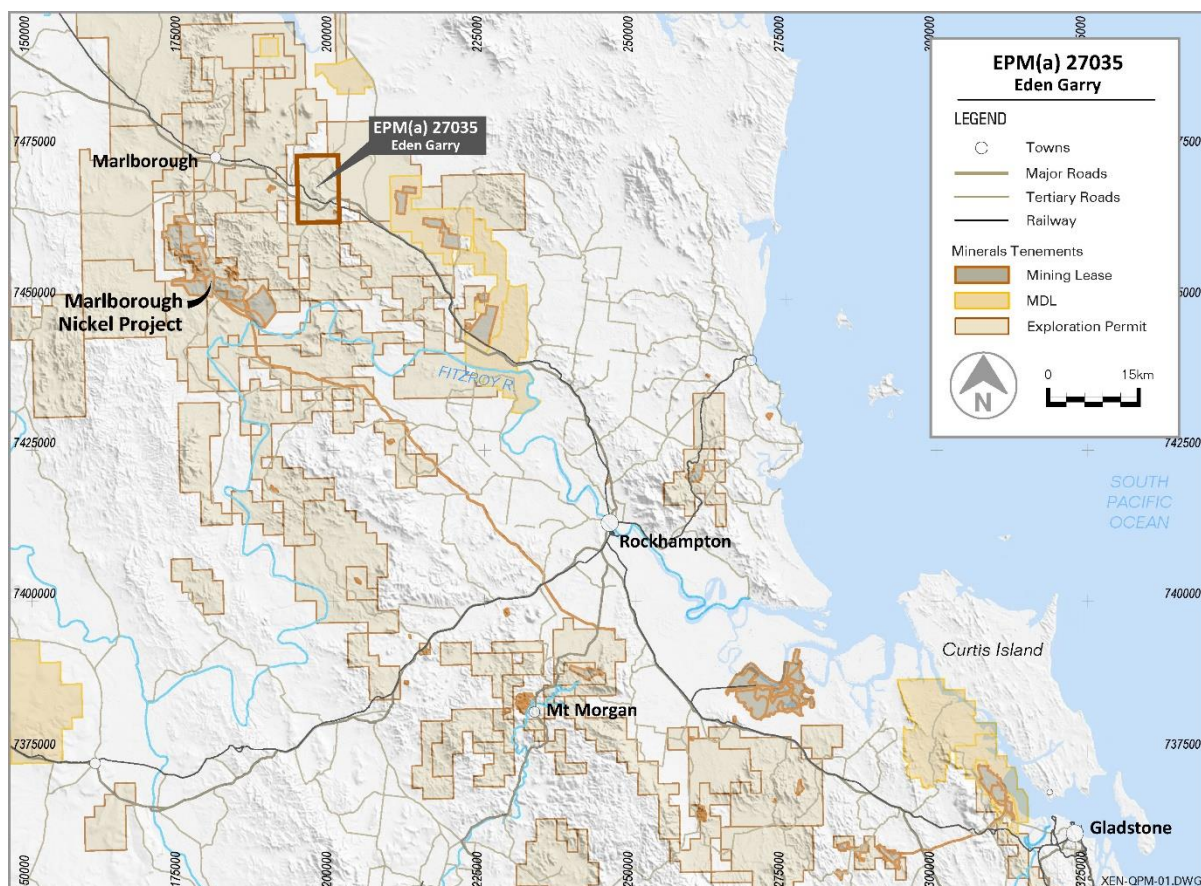


Figure 2: QPM land holding in Marlborough region, Queensland

PM1 Chairman Jeremy King said,

"This is an exciting opportunity for PM1. It complements our focus on the emerging battery materials market, and in particular the higher-value products that are demanded by that market. Through QPM's unique relationships, PM1 obtains leverage to secure production from world-class nickel and cobalt deposits without the attendant geological, mining or engineering risks. We believe that the terms of the agreement represent excellent value for PM1 shareholders. Townsville has a deep heritage in nickel processing, and is emerging as a potential battery manufacturing region in Australia."

5. Indicative Capital Structure

Key details of the Option Agreement are provided in Annexure A of this Announcement. Should PM1 exercise the Option Agreement, the capital structure as a result of the Acquisition is as follows:

Shares	
Existing Shares on issue (Note 1)	314,379,059
Consideration Shares (Note 2)	66,600,000
Deferred Consideration Shares (Note 3)	333,320,000
Total Shares	714,299,059
Options	
Quoted Options (\$0.03, expiry 21 December 2019)	111,250,000
Unquoted Options (\$0.03, expiry 21 December 2022)	30,000,000
Total Options	141,250,000

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- (1) As at the date of this announcement (including 12,500,000 Shares subject to restriction until 4 August 2019).
 - (2) Fully paid ordinary shares issued at settlement of the Acquisition.
 - (3) Total number of Deferred Consideration Shares, constituted of four separate groups of 83.33 million fully paid ordinary shares that will be issued by PM1 to the QPM Vendors subject to specific performance milestones (in respect of the QPM assets) being satisfied – see the details of the Deferred Consideration Shares in paragraph (d) of Annexure A.
 - (4) The above capital structure is indicative only and is subject to change.

Annexure A - Material Terms of the Acquisition Option Agreement

The material terms of the Option Agreement between the Company, QPM and the shareholders of QPM ("Vendors") are as follows:

- (a) PM1 has paid a \$75,000 non-refundable deposit on execution of the Option Agreement to secure exclusivity of the Acquisition and a 45 day due diligence period.
- (b) In the event PM1 exercises the Option (on or before expiry of the due diligence period):
 - (i) QPM will remain solely responsible for maintenance of QPM's assets until settlement of the Acquisition occurs;
 - (ii) PM1 has the exclusive right to acquire 100% of the issued capital of QPM (and in turn, unfettered control of the QPM assets); and
 - (iii) Mr John Downie, current director of QPM, will be appointed to the Board of PM1 (at settlement of the Acquisition);
- (c) Conditions Precedent:

It is intended that settlement of the Acquisition is subject to and conditional upon the following material conditions precedent:

 - (i) PM1 being satisfied with its legal, financial and technical due diligence on QPM and its assets within 45 days from execution of the Option Agreement;
 - (ii) PM1 obtaining all necessary shareholder and regulatory approvals/waivers to implement the transactions contemplated by the Option Agreement as required; and
 - (iii) PM1, QPM and the Vendors, obtaining any necessary third party consents approvals.
- (d) Consideration

The consideration to be issued to the Vendors at settlement of the Acquisition comprises of:

 - (i) 66,680,000 fully paid ordinary PM1 Shares which the Vendors' agree will be subject to a voluntary escrow period of 12 months from the date of issue (these shares will be issued subject to and conditional upon PM1 obtaining prior shareholder approval pursuant to Listing Rule 7.1);
 - (ii) \$500,000 cash; and
 - (iii) 333,320,000 deferred consideration shares, being fully paid ordinary PM1 shares which will be issued to the Vendors subject to certain performance milestones (linked to the performance of the QPM assets) being satisfied within a specific time frame, which the Vendors agree will be subject to a voluntary escrow period of 12 months from the date of issue (these deferred consideration shares will be issued subject to and conditional upon PM1 obtaining prior shareholder approval pursuant to Listing Rule 7.1 and being granted a waiver of ASX Listing Rule 7.3.2):

Performance Milestone for issue of Deferred Consideration Shares	Milestone Expiry Date	N.o. Shares
Achievement of at least 5Mt JORC inferred resource at 1% Ni equivalent defined at the Eden Garry Project; OR Completion of positive pre-feasibility study that demonstrates an IRR >20% and EBITDA of no less than A\$50M per annum which is verified in writing by PM1's independently engaged expert	9 months from date of Settlement	83,330,000

Achievement of at least 10Mt JORC inferred resource at 1% Ni equivalent defined at the Eden Garry Project ; <u>OR</u> Completion of positive definitive bankable feasibility study which demonstrates an IRR >20% and EBITDA of no less than A\$50M per annum	24 months from date of Settlement	83,330,000
First commercial mining of ore obtained at the Eden Garry Project; <u>OR</u> PM1 obtaining all regulatory approvals required to construct a nickel-cobalt processing plant	36 months from date of Settlement	83,330,000
Final investment decision by the PM1 Board to construct a nickel-cobalt processing plant	42 months from date of Settlement	83,330,000

- (e) If at any time the issued capital of the Company is reorganised (i.e. a consolidation or subdivided), then subject to and conditional upon PM1 obtaining any necessary shareholder or regulatory approvals (or waivers), the number of deferred consideration shares that will be issued to the Vendors must be reorganised so that the Vendors will not receive a benefit that the holders of PM1 fully paid ordinary shares do not receive.
- (f) On the occurrence of a change of control event in respect of PM1 (and subject to any shareholder or regulatory requirements and approvals) PM1 must issue any unissued deferred consideration shares to the Vendors (and/or their nominees), despite the non-satisfaction of any of the specified performance milestones.
- (g) The Option Agreement otherwise contains terms, conditions and warranties which are considered commercially standard for an agreement of this type.