

**SCOTTS HILL AND MT VULCAN PROJECT
TASMANIA
EL2/2017**

ANNUAL REPORT
15TH AUGUST 2018 TO 14TH AUGUST 2019

Tenement Holder/Manager
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Distribution: Mineral Resources Tasmania
Monclar Pty Ltd

Note: All figures and grids are according to the GDA94 datum and MGA94 grid system.

ABSTRACT/EXECUTIVE SUMMARY

The Scotts Hill and Mt Vulcan Hill Project (EL2/2017) is located in northern Tasmania, 5km west of the township of Beaconsfield. The exploration licence covers an area of 13km².

The main focus of Monclar Pty Ltd (“Monclar” or “the Company”) at the Scotts Hill and Mt Vulcan Project is lateritic nickel-cobalt mineralisation. The project area contains a historical 3.64Mt inferred resource (completed in 2001 under the Australasian Joint Ore Reserves Committee (JORC) code as it then was) at 0.71% Ni & 0.09% Co on a 0.6% Ni equivalent cut-off (Jannink, 2006). This laterite resource consists of two interconnected mineral deposits known as Mt Vulcan and Scotts Hill, both contained by licence EL2/2017. Monclar aims to develop an open pit mining operation at Scotts Hill and Mt Vulcan with production of nickel (Ni) and cobalt (Co) products undertaken off-site in Tasmania.

Work completed in the reporting year 2018-2019 was the execution of a drilling program comprising 20 air core drill holes in the Scotts Hill – Mt Vulcan area with favourable Ni and Co results.

Work planned for the coming year will include metallurgical analysis of samples obtained from the 2018-2019 program. In addition, an updated mineral resource estimate is to be generated for the Scotts Hill and Mt Vulcan deposits. The new mineral resource will use improved modelling techniques now available and incorporate the result of drilling undertaken in 2018.

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Digital files submitted with this report:

Filename	File format
EL022017_201908_01_Report.doc	<i>doc</i>
EL022017_201908_02_Appendix_1.pdf	<i>pdf</i>
EL022017_201908_03_COLLAR.xls	<i>xls</i>
EL022017_201908_04_GEOLOGY.xls	<i>xls</i>
EL022017_201908_05_DH_GEOCHEM.xls	<i>xls</i>
EL022017_201908_06_QAQC.xls	<i>xls</i>

1 INTRODUCTION

The Scotts Hill and Mt Vulcan Project (EL2/2017) is located in northern Tasmania and contains a historical 3.64Mt inferred resource (completed in 2001 under the Australasian Joint Ore Reserves Committee code as it then was) at 0.71% Ni & 0.09% Co (Douglas McKenna and Partners Pty Ltd, A. Jannink 2006). The resource is made up of two interconnected resources known as the Mt Vulcan and Scott's Hill deposits (see figure 1).

The Scotts Hill and Mt Vulcan Hill Project is located 5km west of the township of Beaconsfield near the Tamar River in northern Tasmania (see figure 1). The Scotts Hill and Mt Vulcan tenement can be accessed via a number of gazetted roads on the western side of the Tamar River. The Scotts Hill and Mt Vulcan resource can be directly accessed using Tattersall's Road, just west of Beaconsfield.

The exploration licence covers an area of 13km² and was granted on 15th August 2017 for a period of five years. It is owned 100% by Monclar Pty Ltd and is not subject to any current agreements with other companies. The exploration target is lateritic nickel-cobalt mineralisation.

The land tenure plan shows EL2/2017 is covered by both Crown and Private Land. The Crown Land is variously classified. The private land only minorly impacts the Scotts Hill Ni-Co mineralisation to the east of the Tattersalls Road. Exploration and mining are permitted on Private Land but must be preceded by negotiation of an access and compensation agreement with the landowner. This agreement must be concluded in writing and lodged with Mineral Resources Tasmania (MRT). No exploration is currently proposed for private land.

Most of the Crown Land is classified either as Future Potential Production Forest (FPPF), Regional Reserve, and finally Conservation Area associated with the Dans Hill Conservation Area. The Scotts Hill mineralisation sits on FPPF, while Mt Vulcan sits on FPPF west of the Tattersalls Road and the Dans Hill Conservation area east of the Tattersalls Road.

Recent advances in leaching techniques and the availability in northeast Tasmania of grid power, roads, water, port facilities and a workforce make the Scotts Hill and Mt Vulcan Project attractive. The project comes with a clear development path focused on upgrading confidence in the current resource estimate and metallurgical testing of the ore to determine the most viable processing technique.

Exploration completed during the reporting period has included a program of air core drilling to collect samples that will be suitable for metallurgical testwork.

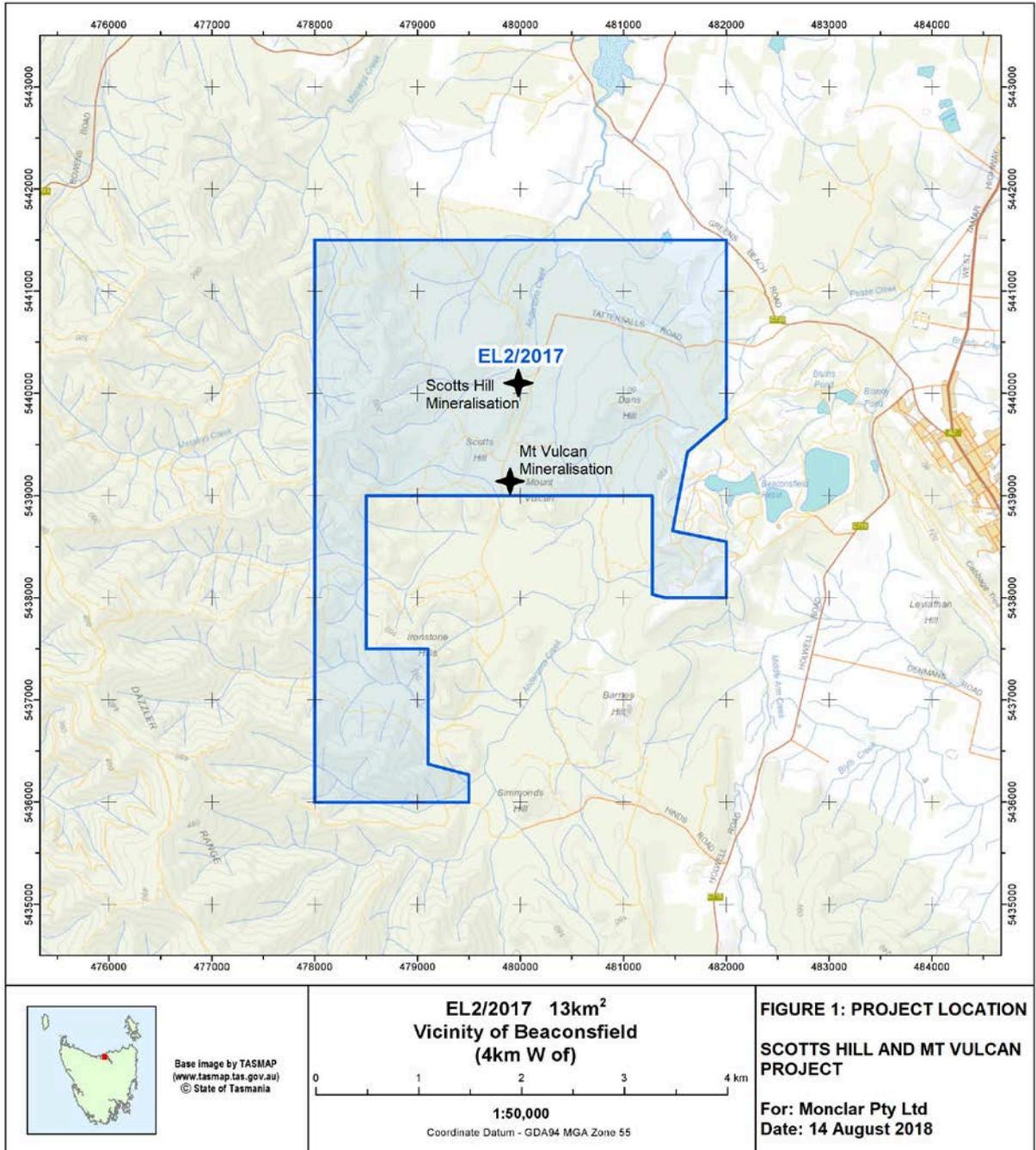


FIGURE 1 SUMMARY ACTIVITY MAP FOR SCOTTS HILL AND MT VULCAN

2 REVIEW OF PREVIOUS WORK AND GEOLOGICAL SETTING

A review of previous work and explanation of geological setting was presented in the 2017-2018 Annual report for EL 2/2017 and may be used for reference.

3 EXPLORATION COMPLETED DURING THE REPORTING PERIOD

In the 12 months to August 2019, work has included an Air Core drill sampling program of 20 vertical holes at the Mt Vulcan and Scotts Hill areas and analysis of samples recovered. Drilling work was completed by Tasmanian Drilling Services Pty Ltd using a truck mounted Drillmac 500 air core rig. Locations, shown in figure 2, were accessed using existing tracks. Drill holes were prefixed 'SH' for the Scotts Hill area, and MV for the Mount Vulcan area. On completion, holes were sealed off with 'octo plugs', surveyed, and covered.

Samples returned were collected on a metre basis in plastic bags from the rig cyclone and ranged from a few hundred grams to over ten kg. Due to the nature of the clay samples, time and efficiency needs, subsamples were taken using the spear technique. Subsamples were sent to ALS for analysis. Subsequent to review of results, a subset of the larger sample was collated to be sent to Beijing, China for Metallurgical testing with the BGRIMM Technology Group ("BGRIMM"). BGRIMM is an ISO certified laboratory with known expertise in nickel leaching. Metallurgical work will be completed in the next tenement reporting year.

4 DISCUSSION OF RESULTS

Results of the drilling program were considered favourable, with significant intercepts presented in table 1 below. Full analytical results are supplied digitally with this report.

Hole ID	Max Depth	From_m	To_m	Width m	Co%	Fe2O3%	MgO%	Ni%	2m >1% Ni	2m >0.5% Ni
MV001	3.5	None significant							No	No
MV002	12.1	3	10	7	0.02	33.14	11.37	0.63	No	Yes
MV003	8	1	7	6	0.11	33.55	7.92	0.92	Yes	Yes
MV004	23.4	0	7	7	0.07	20.29	20.38	0.88	Yes	Yes
MV005	25	5	7	2	0.08	44.13	10.39	0.64	No	Yes
MV006	29	0	3	3	0.11	37.26	3.80	0.85	No	Yes
SH001	9.1	1	6	5	0.04	20.78	20.00	0.80	No	Yes
SH002	20	9	11	2	0.06	32.64	19.83	0.79	No	Yes
SH003	9.1	3	9	6	0.05	26.53	18.21	0.76	No	Yes
SH004	20	5	9	4	0.03	19.14	23.76	0.58	No	Yes
SH005	20	1	13	12	0.04	20.10	26.31	0.79	Yes	Yes
SH006	23	1	10	9	0.05	28.02	23.97	0.65	No	Yes
SH007	29	13	23	10	0.05	29.32	8.14	0.84	Yes	Yes
SH012	28.7	6	26	20	0.05	30.55	17.62	0.77	Yes	Yes
SH013	24.7	8	21	13	0.12	40.65	11.10	0.94	Yes	Yes
SH014	26	12	26	14	0.05	26.74	21.73	0.94	Yes	Yes
SH015	15.4	9	15.4	6.4	0.08	19.56	15.65	1.13	Yes	Yes
SH016	16.5	None significant							No	No
SH017	16.5	8	17	9	0.05	22.59	19.81	0.91	Yes	Yes
SH018	6	None significant							No	No

TABLE 1 SIGNIFICANT INTERCEPTS FROM 2018 AI CORE DRILLING

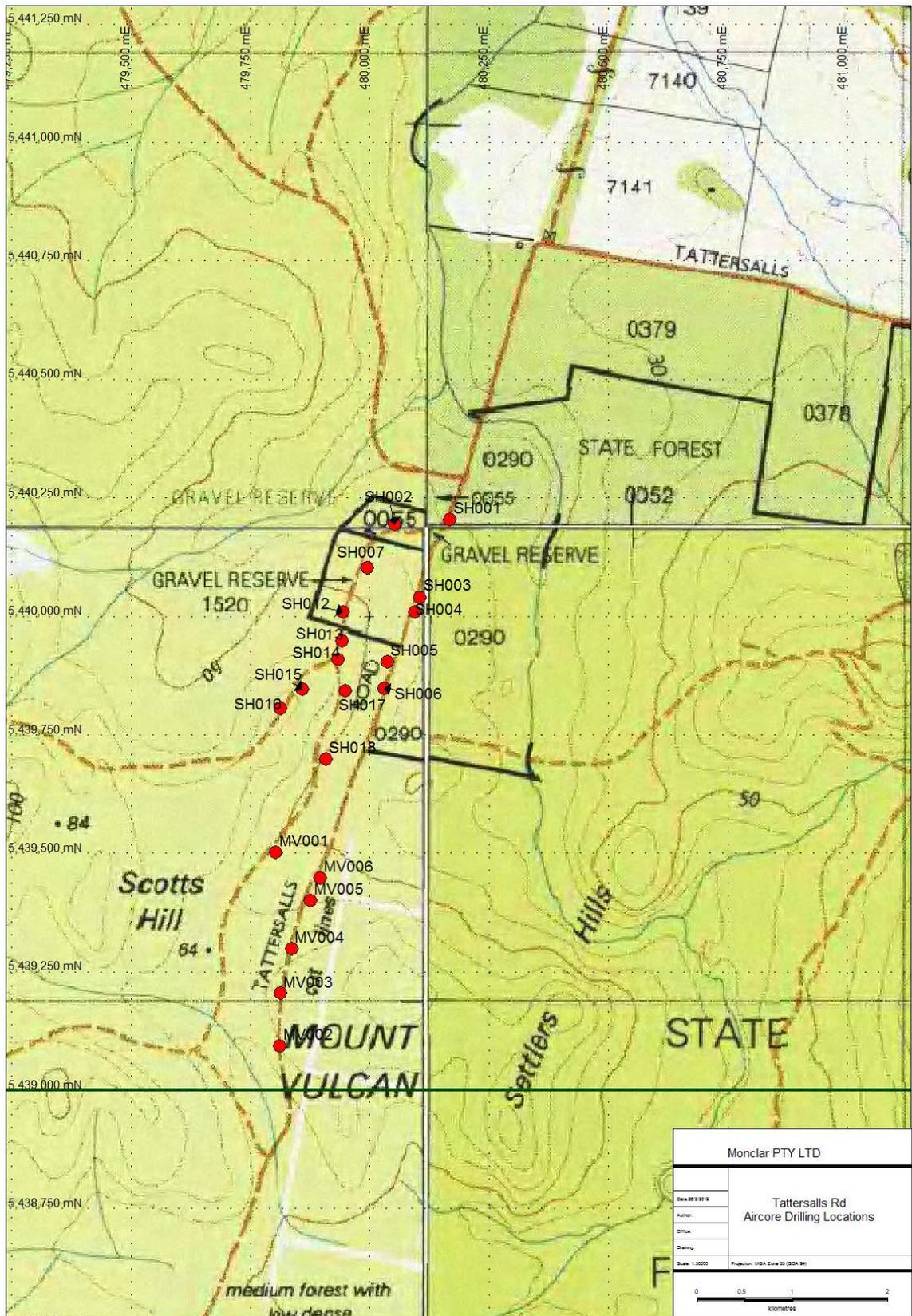


FIGURE 2. DRILL LOCALITY MAP FOR SCOTTS HILL AND MT VULCAN

5 CONCLUSIONS

Drilling results have been favourable and provide encouragement for further development of the Scotts Hill – Mt Vulcan resource by definition drilling. A selection of samples sent to BGIRMM in Beijing will allow for metallurgical test work to be conducted to assess the viability of Ni and Co extraction.

6 PROPOSED EXPLORATION

The activities proposed to be undertaken at the Scotts Hill and Mt Vulcan Project on EL2/2017 in the coming term include:

- Estimation of an updated mineral resource estimate in accordance with the 2012 JORC code. The new resource will be based on verified data from previous programs, especially drilling undertaken by Allegiance Mining NL in 1997 and the new holes drilled by Monclar Pty Ltd in 2019.
- Metallurgical testwork to evaluate leaching extractions of Ni and Co. The testwork will include sulphuric acid leaching of Ni and Co under a range of heat conditions to evaluate the potential of alternate leaching arrangements. Central findings will include the required residence time and associated acid consumption.

7 ENVIRONMENTAL MANAGEMENT

The 2018-2019 drilling program was conducted using existing tracks and roadside access along Tattersalls Road. No earthworks were conducted, and no threatened species were impacted as a result. Air core holes were plugged below surface using 'octo plugs', and drill holes were covered following surveying of collar locations.

8 EXPENDITURE

Expenditure from 15th August 2019 to 14th August 2018 is summarised below for the Scotts Hill and Mt Vulcan EL2/2017 licence.

TABLE 2 EXPENDITURE 15 AUGUST 2018 TO 14 AUGUST 2019.

1. Geoscience	\$16,511.75
2. Drilling and Gridding	\$44,314.26
3. Land Access	
4. Rehabilitation	
5. Feasibility Studies	\$24,637.10
6. Other	\$
7. Administration	\$8,006.45
TOTAL - ELIGIBLE	\$93,469.56

9 KEY REFERENCES

Jannink, A (2006) JORC Indicated category confirmation letter for Barnes Hill, Scotts and Mt Vulcan Resources EL 18/2006 Beaconsfield, Tasmania. Douglas McKenna and Partners Pty Ltd (Author A Jannink), (12 December 2006)

Appendix 1

AIR CORE DRILLING RESULTS