

26 April 2017

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## QUARTERLY ACTIVITIES REPORT TO 31 March 2017

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### HIGHLIGHTS:

- **Strategic Review completed – implementation commenced**
- **Cost cutting and rationalisation commenced**
- **Asset rich - cash poor as a result of excessive legal, tenement, organisational and office expenditures**
- **Further A\$500,000 Option Payment received from Australian Mines Limited**

The past two years has been a contentious period culminating with a dissident group of shareholders successfully replacing the past long-serving Board. That left Jervois with a fractured share register comprising groups with differing views on the way forward for the Company.

The scandium exploration assets that were at the core of the conflict were transferred by an option and sale agreement to Australian Mines Limited at the direction of the previous Board in late 2016 - prior to the appointment of the current Board. The Company is now well positioned to achieve production royalties from two potential scandium producers Australian Mines Limited (AUZ) and Canadian based, Scandium International (TSX:SCI).

### Expenditures

The conflicts within the Company during the last two years gave rise to substantial legal costs including a judgement against it for costs in the NSW Supreme Court. This is the subject of a current insurance claim that has now been accepted by the insurer under an extension of the Company's Directors and Officers insurance policy. Generally, the Board believes that the Company must now move on and end any intent to become involved in expensive, uncertain and distracting litigation.

Operational expenses are being significantly reduced moving forward by minimizing administrative overheads, increasing director participation, reducing tenements and geographical exposure and by proceeding to downsize office and staffing requirements that will be completed in the current Quarter. This will include closing the office at Cheltenham Victoria, reflecting the substantially downsized office needs and outsourcing administrative support functions. The Company does not require the expensive office nor a large organizational structure to manage its assets and pursue business opportunities.

### Funding

Our recently completed review concluded that while Jervois has a number of promising assets, it has limited cash and no certainty as to when further funds would be forthcoming to optimise the value of those assets.

Further option payments from Australian Mines Limited over the next eighteen months may only provide sufficient working capital to meet projected budgets, including minimal exploration on the remaining tenements. As there is no certainty in relation to receipt of further option payments or the balance of the \$6 million purchase of the Flemington scandium assets, the Board has reviewed the options available to the Company and announced on 18 April 2017 an intention to complete a pro-rata rights issue to raise approximately \$1.34 million.

## Assets

In line with the strategic review of the Company's assets and business, the Board has resolved to appoint leading consultants to give more certainty and detail in valuing key assets.

The strategic review highlighted the significant assets of the Company including:

- Bullabulling Royalty

Jervois holds a royalty over gold production from the Bullabulling gold deposit in Western Australia.

The Jervois royalty covers approximately 84 per cent of the current total resource of 3.75 million ounces with likely upside potential. The deposit is 70 kilometres south-west of Kalgoorlie and is contained in indicated and inferred resources of approximately 110 million tonnes grading a little over 1 gram a tonne. The deposit is now owned by the Chinese mining company Zijin Mining which owns the nearby Paddington mine and mill. The royalty is potentially the major asset of Jervois. It is \$30 an ounce on the first 400,000 ounces of production and \$20 an ounce thereafter for the entire life of mine.

- Scandium International Royalty

Jervois holds a production royalty of 1.7 per cent on the value of scandium and any other metal produced from the Nyngan deposit in NSW owned by Scandium International. The royalty extends for 12 years from the date of first production from Nyngan. At a price of US\$2000 a kg for scandium and the targeted production rate of 38,500kgs of scandium per year the royalty would generate US\$1.3 million a year.

Scandium International (TSX:SCI), is listed on the Toronto Stock Exchange and is capitalised at around \$C90 million.

- Young Nickel Cobalt Project

The NiCo Young exploration licenses, held by Jervois, contain published inferred resources of 82 million tonnes grading 0.79 per cent nickel and 0.06 per cent cobalt. A Consultant has been retained to update the resource estimate, and to include recent drilling. Specific infill drilling will be completed during the year.

- Forest Reefs Royalty

Jervois has a 1.5 per cent net smelter return on any production from Forest Reefs which is held by Newcrest, but is not currently in production.

- Flemington – Syerston Scandium Deposit

Australian Mines (ASX: AUZ), has the right to buy this project for \$6 million, less any option payments. In addition, AUZ must pay a 1.5 per cent royalty on the gross value of any mineral production from the deposit.

The current board believe these assets form a very strong base upon which to build for the future.

## Investments

In addition to the above, the Company holds 10,000,000 shares in Explaurum Ltd (ASX:EXU) which is proving up a promising gold project in Western Australia.

## Exploration

Jervois has three main exploration areas other than those covered above. These are Arunta West in WA, Area 1 in NSW and the Khartoum and related tin tenements in Northern QLD.

The significant tin concessions in North QLD, is considered by the board to be an excellent exploration play with a target of over 100 million tonnes of 0.25 per cent tin. The board has resolved to engage leading industry consultants to review these areas and recommend an exploration programme.

### EL 5527 and 5571 Nico Young (Arndnaree) and Thuddungra

A drilling program comprising 10 air core holes for 400 meters, is planned for Jervois' Young tenements, EL's 5527 and 5571. Permits for the drilling program have been applied for through the NSW Department of Resources and Energy. The program is designed as an infill to previous exploration on both tenements and will provide extra geological detail in sections of the mineralisation that have not been adequately drilled and also supply drill core for metallurgical work.

### EL 8474 Area 1

In the second half of 2016 a surface sampling program was undertaken on EL 8474. Rock chips and soil samples were collected and assayed. The eastern units of the tenement returned anomalous gold and bismuth results which warrant further exploration.

### EL 7281 Summervale

This tenement has now been relinquished.

EL 006303 at Eildon Victoria has been relinquished following the return of the consideration of 2,000,000 Jervois shares which were subsequently cancelled.

E45/3326 – A 51 % interest in the Gobbos Prospect and EL 45/4849, Elsie Prospect in Western Australia was returned to Platypus Resources Ltd. (now Lepidico Ltd) following the return of 4,000,000 Jervois shares which were subsequently cancelled.

## Metallurgy

### Nico Young Nickel-Cobalt:

The main focus of the 3rd Quarter's work was on Young Ni-Co laterite. The metallurgical test work done over the past 15 years was reviewed with the intention of finding a cost effective approach to treat the Young ores. The compiled information revealed that over time diverse metallurgical approaches were considered. These approaches included pressure leaching, heap leaching, atmospheric leaching using diverse acids including sulphuric, nitric and hydrochloric and producing ferronickel by smelting. The economic assessment of previous work and investigation of other metallurgical options is in progress.

### Scandium Extraction from Flemington Ores:

The work done by an Australian research provider for Jervois has been completed. This work began before the option agreement with Australian Mines Limited. The final report will be provided during April by the research provider and will be subject of a detailed review.

At the commencement of the Second Quarter on 3 April 2017 Jervois Mining Limited had a cash balance of \$596,677.64.

The Company further advises that subsequent to the end of the quarter the resignations of Mr Richard Karn and Mr Ken Koldenhoven from their position as Directors of the Company were accepted.

By order of the Board

Steve van der Sluys

Executive Chairman

The information in this report that relates to Exploration Results or Mineral Resources is based on information compiled by S. van Huet (MAusIMM) and Mr D. Foster, (MAusIMM). S. van Huet and D. Foster have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. S. van Huet and D. Foster consent to the inclusion.