



A.B.N. 52 007 626 575

31 January 2019

ASX:JRV

Jervois Mining Quarterly Activities Report to 31 December 2018

Jervois Mining Limited
ACN: 007 626 575
ASX: JRV

Corporate Information:
223.3M Ordinary Shares
30.4M Unlisted Options

Non-Executive Chairman
Peter Johnston

Chief Executive Officer
Bryce Crocker

Non-Executive Director
Brian Kennedy

Non-Executive Director
Michael Rodriguez

Non-Executive Director
Stephen van der Sluys

Company Secretary
Alwyn Davey

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HIGHLIGHTS

- Jervois to merge with TSX Venture Exchange (“TSXV”) listed M2 Cobalt Corp. (TSXV:MC) (“M2 Cobalt”) to create industry leader
- Friendly merger of companies will lead to enlarged company with greater scale, liquidity and diversification with significant re-rating potential
- Jervois will enter North American capital markets via TSXV listing and obtain exposure to M2 Cobalt’s existing operational platform and presence in Uganda, with restart opportunities at the Kilembe copper-cobalt mine and Kasese cobalt refinery
- Nico Young pre-feasibility study (“PFS”) will be released in March 2019 in conjunction with posting of the M2 Cobalt Shareholder Circular
- Nico Young partner and offtake selection process underway after strong interest during China and Korean visits
- Jervois completed a full exit of the Flemington deposit and received the final A\$3.4 million cash payment from Australian Mines Limited (ASX:AUZ) (“Australian Mines”) in December. Subsequent to year end, the Cobalt27 Capital Corp. (“Cobalt27”) royalty sale also closed with Jervois receiving US\$1.5 million in cash and 422,856 Cobalt27 shares, which at the date of receipt had a market value of C\$1.9 million

CORPORATE UPDATE

Merger with M2 Cobalt

Subsequent to the December quarter and year end, in January 2019, Jervois announced it had entered a definitive agreement with M2 Cobalt pursuant to which the companies will merge in an at-market transaction. The Transaction will be completed by way of a Plan of Arrangement under the Business Corporations Act (British Columbia) (the “Arrangement”) whereby Jervois will acquire all the issued and outstanding common shares of M2 Cobalt.

Transaction Highlights

- M2 Cobalt’s existing team and deep experience in Uganda provides a strong platform to pursue opportunities at and around the historic Kilembe Mine and Kasese Cobalt Refinery;
- Entry into Uganda to complement Jervois’ East African ambitions;
- Complementary management teams with combined skill set of exploration, development, financing and capital markets, construction, commissioning and operations;
- Uganda has continuation of geological trends from neighbouring Democratic Republic of Congo but with greater political and regulatory stability;
- Post-Transaction, the Board of Directors will consist of three nominees from Jervois and one from M2 Cobalt;
- Jervois Chairman, Mr Peter Johnston, and Chief Executive Officer, Mr Bryce Crocker, will continue in their existing roles;
- Primary listing under Jervois name on the Australian Stock Exchange (“ASX”) and will seek a new listing on the TSXV; will provide access to the Australian and North American mining capital markets; and
- Jervois to provide M2 Cobalt with a US\$3.0M bridge working capital facility to immediately accelerate Ugandan exploration programme.

Under the Arrangement, each common share of M2 Cobalt will be exchanged for one common share of Jervois (the “Exchange Ratio”). This represents an implied offer price of C\$0.262 based on the closing price of Jervois’ common shares on the Australian Securities Exchange (“ASX”) on 21 January 2019, and C\$0.247 based on the 10-day VWAP for the period also ending 21 January 2019. M2 Cobalt stock options will be exchanged for replacement options under Jervois’ stock option plan and M2 Cobalt warrants if exercised will be exchangeable for Jervois’ shares in accordance with the Arrangement. Upon launch Directors and executive officers of M2 Cobalt, along with certain shareholders, holding in the aggregate 34.6% of the outstanding M2 Cobalt shares, have entered into customary voting and support agreements in favour of the Arrangement. Upon completion of the Transaction, pro forma ownership of the enlarged company will be 77.9% existing Jervois shareholders, and 22.1% M2 Cobalt existing shareholders.

M2 Cobalt is an exploration stage company with 100% ownership of highly prospective properties in Uganda. The company has an established Ugandan operating presence with strong

government and local stakeholder relationships. Its projects are at target drilling stage and exhibit strong anomalies.

Since the current management team and Board at Jervois were appointed, the team has reviewed a significant number of investment opportunities in cobalt globally. The Company is genuinely enthusiastic regarding what can be achieved at the Kilembe copper-cobalt mine and Kasese cobalt refinery. Jervois is also optimistic on the exploration potential of M2 Cobalt's portfolio of tenements, and this underpins the US\$3.0 million working capital facility provided as part of the Transaction to accelerate this programme.

Uganda has a continuation of geological trends from neighbouring Democratic Republic of Congo, as well as a history of copper and cobalt production, but with greater political and regulatory stability.

More information about the Transaction is available in the ASX Announcement dated 22 January 2019.

Prospecting Licence ("PL") Application over the Kabanga nickel-cobalt deposit in Tanzania

Jervois continues to discuss how it can assist the Government of Tanzania to commercialise the Kabanga sulphide nickel-cobalt deposit. Jervois remains confident that its team can significantly improve on the definitive feasibility study ("DFS") prepared by the previous owners of Kabanga, and that it has the access to capital markets, organisational capacity, expertise and drive to construct the project in an accelerated timeframe.

Investment in eCobalt

Jervois continues to hold 7.249 million shares or approximately 4.54% of the then outstanding shares of eCobalt Solutions Inc ("eCobalt") (TSX: ECS), a Toronto Stock Exchange-listed ("TSX") cobalt company which owns 100% of an advanced development project currently under construction in Idaho, United States.

eCobalt owns the Idaho Cobalt Project outside the town of Salmon in the heart of the historic cobalt belt in Lemhi Country Idaho, United States, which represents the only near-term domestic cobalt production potential in the country.

Flemington option exercise

In late 2016, Jervois optioned the Flemington project (exploration licences EL 7805 and EL 8546) to Flemington Mining Operations Pty Ltd, a wholly-owned subsidiary of Australian Mines, for A\$6.0 million in cash. In December the New South Wales Department of Planning and Environment approved the licence transfers, and Jervois received the final A\$3.4 million plus GST for the final tranche of the purchase price.

The option exercised by Australian Mines created a 1.5% gross royalty to Jervois on all mineral products, which was part of the royalty package sold to Cobalt 27 in late June 2018 for US\$1.5

million in cash and 422,856 ordinary shares of Cobalt27. The Cobalt27 royalty sale closed in early January.

Annual General Meeting (“AGM”) Results

At Jervois’ Annual General Meeting held in Melbourne, Australia on 31 October 2018, all resolutions proposed were passed without amendment on a show of hands.

Liquidity and Cashflow

Jervois ended the December quarter with A\$5.3 million in cash, A\$4.1 million in public securities and no debt. Although the Flemington transfer was approved by the regulators in December, administrative delays from Australian Mines over year end led to the Cobalt27 royalty sale only closing in early January. As a result, a further US\$1.5 million in cash arrived on 11 January 2019 from Cobalt27. As part of the agreed sales terms for the Flemington and Nyngan royalties, Jervois also received 422,856 Cobalt27 shares. At the date of receipt (11 January 2019) these had a market value of C\$1.9 million.

At the date of filing this report Jervois cash and liquid (Cobalt27) securities amounted to A\$9.0 million, excluding its strategic shareholding in eCobalt. This also excludes the Bullabulling royalty which bidders identified as the most valuable asset in Jervois’s royalty portfolio during the sales process earlier this year.

On a proforma basis, in combination with M2 Cobalt, liquidity rises to approximately A\$10.0 million, again excluding eCobalt and Bullabulling.

Expenditure on exploration and development for the quarter was A\$1.5 million.

PROJECT UPDATES

Nico Young Cobalt / Nickel, NSW, Australia

Background

The Nico Young deposit comprises two distinct bodies of mineralization held under separate but adjacent exploration licenses 5527 (“Ardnaree”) and 5571 (“Thuddungra”). The Mineral Resource is in an established mining and farming region of central west New South Wales, Australia, around 300 kilometres due west of Wollongong and Sydney ports. The Nico Young deposit is a laterite nickel-cobalt deposit and extends along a 15km NNE-SSW strike. Jervois holds 100% of the licenses with no private royalties or other encumbrances over title. The

Mineral Resource is favourably located geographically and is proximate to key infrastructure such as rail and major highways. The deposit is approximately 25 kilometres north west of the township of Young which has a permanent population of 7,000 people.

PFS Update

Nico Young PFS neared finalisation with an optimal production scale of 3.0Mtpa ore throughput. As this is larger than originally envisaged, Jervois commenced discussions to bring a partner into the project as it moves into Definitive Feasibility Study phase in 2019.

The company is currently in discussions with investment and off-take partners for Nico Young. Jervois' team, made up of former Xstrata / Glencore executives, has deep experience in constructing and commissioning similar operations to Nico Young and is confident on its technical strength to continue moving the project forward under its stewardship.

Heap leach metallurgical testwork as part of Jervois' PFS for Nico Young was finalized in the quarter, with final assumptions on Process Design Criteria provided to the lead engineer Lycopodium in January.

During January, Jervois's non-executive Director Michael Rodriguez led an intensive peer review and optimization process in Lycopodium's offices in both Perth and Brisbane. As a result improvements in flowsheets and plant design were confirmed, leading to significant benefits on processing flows (iron, manganese and magnesium removal), infrastructure (heap leach pads, residue tailings facilities, water and power requirements), and costing, both capital and operating. The Chinese supplier that previously quoted for 2 *2,200tpd acid plants also reverted with an integrated single 4,400tpd train, identical to the size acid plant operating at Murrin Murrin, where many of Jervois's principals worked previously. Based on the improved design, Lycopodium is now reverting back to obtain requisite supplier quoting to support PFS accuracy cost estimation. This will be completed by March and the study will then be ready for public release.

Jervois management attended the China International Nickel and Cobalt Industry Forum, hosted by Beijing Antaiko Information Co Ltd and the China Non-Ferrous Metals Industry Association Cobalt Branch, in Xiamen, Fujian Province China in November 2018 and received strong interest in Nico Young mixed nickel-cobalt hydroxide ("MHP") and nickel sulphate / cobalt sulphide (in event a refinery is ultimately constructed in Australia). Jervois broadened its formal discussions on Nico Young to Korea where customer demand for nickel and cobalt units is also strong, and a dataroom has been established which off-takers and investment partners are reviewing.

The second hand agglomerator, stacker and conveying heap leach equipment purchased from Fox Resources was safely relocated to Mt Isa during the quarter from the Mt Cuthbert Copper Project in Queensland, approximately 170km north east of Mt Isa by road. As it is unlikely this equipment can be cost effectively utilized for the larger 3.0Mtpa development now envisaged, the Company is obtaining refurbishment quotes and may look to divest this equipment if a new investment partner in Nico Young concurs with the company's envisaged development plans.

In conjunction with the posting of the M2 Cobalt Shareholder Circular associated with the previously detailed Transaction, the Nico Young PFS will be released to the ASX in March 2019. Jervois remains confident the project benchmarks favourably against its higher capital and technical risk Australian peers. As part of reciprocal due diligence associated with the M2 Cobalt merger, M2 Cobalt's financial adviser Canaccord Genuity Corp. had access to the Nico Young dataroom and provided a positive fairness opinion to the M2 Cobalt Board of Directors based on their review.

NON-CORE ASSET

Khartoum Tin Project, Herberton, Queensland, Australia

The Khartoum Tin Project comprises five tenements in the Mt Garnet / Herberton area of the Atherton Table Lands, North Queensland, Australia. The area was historically mined for tin and dominated by highly deformed greisen / skarn.

Although the properties are promising, Jervois has determined they are no longer core to its revised strategy to focus on lithium ion battery cathode raw materials. Jervois has established a data room and a process to exit these interests continues.

By Order of the Board

Bryce Crocker
Chief Executive Officer

Australian Tenements

Description	Tenement number	Interest owned %
Ardnaree (NSW)	EL 5527	100.0
Thuddungra (NSW)	EL 5571	100.0
Nico Young (NSW)	EL 8698	100.0
Area 1 (NSW)	EL 8474	100.0
West Arunta (WA)	E80 4820	49.0
West Arunta (WA)	E80 4986	49.0
West Arunta (WA)	E80 4987	49.0
Old Khartoum (QLD)	EPM 14797	100.0
Khartoum (QLD)	EPM 19112	100.0
Three Mile Creek (QLD)	EPM 19113	100.0
Carbonate Creek (QLD)	EPM 19114	100.0
Mt Fairyland (QLD)	EPM 19203	100.0

The information in this report that relates to Exploration Results is based on information compiled by David Selfe (MAusIMM), a full-time employee of Jervois. David Selfe has 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'. David Selfe consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

JERVOIS MINING LIMITED

ABN

52 007 626 575

Quarter ended ("current quarter")

31 December 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3,740	4,340
1.2 Payments for		
(a) exploration & evaluation	(1,465)	(3,151)
(b) development	-	-
(c) production	-	-
(d) staff costs	(197)	(407)
(e) administration and corporate costs	(280)	(687)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	11	25
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other	-	1
1.9 Net cash from / (used in) operating activities	1,809	121

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(337)	(338)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	597
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other	2	2
2.6	Net cash from / (used in) investing activities	(335)	261

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	200
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other – Security bonds	-	-
3.10	Net cash from / (used in) financing activities	-	200

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,823	4,715
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,809	121
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(335)	261
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	200
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	5,297	5,297

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	5,182	3,708
5.2 Call deposits	115	115
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)*	5,297*	3,823

*a further US\$1,499,988 was received on 11 January 2019

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	113
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Fees paid to Directors on normal commercial terms.

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	600
9.2 Development	-
9.3 Production	-
9.4 Staff costs	230
9.5 Administration and corporate costs	380
9.6 Other - Loan to M2 Cobalt	1,535
9.7 Total estimated cash outflows	2,745

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	EL 7805 EL 8546 NSW	Sale of Flemington Project to Australian Mines Limited	100%	Nil
	EPM15570 QLD	Relinquished	100%	Nil
10.2 Interests in mining tenements and petroleum tenements acquired or increased	EL8698 NSW	Holder	Nil	100%

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: 
(Director/Company secretary)

Date: 30 January 2019

Print name: Alwyn Davey

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.