

SHAREHOLDER ANNOUNCEMENT

4 November 2019



COMPANY UPDATE

The Company is pleased to provide shareholders with an update on a detailed geological and geophysical work programme conducted in October 2019 at the Bekisopa project.

Operational

Geological work field work

A consulting geologist retained by the Company has overseen a field geological work programme at the Bekisopa project.

An executive summary of the consulting geologist interpretation of the Bekisopa project is attached and concludes that there is significant potential high-grade iron ore mineralisation at depth.

The consulting geologist concludes that 'it appears from field observation that the mineralisation is not due to a surface enrichment of disseminated magnetite-hematite mineralisation' and provides reasons for this conclusion.

The consulting geologist states "it is considered highly likely that the mineralised layers will continue at depth, as massive magnetite-hematite layers, lenses and boudins within country rock. Iron grades should be the same as or possibly slightly lower than those seen at surface (due to dilution by country rock beds and selvages), and these should be readily upgradable by simple coarse crushing, screening and magnetic separation. This should produce a high-grade premium lump product due to the massive nature of the magnetite-hematite mineralisation.'

Based on this assessment, the consulting geologist believes there is exploration potential for around 100 Mt @ 60% Fe (easily upgradable to plus 65% Fe) which can be seen to a depth of 50 metres, and a similar tonnage and grade for every subsequent 50 metres depth. Therefore, some 200 Mt @ 60% Fe (readily upgradable to 65% Fe) at a depth of 100 metres.

Magnetic survey

Prior to the October field work programme at the Bekisopa project, the Company explored various alternatives for conducting aeromagnetic surveying of the project area, including the use of drones. Uncertainties over the timing of a drone-based survey resulted in the Company electing to conduct a ground-based magnetic survey.

Planetary Geophysics, Toowoomba, Australia was selected to perform the survey.

Using two roving magnetic survey units the Company traversed the 7.5-kilometer strike length at 50-meter intervals completing the magnetic survey in 7 days walking some 350 kilometres. Feedback from the five geologists that walked the ground is that the magnetic intensity readouts were very strong across the known strike and continued into the west, past the areas of outcropping mineralisation.

The Company is expected to receive the geophysical report by the end of November.

Geological modelling

The majority of the historical Bekisopa data is now scanned and uploaded to digital formats in readiness to input into modelling software. This work will be supervised by the consulting geologist.

Drilling contractor

There are three in-country drilling contractors operating in Madagascar. The Company has held discussions with two of these contractors, Ore Zone Drilling, South Africa, and Classic Real Drill. Both groups are based in Antananarivo. A review of both groups clearly indicates that they are capable and competitively priced with access to additional equipment, including graders, back hoes and support vehicles. The Company has selected Class Real Drill which is presently working at the Ambatovy nickel project and has agreed a mid-March 2020 mobilisation date to commence a drilling campaign at the Bekisopa project.

Mining sector

The Company has had a number of meetings with the Bureau Cadastre Minier du Madagascar and specifically the Director-General. At the latest meeting, the Director-General informed the Company that the Bekisopa renewal application is awaiting signature from the Minister of Mines and forms part of the formal process for the issuance of 1,050 permits.

The government of Madagascar agreed with international donors for the grant and renewal of 1,050 exploitation permits, research permits and small-scale mining permits to be issued before 30 June 2020. The Prime Minister formally submitted to the National Assembly the agreed process on 16 August 2019.

The Bekisopa permit is one of the 500 research permits awaiting signature.

A number of foreign entities awaiting the renewal of research permits have requested and received from the BCM letters which have enabled environment permits to be approved so that drilling activities can commence.

Access road (from National Highway 7)

The access road from the bitumen National Highway 7 through to the Tanamarina village and then the Bekisopa site covers some 80 kilometres along windy and rough dirt roads.



The company believes that the access track requires a moderate grade and several of the creek and river crossings will need the entry and exit access roads to be dug out and graded flatter to more efficient access. The work programme proposed will not be a major project and following more reconnaissance visits in the coming months, the Company will identify a route which will minimise upgrades and make the access for drill rigs and associated equipment easier. The Company has also identified an opportunity to shorten the access track through eliminating its meander and straighten the track over the countryside.

Bekisopa basecamp

The latest field work programme involved the identification of a location for the eventual development of a base camp. This location was used for the geological mapping and ground-based geophysical programme where the 15-man team were based for the 14-day period,



Community relations

Tanamarina is the main village closest to the Bekisopa project and is approximately 90-minute drive from the basecamp. The Company stayed at the Tanamarina village and spent time talking to the village mayor and others prior to undertaking the field work programme.

Before departing Tanamarina, the Company provided the school with books, pens, pencils, chalk and teachers aids to the gathered village children.

In discussions with the Tanamarina mayor, the Company agreed an initial community-based contribution to be undertaken prior to the commencement of drilling next year, including drilling a number of water bores as well as installing a water storage tank.

The Company will also look to develop a rotating workforce amongst the villagers to ensure field assistant roles can be appropriately shared amongst households.



Corporate

Convertible notes

Baker Steel Resources Trust Limited converted all its convertible notes into 36,000,000 fully paid ordinary shares with the Company having approximately 384 million shares on issue.

Cash balances

As at 31 October 2019, the Company had cash balances of A\$2.441 million.

Listing

The Company is presently considering three options to secure additional funding. The Company is in discussions with an ASX listed entity to complete a reversing transaction on the ASX as well as a TSX listed entity to complete a reversing transaction on the TSX. If the Company is unable to complete terms with either entity by the middle of November 2019, it will move to list on the ASX in its own right.

For further information contact

PG Bibby
Chief Executive Officer and Managing Director
Mobile 61 (0)429 995 398

SL Fabian
Non-executive Director
Mobile 44 (0)7908 559 743

JM Madden
Company Secretary
Mobile 61 (0)400 887 001

Note

Mr AJ Truelove has been retained by the Company as a consulting geologist. Mr Truelove participated in the initial equity raising of the Company in March 2011 and presently holds 50,000 fully paid ordinary shares. Until the Company retained Mr Truelove in October 2019, he has not had any involvement with the exploration activities of the Company.