FORM 2B
LISTING APPLICATION

CONIC METALS CORP.

Application for the listing of the Common Shares in the capital of Conic Metals Corp.
("**Conic Metals**" or the "**Corporation**") on the TSX Venture Exchange

As of November 4, 2019

No securities regulatory authority or the TSX Venture Exchange has expressed an opinion about the securities which are the subject of this application.

ITEM 2: TABLE OF CONTENTS AND GLOSSARY

ITEM 2: TABLE OF CONTENTS AND GLOSSARY....2
GLOSSARY....3
CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION....9
NOTICE TO READER....10
TECHNICAL AND THIRD-PARTY INFORMATION....11
ITEM 3: SUMMARY....12
ITEM 4: CORPORATE STRUCTURE....15
ITEM 5: DESCRIPTION OF THE BUSINESS....16
- General Description of the Business....17
- Business Strategy and Business Model....17
- Corporation Acquisition Strategy....18
- Acquisition of Conic Metals Assets....19
- Employees....19
- Nickel Industry Overview....19
- Business Strengths and Competitive Conditions....22
- Conic Metals' Global Portfolio....24
- Ramu Project Mining and Technical Information....28

ITEM 6: FINANCING....50
- Available Funds....50
- Principal Purposes....50

ITEM 7: DIVIDENDS AND OTHER DISTRIBUTIONS....51
ITEM 8: MANAGEMENT'S DISCUSSION AND ANALYSIS....51
ITEM 9: DISCLOSURE OF OUTSTANDING SECURITY DATA ON FULLY DILUTED BASIS....51
ITEM 10: DESCRIPTION OF SECURITIES TO BE LISTED....51
ITEM 11: CONSOLIDATED CAPITALIZATION....52
ITEM 12: STOCK OPTION PLAN....52
ITEM 13: PRIOR SALES....55
ITEM 14: ESCROWED SECURITIES AND SECURITIES SUBJECT TO RESTRICTION ON TRANSFER....55
ITEM 15: PRINCIPAL SECURITYHOLDERS....55
ITEM 16: DIRECTORS AND EXECUTIVE OFFICERS....56
- Directors and Officers....56
- Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions....61
- Conflicts of Interest....62

ITEM 17: EXECUTIVE COMPENSATION....63
- Named Executive Officers....63
- Compensation Discussion and Analysis and Oversight of Compensation....63

ITEM 18: INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS....67
ITEM 19: AUDIT COMMITTEE AND CORPORATE GOVERNANCE....67
- Audit Committee....67
- Corporate Governance....68

ITEM 20: AGENT, SPONSOR OR ADVISOR....71
ITEM 21: RISK FACTORS....71
- General Risk Factors....71
- Specific Risks Related to Streams and Royalties....77

ITEM 22: PROMOTERS....78
ITEM 23: LEGAL PROCEEDINGS AND REGULATORY ACTIONS....78
ITEM 24: INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS....78
ITEM 25: INVESTOR RELATIONS ARRANGEMENTS....78
ITEM 26: AUDITORS, TRANSFER AGENT AND REGISTRAR..78
ITEM 27: MATERIAL CONTRACTS....78
ITEM 28: EXPERTS....79
ITEM 29: OTHER MATERIAL FACTS....79
ITEM 30: ADDITIONAL INFORMATION – MINING OR OIL AND GAS APPLICANTS....79
ITEM 31: EXEMPTIONS....79
ITEM 32: FINANCIAL STATEMENT DISCLOSURE FOR ISSUERS....80
- Financial Statements....80
- Selected Unaudited Pro Forma Financial Information....80

ITEM 33: SIGNIFICANT ACQUISITIONS....82
ITEM 34: CERTIFICATES....82

APPENDICES

APPENDIX A Form 2B Personal Information Collection Policy

APPENDIX B Audited Financial Statements of Conic Metals for the Period of June 25, 2019 – September 30, 2019

APPENDIX C Audited Carve Out Financial Statements of Conic Metals for the Twelve-Month Period Ended December 31, 2018 and Eight Month Period Ended December 31, 2017

APPENDIX D Unaudited Carve Out Financial Statements of Conic Metals for the Three and Six-Month Period Ended June 30, 2019

APPENDIX E Highlands Pacific Financial Statements

APPENDIX F Pro Forma Financial Statements

APPENDIX G Management's Discussion and Analysis – Conic Metals Corp. for the Twelve-Month Period Ended December 31, 2018 and Eight Month Period Ended December 31, 2017

APPENDIX H Management's Discussion and Analysis – Conic Metals Corp. for the Three and Six-Month Period Ended June 30, 2019

APPENDIX I Conic Metals Audit Committee Charter

APPENDIX J Conic Metals Omnibus Long-Term Incentive Plan

APPENDIX K Conic Metals Board Mandate

GLOSSARY

Unless otherwise indicated or the context otherwise indicates, the following definitions are used in this Listing Application. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the policies of the TSX Venture Exchange and applicable securities laws. In the event of a conflict between a term defined in this glossary and a term defined in the policies of the TSX Venture Exchange, the definition of the TSX Venture Exchange will govern.

"Affected Securityholders"	*means, collectively, Cobalt 27 Shareholders and the holders of Incentive Securities.*
"affiliate"	*means, with respect to any Person, any other Person which directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, such Person. For the purposes of this definition and the definition of "Subsidiary", "control" (including with correlative meanings, the terms "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of that Person, whether through the ownership of voting securities, by contract or otherwise.*
"Arrangement"	*means an arrangement under Section 288 of the BCBCA on the terms and subject to the conditions set out in the Plan of Arrangement, subject to any amendments or variations to the Plan of Arrangement made in accordance with the terms of the Arrangement Agreement and the Plan of Arrangement or made at the direction of the Court in the Final Order with the prior written consent of Cobalt 27 and the Purchaser, each acting reasonably.*
"Arrangement Agreement"	*means the Arrangement Agreement dated as of June 17, 2019, as amended October 1, 2019, among Pala, the Purchaser and Cobalt 27, as the same may be amended, supplemented, restated or otherwise modified from time to time in accordance with its terms.*
"Arrangement Resolution"	*means the special resolution approving the Plan of Arrangement that was considered and approved at the Meeting.*
"BCBCA"	*means the Business Corporations Act, S.B.C. 2002, c. 57.*
"Business Day"	*means any day of the year, other than a Saturday, Sunday or any day on which major banks are closed for business in Toronto, Ontario, Zug, Switzerland, Vancouver, British Columbia or New York, New York.*
"Circular"	*means, collectively, the Management Information Circular and the Supplement to Management Information Circular of Cobalt 27, including all schedules, appendices and exhibits thereto and information incorporated by reference therein, sent to Affected Securityholders in connection with the Meeting, as amended, supplemented or otherwise modified from time to time in accordance with the terms of the Arrangement Agreement.*
"Claims"	*means any claim, action, cause of action, demand, lawsuit, proceeding, arbitration or governmental investigation, in each case, whether asserted, threatened, pending or existing.*
"Cobalt 27"	*means Cobalt 27 Capital Corp.*
"Cobalt 27 Board"	*means the board of directors of Cobalt 27 as the same is constituted from time to time.*
"Cobalt 27 LTIP"	*means Cobalt 27's omnibus long-term incentive plan adopted by Cobalt 27 Shareholders on August 14, 2018, in form attached as Appendix H hereto.*
"Cobalt 27 Options"	*means the options to purchase Cobalt 27 Shares issued pursuant to and governed by the Cobalt 27 LTIP.*

"Cobalt 27 PSUs"	*means performance share units of Cobalt 27 issued pursuant to and governed by the Cobalt 27 LTIP.*
"Cobalt 27 RSUs"	*means restricted share units of Cobalt 27 issued pursuant to and governed by the Cobalt 27 LTIP.*
"Cobalt 27 Shareholders"	*means the registered and/or beneficial holders of the Cobalt 27 Shares, as the context requires.*
"Cobalt 27 Shares"	*means the common shares in the capital of Cobalt 27 and includes, for greater certainty, any Cobalt 27 Shares issued upon the valid exercise of any Incentive Securities.*
"Company Disclosure Letter"	*means the disclosure letter dated as of June 17, 2019 and all schedules, exhibits and appendices thereto, delivered by Cobalt 27 to Pala and the Purchaser with the Arrangement Agreement.*
"Conic Metals"	*means Conic Metals Corp., a corporation incorporated under the laws of the Province of British Columbia.*
"Conic Metals Assets"	*means all assets of Cobalt 27 other than the Specified Assets, which shall include the Identified Conic Metals Assets (as defined in the Conic Metals Contribution Agreement), the Conic Metals Subsidiaries and the Conic Metals Cash Allocation.*
"Conic Metals Board"	*means the board of directors of Conic Metals as the same is constituted from time to time.*
"Conic Metals Cash Allocation"	*means (i) US$5,000,000, less (ii) all cash held by Cobalt 27's Subsidiaries immediately prior to the Effective Time after the completion of the payments required by Section 4.1(3)(f) of the Arrangement Agreement.*
"Conic Metals Contribution Agreement"	*means the agreement of purchase and sale substantially in the form attached as Schedule E to the Arrangement Agreement.*
"Conic Metals Liabilities"	*means all liabilities and obligations of Cobalt 27 other than the Specified Liabilities, including (a) all Liabilities arising out of ownership or operation of, or otherwise relating to, the Conic Metals Assets, whether incurred or arising before or after the Effective Date; (b) all Pre-Closing Taxes; (c) all Liabilities in respect of the Specified Assets which by the terms and conditions thereof were to be paid, discharged, performed or satisfied prior to the Effective Date; and (d) all Liabilities relating to the HIG Transaction including payment of the HIG Contingent Consideration.*
"Conic Metals LTIP"	*means Conic Metals' omnibus long-term incentive plan, in form attached as Appendix I hereto.*
"Conic Metals Options"	*means the options to purchase Conic Metals Shares issued pursuant to and governed by the Conic Metals LTIP.*
"Conic Metals Preferred Share"	*means a preferred share in the capital of Conic Metals having the terms and conditions specified in Schedule B to the Plan of Arrangement.*
"Conic Metals PSUs"	*means performance share units of Conic Metals issued pursuant to and governed by the Conic Metals LTIP.*
"Conic Metals RSUs"	*means the restricted share units of Conic Metals issued pursuant to and governed by the Conic Metals LTIP.*
"Conic Metals Shares"	*means common shares in the capital of Conic Metals.*
"Conic Metals Subsidiaries"	*means, collectively, Electric Metals Streaming Corp., Highlands Pacific Limited, Ramu Nickel Limited, Highlands Frieda Limited, Highlands Pacific Resources Limited, Highlands Pacific Australia Pty Limited and Highlands Pacific Services Limited.*

"Court"	*means the Supreme Court of British Columbia.*
"Directors"	*means the directors of the Cobalt 27 Board or the Conic Metals Board, as applicable.*
"Dissent Rights"	*means the rights of dissent that registered holders of Cobalt 27 Shares may exercise with respect to Cobalt 27 Shares.*
"Dissenting Shareholder"	*means a registered holder of Cobalt 27 Shares who has validly exercised its Dissent Rights in accordance with the Interim Order and who, as of the Effective Time, has not withdrawn or been deemed to have withdrawn such exercise of Dissent Rights, but only in respect of the Cobalt 27 Shares in respect of which such Dissent Rights are validly exercised by such holder.*
"Effective Date"	*means the date on which the Arrangement takes effect pursuant to the BCBCA, which was October 25, 2019.*
"Effective Time"	*means 12:01 a.m. (Toronto Time) on the Effective Date.*
"Final Order"	*means the final order of the Court pursuant to section 291(4) of the BCBCA, in a form acceptable to Cobalt 27 and the Purchaser, each acting reasonably, approving the Arrangement, as such order may be amended by the Court (with the consent of both Cobalt 27 and the Purchaser, each acting reasonably) at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended (provided that any such amendment is acceptable to both Cobalt 27 and the Purchaser, each acting reasonably) on appeal.*
"Former Cobalt 27 Shareholders"	*means the holders of Cobalt 27 Shares immediately prior to the Effective Time.*
"Governmental Entity"	*means: (i) any international, multinational, national, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, commission, commissioner, board, bureau, minister, ministry, governor in council, cabinet, agency or instrumentality, in Canada or otherwise; (ii) any subdivision or authority of any of the above; (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing; (iv) any arbitrator or arbitration tribunal; (v) any Securities Authority; or (vi) any stock exchange including the TSXV, Frankfurt Stock Exchange or OTCQX Best Market.*
"HIG Contingent Consideration"	*means additional contingent consideration of approximately US$6,000,000 which became payable to shareholders of Highlands Pacific Limited on July 22, 2019 pursuant to the HIG Transaction, which amount was previously held in escrow in accordance with the terms thereof.*
"HIG Transaction"	*means the acquisition by Cobalt 27 of all of the issued and outstanding shares of Highlands Pacific Limited by way of scheme of arrangement completed on May 17, 2019.*
"Incentive Securities"	*means collectively, the Cobalt 27 Options, Cobalt 27 PSUs, Cobalt 27 RSUs, Legacy Options and Legacy RSUs.*
"Interim Order"	*means the interim order of the Court pursuant to Section 291(2) of the BCBCA.*
"KPMG"	*means KPMG LLP, Chartered Professional Accountants.*
"Law"	*means, with respect to any Person, any and all applicable statute, law, constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, judgment, decree, ruling, decision or other similar requirement, whether domestic or foreign, enacted, adopted, promulgated or applied by a Governmental Entity that is binding upon or applicable to such Person or its business, undertaking, property or securities, and to the extent that they*

	have the force of law, policies, guidelines, notices and protocols of any Governmental Entity, in each case as amended unless expressly specified otherwise.
"Legacy Option Plan"	*means the stock option plan which was approved, as amended by Cobalt 27 Shareholders, on May 8, 2017.*
"Legacy Options"	*means outstanding options to purchase Cobalt 27 Shares issued pursuant to and governed by the Legacy Option Plan.*
"Legacy RSU Plan"	*means the restricted share unit plan adopted by the Cobalt 27 Board on August 8, 2017.*
"Legacy RSUs"	*means outstanding restricted share units granted under the Legacy RSU Plan and governed by the LTIP.*
"Liabilities"	*means any and all liabilities and obligations, bonds, indemnities and similar obligations, covenants, contracts, agreements, promises, omissions, guarantees, damages, penalties or judgements, in each case, of any kind or of any nature whatsoever whether under common law, in equity, under Law or otherwise, whether tortious, contractual, vicarious, statutory or otherwise, whether absolute or contingent and whether based on fault, strict liability or otherwise;*
"Losses"	*means any and all liabilities and obligations, bonds, indemnities and similar obligations, covenants, contracts, agreements, promises, omissions, guarantees, damages, penalties or judgements, in each case, of any kind or of any nature whatsoever whether under common law, in equity, under Law or otherwise, whether tortious, contractual, vicarious, statutory or otherwise, whether absolute or contingent and whether based on fault, strict liabilities or otherwise.*
"Meeting"	*means the annual general and special meeting of Cobalt 27 Shareholders, including any adjournment or postponement thereof in accordance with the terms of the Arrangement Agreement, to be called and held in accordance with the Interim Order to consider the Arrangement Resolution and for any other purpose as may be set out in the Circular and agreed to in writing by the Purchaser.*
"Metal Inventory"	*means 2,904.673 metric tonnes of physical cobalt owned by Cobalt 27 as further described in Section 26 of the Company Disclosure Letter, together with all certificates of analysis, documentation of origin, title and sampling, invoices, contracts of sale or purchase, packing lists, quality certificates and any other documentation in respect thereof in Cobalt 27's possession or control.*
"NI 43-101"	*means National Instrument 43-101 – Standards of Disclosure for Mineral Projects.*
"Notice of Meeting"	*means the notice to the Cobalt 27 Shareholders.*
"Pala"	*means Pala Investments Limited.*
"Person"	*includes any individual, partnership, association, body corporate, company, corporation, organization, trust, estate, trustee, executor, administrator, legal representative, government (including a Governmental Entity), syndicate or other entity, whether or not having legal status.*
"Plan of Arrangement"	*means the plan of arrangement, substantially in the form set out in Schedule A to the Arrangement Agreement, subject to any amendments or variations to such plan made in accordance with the Arrangement Agreement and the Plan of Arrangement or made at the direction of the Court in the Final Order with the prior written consent of Cobalt 27 and the Purchaser, each acting reasonably.*
"Pre-Closing Taxes"	*means any Taxes of Cobalt 27 for any taxation period of Cobalt 27 ending on or before the Effective Date, excluding for greater certainty any taxation*

	period which begins on the Effective Date and ends after the Effective Date.
"Purchaser"	*means 1212771 B.C. Ltd., a wholly-owned indirect subsidiary of Pala.*
"Representatives"	*means, in respect of any Person, such Person's affiliates and such Persons' and its affiliates' respective directors, officers, employees, agents, investment bankers, attorneys, accountants, financing sources or potential financing sources, accountants or other advisors or representatives.*
"SEDAR"	*means the System for Electronic Document Analysis and Retrieval.*
"Specified Assets"	*means (i) all right, title, interest and benefit in and to the Metal Inventory and the Stream Agreement and all related or ancillary assets in respect thereof, (ii) all Tax assets of Cobalt 27, and (iii) all cash on hand of Cobalt 27, other than the Conic Metals Cash Allocation which shall be transferred to the Purchaser pursuant to the terms of the Conic Metals Contribution Agreement.*
"Specified Liabilities"	*means all of the liabilities and obligations of Cobalt 27 in respect of the Specified Assets which by the terms and conditions thereof are to be observed, paid, discharged or performed at any time after the Effective Time.*
"Stream Agreement"	*means the purchase and sale agreement dated June 11, 2018 among Cobalt 27, Vale Power SA (as successor in interest to Vale Switzerland SA), Vale SA and Vale Newfoundland & Labrador Limited.*
"Subsidiary"	*means, with respect to any Person, any other Person which is controlled directly or indirectly by that Person.*
"Tax Act"	*means the Income Tax Act (Canada).*
"Taxes"	*means: (i) any and all taxes, duties, fees, excises, premiums, assessments, imposts, levies and other charges or assessments of any kind whatsoever, however denominated, imposed by any Governmental Entity, whether computed on a separate, consolidated, unitary, combined or other basis, which taxes shall include, without limiting the generality of the foregoing, all income or profits taxes (including, but not limited to, domestic or foreign federal income taxes and provincial/state or local income taxes), gains taxes, capital gains taxes, production taxes, windfall taxes, surplus taxes, recapture taxes, capital stock taxes, payroll and employee withholding taxes, employment insurance premiums, unemployment insurance premiums, social insurance taxes, social security taxes, Canada Pension Plan or other governmental pension plan premiums or contributions, payroll contributions and taxes, sales and use taxes, value added taxes, goods and services taxes, harmonized sales taxes, Quebec sales taxes, ad valorem taxes, excise taxes, franchise taxes, gift taxes, wealth taxes, net worth taxes, inheritance taxes, gross receipts taxes, municipal taxes, environmental taxes, capital taxes, corporate minimum taxes, withholding taxes, health taxes, employee health taxes, education taxes, utility taxes, severance taxes, surtaxes, customs, import and export taxes, business taxes, business license taxes, occupation taxes, real and personal property taxes, stamp taxes, special assessments, transfer taxes, land transfer taxes, workers' compensation premiums or contributions and other governmental charges (including, without limitation, all license and registration fees) and other obligations of the same or of a similar nature to any of the foregoing, which are required to be paid, deducted, withheld, remitted or collected; (ii) all interest, penalties, fines, additions to tax or other additional amounts imposed by any Governmental Entity on or in respect of amounts of the type described in clause (i) above or this clause (ii); (iii) any liability for the payment of any amounts of the type described in clauses (i) or (ii) as a result of being a member of an affiliated,*

	consolidated, combined or unitary group for any period; and (iv) any liability for the payment of any amounts of the type described in clauses (i) or (ii) as a result of any agreement with or other express or implied obligation to indemnify any other Person or as a result of being a transferee or successor in interest to any Person.
"TSXV"	*means the TSX Venture Exchange.*

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION

This Listing Application contains "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 and "forward-looking information" within the meaning of applicable Canadian securities legislation (forward-looking information and forward-looking statements being collectively referred to herein as "**forward-looking statements**") that are based on expectations, estimates and projections as at the date hereof. These forward-looking statements include but are not limited to statements and information concerning: the intentions, plans and future actions of Conic Metals; statements relating to the business and future activities of and developments related to Conic Metals after the date of this Listing Application and both prior to and after the Effective Time; listing of the Conic Metals Shares on the TSXV; future financial or operating performance of Conic Metals; liquidity of Conic Metals Shares following the Effective Time; participation of Cobalt 27 Shareholders in the assets of Conic Metals; anticipated developments in operations; the future price of metals (particularly cobalt and nickel) and factors affecting the market demand and supply thereof; the estimation of current and future mineral reserves and resources and the realization of mineral reserve and resource estimates; the timing and amount of estimated future production; costs of production and capital expenditures; mine life of mineral projects; the timing and amount of estimated capital expenditure; costs and timing of exploration and development and capital expenditures related thereto; operating expenditures; currency fluctuations; requirements for additional capital; government regulation of mining operations; environmental risks; unanticipated reclamation expenses; title disputes or claims; limitations on insurance coverage; the timing and possible outcome of regulatory and permitting matters; goals; strategies; future growth; planned exploration activities and planned future acquisitions; the adequacy of financial resources; and other events or conditions that may occur in the future.

Any statements that involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often but not always using phrases such as "expects", or "does not expect", "is expected", "anticipates" or "does not anticipate", "plans", "budget", "scheduled", "forecasts", "estimates", "believes" or "intends" or variations of such words and phrases or stating that certain actions, events or results "may" or "could", "would", "might", or "will" be taken to occur or be achieved) are not statements of historical fact and may be forward-looking statements and are intended to identify forward-looking statements.

These forward-looking statements are based on the beliefs of Conic Metals' management as well as on assumptions, which such management believes to be reasonable based on information currently available at the time such statements were made. However, there can be no assurance that the forward-looking statements will prove to be accurate.

By their nature, forward-looking statements are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Cobalt 27 or Conic Metals to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements are subject to a variety of risks, uncertainties and other factors which could cause actual events or results to differ from those expressed or implied by the forward-looking statements, including, without limitation: general business, economic, competitive, political, regulatory and social uncertainties; cobalt or nickel price volatility; uncertainty related to mineral properties; risks related to the ability to finance the continued operation of Conic Metals; expectation of future losses for Conic Metals; risks related to factors beyond the control of Conic Metals; limited business history of Conic Metals; risks and uncertainties associated with exploration and mining operations; risks related to the ability to obtain adequate financing for planned development activities; uncertainties related to title to mineral properties and the acquisition of surface rights; risks related to governmental regulations, including environmental laws and regulations and liability and obtaining permits and licences; future changes to environmental laws and regulations; unknown environmental risks for past activities; commodity price fluctuations; risks related to reclamation activities on mineral properties; risks related to political instability and unexpected regulatory change; currency fluctuations; influence of third party stakeholders; conflicts of interest; risks related to the involvement of some of the directors and officers of Conic Metals with other natural resource companies; enforceability of claims; the ability to maintain adequate control over financial reporting; risks related to the common shares of Conic Metals, including price volatility or trading liquidity due to events that may or may not be within such parties' control; disruptions or changes in the credit or security markets; risks related to international operations; risks related to joint venture operations; reserve and resource estimate risk; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; changes in labour costs or other costs of production; possible variations in mineral resources, ore

reserves, grade or recovery rates; labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; the ability to renew existing licenses or permits or obtain required licenses and permits; increased infrastructure and/or operating costs; risks of not meeting production and cost targets; discrepancies between actual and estimated production; mineral reserves and resources and metallurgical recoveries; mining operational and development risk; litigation risks; risks of sovereign investment and operating in foreign countries; foreign countries' regulatory requirements; global economic climate; dilution; ability to complete acquisitions; environmental risks; and community and non-governmental actions and regulatory risks.

This list is not exhaustive of the factors that may affect any of the forward-looking statements of Conic Metals. Forward-looking statements are statements about the future and are inherently uncertain. Actual results could differ materially from those projected in the forward-looking statements including as a result of the matters set out in this Listing Application generally and certain economic and business factors, some of which may be beyond the control of Conic Metals. Some of the important risks and uncertainties that could affect forward-looking statements are described further under the heading Item 21 – *Risk Factors*. Conic Metals does not intend, and does not assume any obligation, to update any forward-looking statements, other than as required by Law. For all of these reasons, Cobalt 27 Shareholders should not place undue reliance on forward-looking statements.

NOTICE TO READER

The following is a summary of the principal features of Conic Metals and its business and operations which should be read together with the more detailed information including audited and unaudited financial data and statements regarding Conic Metals contained elsewhere in this Listing Application. The information contained in this Listing Application, unless otherwise indicated, is given as of November 4, 2019.

No securities regulatory authority (including, without limitation, any securities regulatory authority of any Canadian province or territory, the United States Securities and Exchange Commission, or any securities regulatory authority of any U.S. State) or the TSX Venture Exchange ("TSXV") has expressed an opinion about the Arrangement or the Conic Metals Shares to be issued pursuant to the Arrangement and it is an offence to claim otherwise.

All dollar amounts set forth herein are in Canadian dollars except where otherwise indicated.

TECHNICAL AND THIRD-PARTY INFORMATION

Except where otherwise stated, the disclosure in this Listing Application relating to properties and operations on the properties in which Conic Metals will hold royalty, stream, joint venture or other interests upon completion of the Arrangement, other than the disclosure in the section entitled Item 5 – *Description of the Business - Ramu Project Mining and Technical Information* below, is based on information publicly disclosed by the owners or operators of these properties and information/data available in the public domain as of the date hereof, and none of this information has been independently verified by Conic Metals. Specifically, as a royalty or stream holder or as holder of a joint-venture interest, Conic Metals has limited, if any, access to properties included in its asset portfolio. Additionally, Conic Metals may from time to time receive operating information from the owners and operators of the properties, which it is not permitted to disclose to the public. The Corporation is dependent on the operators of the properties and their qualified persons to provide information to Conic Metals or on publicly available information (including the information described in this Listing Application relating to the Ramu Project) to prepare disclosure pertaining to properties and operations on the properties on which Conic Metals holds royalty, stream, joint venture or other interests and generally has limited or no ability to independently verify such information. Although Conic Metals does not have any knowledge that such information may not be complete or accurate, there can be no assurance that such third-party information is complete or accurate. Some information publicly reported by operators may relate to a larger property than the area covered by Conic Metals' royalty, stream, joint venture or other interest. The Corporation's royalty, stream, joint venture or other interests often cover less than 100% and sometimes only a portion of the publicly reported mineral reserves, mineral resources and production of a property.

Except where otherwise noted, the disclosure in this Listing Application relating to mineral reserve and mineral resource statements for individual properties is made as at December 31, 2018. In addition, numerical information contained in this Listing Application which has been derived from information publicly disclosed by owners or operators may have been rounded and, therefore, there may be some inconsistencies in this Listing Application with respect to significant digits presented.

The Corporation's interest in the Ramu Project will be its only material mineral project for the purposes of National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("**NI 43-101**").

The scientific and technical information in this Listing Application relating to the Ramu Project has been prepared, reviewed and approved in accordance with NI 43-101 by, or under the supervision of Dr. Qingping Deng, Peter D. Ingham, Roland Nice, and Adrian Brett, of Behre Dolbear Australia Pty Ltd. ("**BDA**"), all of whom are independent "qualified persons" as defined in NI 43-101. The mineral resource estimate set out in this Listing Application with respect to the Ramu Project was classified according to the CIM Definition Standards for Mineral Resources and Mineral Reserves (November 2010) by Dr Qingping Deng, of BDA and the mineral reserve estimate set out in this Listing Application with respect to the Ramu Project was classified according to the CIM Definition Standards for Mineral Resources and Mineral Reserves (November 2010) by Peter D. Ingham, of BDA.

The scientific and technical information in this Listing Application with respect to Nickel's 28's other projects was reviewed and approved in accordance with NI 43-101 by Mr. Robert Osborne P.Eng., geologist and President of Osborne Laterite Geology Service Inc., an independent consultant to Conic Metals and a "qualified person" as defined in NI 43-101.

ITEM 3: SUMMARY

The following is a summary of information relating to Conic Metals and should be read together with the more detailed information and financial data and statements contained elsewhere in this Listing Application.

Corporate Structure

Conic Metals was incorporated under the BCBCA on June 25, 2019. The registered office of Conic Metals is Suite 1700, Park Place, 666 Burrard Street, Vancouver, British Columbia V6C 2X8. The principal office of Conic Metals is located at Suite 401, 4 King Street West, Toronto, Ontario M5H 1B6. For more information, see Item 4 - *Corporate Structure.*

Business

Conic Metals was incorporated in connection with the Arrangement and has not carried on any business. Conic Metals intends to be an innovative battery metals investment vehicle offering exposure to nickel and cobalt, through the acquisition of metals streams, royalties and direct interests.

In accordance with the Plan of Arrangement, at the Effective Time, Conic Metals acquired from Cobalt 27 all of its right, title and interest in and to all of the assets of Cobalt 27 other than the Specified Assets, which included:

1. eleven (11) royalties, as described in greater detail below in the section titled Item 5 – *Description of the Business - Conic Metals Royalty Portfolio* in this Listing Application;

2. 100% of the shares held by Cobalt 27 in the capital of Highlands Pacific Limited, which holds an 8.56% joint venture interest in the Ramu Project;

3. 100% of the shares held by Cobalt 27 in the capital of Electric Metals Streaming Corp.;

4. 3,980,000 common shares of Giga Metals Corporation;

5. 1,000,000 common shares of Minerva Intelligence Inc.;

6. office lease and any leasehold improvements for Suite 401, 4 King Street West, Toronto, Ontario, M5H 1B6 Canada (the "**Conic Metals Office**");

7. office furniture, office equipment or office supplies located at the Conic Metals Office;

8. all fixed assets located at or within the boundaries of the Conic Metals Office;

9. the Conic Metals Subsidiaries; and

10. US$5 million in cash, less all cash held by Cobalt 27's Subsidiaries immediately prior to the Effective Time after completion of the payments required by Section 4.1(3)(f) of the Arrangement Agreement.

For more information, see Item 5 –*Description of the Business*.

Listing

Conic Metals is seeking to list its Shares on the TSXV. Conic Metals' share capital consists of 83,465,472 Conic Metals Shares outstanding as at the date of the completion of the Arrangement. The Corporation is authorized to issue an unlimited number of Conic Metals Shares, which are freely transferrable, subject to certain formal requirements. The Conic Metals Shares entitle their holders to voting rights at general meetings of shareholders, dividends should the Corporation declare a dividend to be paid to shareholders, and distribution proceeds if Conic Metals is wound up. For more information regarding the share capital of the Corporation, see Item 10 – *Description of Securities to be Listed.*

Directors and Executive Officers

This brief list provides the names of directors and executive officers of Conic Metals. For a full description of these individuals' biographies and pro forma holdings of Conic Metals Shares, see Item 16 –*Directors and Executive Officers*.

Name	Position
Anthony Milewski	*Non-Executive Chairman*
Justin Cochrane	*President, CEO and Director*
Conor Kearns	*CFO and Corporate Secretary*
Martin Vydra	*EVP, Head of Strategy*
Craig Lennon	*Head of Asia Pacific*
Philip Williams	*Lead Director*
Nick French	*Director*
Frank Estergaard	*Director*

Risk Factors

There are a number of risks that may have a material and adverse impact on the future operating and financial performance of Conic Metals and could cause the Corporation's operating and financial performance to differ materially from the estimates described in forward-looking statements related to the Corporation. These include widespread risks associated with any form of business and specific risks associated with Conic Metals' business. An investment in the Conic Metals Shares, as well as Conic Metals' prospects, are highly speculative due to the nature of its business and the present stage of its operations. Conic Metals Shareholders may lose their entire investment. Investments in companies involved in commodities, such as Conic Metals, involve a significant degree of risk, and commodities prices are also subject to significant volatility, which affects the economic viability of Conic Metals. Conic Metals has no history of earnings, a limited business history, has not paid dividends, and is unlikely to pay dividends in the immediate or near future. For a more fulsome overview of risks associated with Conic Metals, see Item 21 – *Risk Factors*.

Arrangement Agreement

On June 17, 2019, Cobalt 27 entered into an arrangement agreement, as amended on October 1, 2019 (together the "**Arrangement Agreement**") with Pala Investments Limited ("**Pala**") and 1212771 B.C. Ltd., a wholly-owned indirect subsidiary of Pala (the "**Purchaser**") pursuant to which the Purchaser acquired (effective October 25, 2019) all of the issued and outstanding Cobalt 27 Shares, other than the Cobalt 27 Shares already held by Pala, and the Cobalt 27 Shareholders (other than Pala) received, in respect of each Cobalt 27 Share that they hold, C$4.00 in cash and one (1) Conic Metals Share.

Contribution Agreement

The Arrangement was completed effective October 25, 2019. The completion of the Arrangement was conditional upon Conic Metals entering into the Conic Metals Contribution Agreement with Cobalt 27 on the day prior to the Effective Date. Pursuant to the terms of the Conic Metals Contribution Agreement, Cobalt 27 effected the sale, transfer, conveyance and assignment, at the time specified in the Plan of Arrangement, of the Conic Metals Assets from Cobalt 27 to Conic Metals and, as consideration therefor, (i) Conic Metals issued to Cobalt 27 one (1) fully paid and non-assessable Conic Metals Preferred Share, (ii) Conic Metals issued to Cobalt 27 such number of fully paid and non-assessable Conic Metals Shares such that, immediately following such issuance, at the time specified in the Plan of Arrangement, Cobalt 27 came to hold 9.9% of the issued and outstanding Conic Metals Shares, and (iii) Conic Metals shall assume the Conic Metals Liabilities.

Financial Information

Conic Metals' audited financial statements for the period commencing on the date of its incorporation, June 25, 2019, and ending on September 30, 2019 are attached to this Listing Application in Appendix B. The following is a summary of selected pro forma unaudited consolidated financial information for Conic Metals as at June 30, 2019, all of which is qualified by the more detailed information contained in the unaudited pro forma financial statements of Conic Metals included as Appendix F to this Listing Application. See Item 32 – *Financial Statement Disclosure for Issuers*, and the unaudited pro forma consolidated financial statements of the resulting issuer attached hereto as Appendix F.

Conic Metals
Selected Pro Forma Financial Statement Information
as at June 30, 2019

(unaudited – expressed in '000 of US$)

Assets	
Current Assets	
Cash	5,000
Receivables	4,788
Total Current Assets	**9,788**
Non-Current Assets	
Investments in Ramu Nickel Mine	188,172
Royalty contracts	26,188
Other Investments	700
Property, plant and equipment	78
Total Non-Current Assets	**215,138**
Total Assets	**224,926**
Liabilities and Shareholders' Equity	
Total Current Liabilities	10,781
Total Non-Current Liabilities	111,251
Total Equity	102,894
Total Liabilities and Shareholders' Equity	**224,926**

Conic Metals
Selected Pro Forma Consolidated Statement of Comprehensive Income (Loss)
for the six months ended June 30, 2019

(unaudited – expressed in '000 of US$)

Finance income	14
Expenses	
Consulting and salaries	4,463
Depreciation	7
Directors' fees	182
Exploration costs	158
General and admin	876
Marketing and promotion	654
Professional fees	301

Regulatory fees	101
Share based compensation	3,220
	9,962
Other Expenses (Income)	
Equity gain from Ramu Nickel Mine	(1,750)
Financing costs	2,997
Foreign exchange loss	123
	1,370
Income (Loss) Before Taxes	**(11,318)**
Deferred Tax Recovery (Expense)	0
Net Income (Loss)	**(11,318)**
Other Comprehensive Items	0
Comprehensive Income (Loss)	**(11,318)**

Financial Information Appended to this Listing Application

The following information is appended to, and included in, this Listing Application:

a) audited financial statements of Conic Metals for the period commencing on the date of its incorporation, June 25, 2019, and ending on September 30, 2019 attached hereto as Appendix B;
b) audited carve out financial statements of Conic Metals for the twelve-month period ended December 31, 2018 and eight-months period ended December 31, 2017 attached hereto as Appendix C;
c) unaudited interim carve-out financial statements of Conic Metals for the three-month period ended June 30, 2019 attached hereto as Appendix D;
d) audited financial statements of Highlands Pacific Limited for the twelve-month periods ended December 31, 2016, December 31, 2017 and December 31, 2018 and unaudited interim financial statements of Highlands Pacific Limited for the three-month period ended March 31, 2019 attached hereto as Appendix E; and
e) unaudited pro forma financial statements of Conic Metals after giving effect to the Arrangement and the acquisition by Conic Metals of the Conic Metals Assets and the Conic Metals Liabilities for the twelve-month period ended December 31, 2018 and the six-month period ended June 30, 2019, comprised of a pro forma statement of financial position and pro forma statement of comprehensive income (loss) attached hereto as Appendix F.

ITEM 4: CORPORATE STRUCTURE

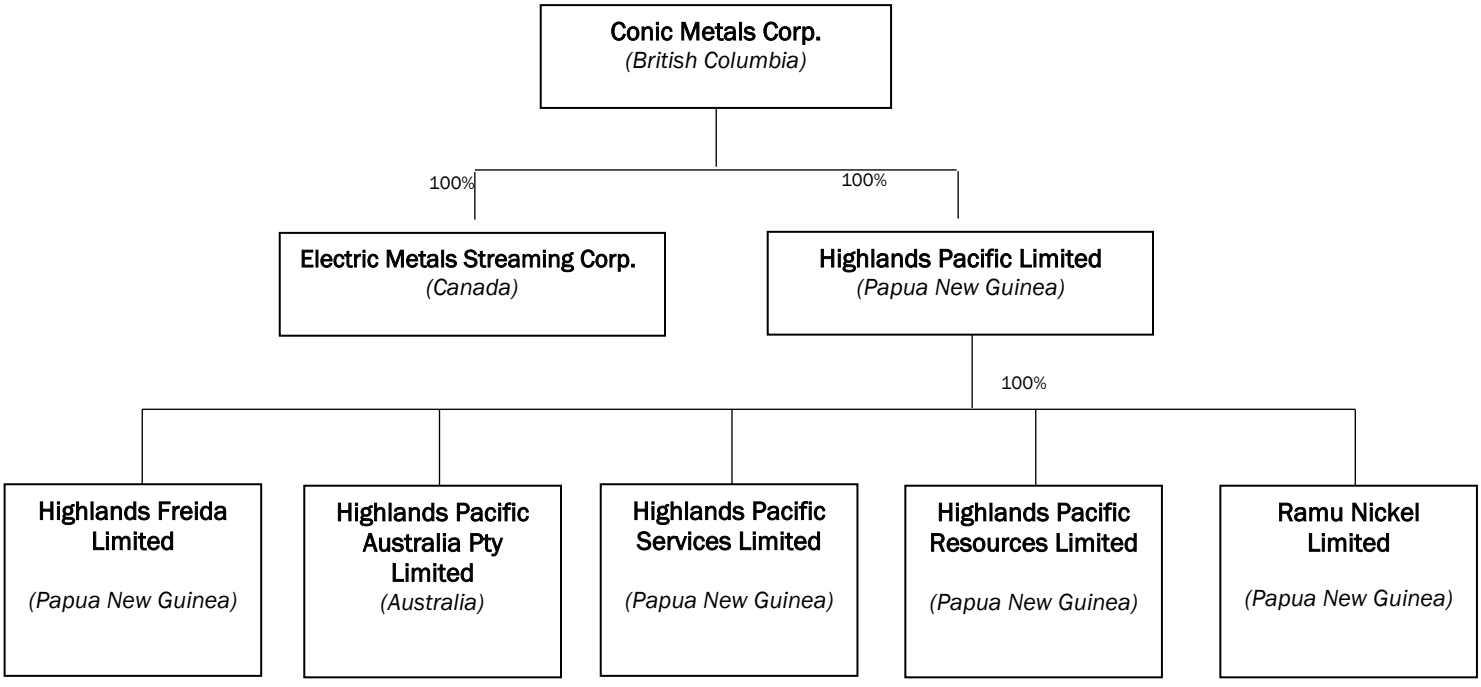
Conic Metals Corp. was incorporated under the BCBCA on June 25, 2019. The registered office of Conic Metals is Suite 1700, Park Place, 666 Burrard Street, Vancouver, British Columbia V6C 2X8. The principal office of Conic Metals is located at Suite 401, 4 King Street West, Toronto, Ontario M5H 1B6.

The Corporation has not carried on any active business since incorporation. See Item 5 – *Description of the Business – Acquisition of the Conic Metals Assets*. Upon completion of the Arrangement, the Corporation became a reporting issuer (or the equivalent) in each of the provinces and territories of Canada. It was a condition precedent to the completion of the Arrangement that the Conic Metals Shares shall have been approved for listing by the TSXV prior to the Effective Time, subject to official notice of issuance.

Conic Metals was formerly a wholly-owned subsidiary of Cobalt 27. At the Effective Time, the Corporation ceased to be a wholly-owned subsidiary of Cobalt 27 and 100% of the Conic Metals Shares became owned by Former Cobalt 27 Shareholders (other than Dissenting Shareholders). Pala and its affiliates hold approximately 9.9% of the issued and outstanding Conic Metals Shares.

Conic Metals intends to provide Conic Metals Shareholders with direct exposure to the electric vehicle market through nickel and cobalt exposure. The Corporation will hold, *inter alia*, Cobalt 27's existing joint venture interest in Ramu nickel-cobalt mine ("**Ramu**" or the "**Ramu Project**"), a producing, long life, low-cost nickel-cobalt mine located near Madang on the north coast of Papua New Guinea ("**PNG**"), and Cobalt 27's existing royalty portfolio, and will be capitalized with US$5 million in cash at inception. See Item 5 – *Description of the Business*.

Conic Metals has seven (7) wholly-owned subsidiaries as illustrated below:



ITEM 5: DESCRIPTION OF THE BUSINESS

General Description of the Business

Conic Metals was incorporated in connection with the Arrangement and has not carried on any business. Conic Metals intends to be an innovative battery metals investment vehicle offering exposure to nickel and cobalt, materials integral to key technologies of the electric vehicle ("**EV**") and energy storage ("**ESS**") markets. The Corporation's strategy will be to build a battery metals supply chain to meet current and future demand by financing or otherwise obtaining exposure to nickel-cobalt production in geopolitically secure mining jurisdictions, outside of the Democratic Republic of the Congo ("**DRC**"), through the acquisition of metals streams, royalties and direct interests.

At the Effective Time, and in accordance with the Plan of Arrangement, Conic Metals acquired from Cobalt 27 all of its right, title and interest in and to all of the assets of Cobalt 27 other than the Specified Assets (collectively, the "**Conic Metals Assets**"), which included:

1. eleven (11) royalties, as described in greater detail below in this Item 5 – *Description of the Business - Conic Metals Royalty Portfolio*;

2. 100% of the shares held by Cobalt 27 in the capital of Highlands Pacific Limited, which holds an 8.56% joint venture interest in the Ramu Project;

3. 100% of the shares held by Cobalt 27 in the capital of Electric Metals Streaming Corp.;

4. 3,980,000 common shares of Giga Metals Corporation;

5. 1,000,000 common shares of Minerva Intelligence Inc.;

6. office lease and any leasehold improvements for Suite 401, 4 King Street West, Toronto, Ontario, M5H 1B6 Canada (the "**Conic Metals Office**");

7. office furniture, office equipment or office supplies located at the Conic Metals Office;

8. all fixed assets located at or within the boundaries of the Conic Metals Office;

9. the Conic Metals Subsidiaries; and

10. US$5 million in cash, less all cash held by Cobalt 27's Subsidiaries immediately prior to the Effective Time after completion of the payments required by Section 4.1(3)(f) of the Arrangement Agreement.

On July 22, 2019, the HIG Contingent Consideration, which amount had previously been held in escrow in accordance with the terms of the HIG Transaction and was to be transferred to Conic Metals if certain conditions to the release of escrow had not been satisfied, became payable to shareholders of Highlands Pacific Limited, which payment was subsequently made to such shareholders. As a result, Conic Metals did not receive the HIG Contingent Consideration.

For a summary of the agreement relating to the transfer from Cobalt 27 to Conic Metals of the Conic Metals Assets, see Item 5 – *Description of the Business – Acquisition of Conic Metals Assets* below.

Business Strategy and Business Model

The focus of Conic Metals' business model and growth strategy will be to:

- establish itself as an entity that offers investors the opportunity to participate in the expected evolution and adoption of electric vehicles and broader energy storage applications;

- provide investors with direct exposure to nickel and cobalt price appreciation;

- manage and grow a nickel and cobalt focused portfolio of streams, royalties and direct interests in mineral properties with producers and developers that deliver attractive risk-adjusted returns regardless of commodity cycles;

- focus on growing cash flow per Conic Metals Share;
- utilize management's expertise, streaming experience and global network to acquire high-quality streams, royalties and direct interests in mineral properties at valuations accretive to Conic Metals Shareholders;
- realize economies of scale by reducing general and administrative costs; and
- as appropriate, introduce and grow dividends per Conic Metals Share.

Conic Metals intends to apply a disciplined investing and operating approach to execute its business plan and intends to enhance its exposure to nickel and cobalt through the acquisition of new or existing streams and royalties in producing mines, development projects and exploration properties located in conflict-free jurisdictions. Conic Metals' primary focus is on streaming opportunities that could provide shareholders near-term cash flow, and royalties on production and exploration-stage nickel and/or cobalt properties that could provide longer-term optionality on the price of nickel and cobalt. In the future, Conic Metals may consider additional acquisitions of streams, royalties or direct interests in other minerals. Conic Metals will initially have a debt-free balance sheet; however, this position may be reviewed should the Conic Metals Board become aware of available and commercially prudent financing arrangements. The Corporation intends to fund working capital through existing cash on hand and cash flow generated from its joint venture interest in the Ramu Project.

Corporation Acquisition Strategy / Investment Policy

The Corporation believes the acceleration of global demand for EVs, driven by continued improvements to battery technology coupled with decreased battery unit costs and increased engagement from traditional automotive manufacturers, will continue to support positive market dynamics for battery materials over the next 10 to 15 years and, provide Conic Metals Shareholders with significant potential value appreciation through the Corporation's acquisition of nickel and cobalt-focused assets. The Corporation's acquisition strategy will be to fully exploit current market opportunities to invest in nickel and cobalt streams, royalties and direct interests in mineral properties, and deliver growth as the leading nickel and cobalt-focused battery materials investment vehicle. It will be the responsibility of management to: (i) identify and evaluate potential acquisitions; (ii) negotiate, structure and execute such acquisitions; (iii) monitor and supervise its holdings; and (iv) identify and execute divestments.

Acquisition opportunities will be sought or derived from a number of sources, including, but not limited to, management's exposure and experience in resource development and exploitation in the commodities trading industries. Acquisitions will be subject to an initial screening process involving (i) a review of the potential opportunity (which may include: company management, project location, project economics, historical and forecasted profitability, reserves and resources, mine life, processing technology and product route to market and the like), (ii) a detailed review of capital requirements and associated use of proceeds, and (iii) an initial discussion of potential acquisition terms. If the initial screening indicates that further evaluation of a potential acquisition is warranted, then a more fulsome due diligence review will be conducted. If a decision is made by management to proceed with the proposed acquisition, the proposed transaction will then be presented to the Conic Metals Board for final screening and approval.

The International Energy Agency ("**IEA**") forecasts EV growth from approximately 1.7 million units in 2018, to 140 million by 2030, and reach 900 million EVs by 2050. Higher EV adoption rates are expected to be driven by lower battery costs, from over US$1,000/kWh in 2008, to approximately US$176/kWh in 2018, according to Bloomberg, and higher capacity. With demand for battery materials such as nickel and cobalt forecasted to grow significantly over the next 5 to 10 years, the Corporation believes additional, new sources of mine financing will be required to meet forecasted mined production demand. The Corporation is ideally positioned to take advantage of the early stages of the battery materials upcycle where large-scale, base metals producers are actively seeking to leverage existing and planned production to fund mine development, expansion, and repay debt using alternative, non-dilutive sources of capital. The Corporation's strategy will be to fully exploit current market opportunities by investing in current and future mined production of nickel and cobalt through the acquisition of streams, royalties and direct interests, and deliver growth as the leading battery materials investment vehicle.

Conic Metals believes the acceleration of global demand for EVs and ESS, will continue to support positive market dynamics for battery materials over the next 10 to 15 years and provide shareholders with significant potential value appreciation through the Corporation's acquisition of nickel and cobalt focused assets. Conic Metals' acquisition strategy will be focused on building the Corporation's portfolio of battery materials streams, royalties and direct interests which may include the acquisition of interests in producing mines, development projects or exploration-stage properties prospective for battery materials. Direct interests may be pursued in operating mines or development-stage projects, primary nickel-cobalt deposits, as well as mines and properties in which battery materials are a by-product or co-product. The Corporation believes investments in such properties could leverage the Corporation's industry expertise and broaden the scope of potential growth opportunities.

Conic Metals' acquisition strategy will be to increase the Corporation's exposure to large, long-life, low-cost nickel-cobalt mines outside of the DRC. The Corporation believes significant additional mine financing of nickel-cobalt operations and projects globally, will be needed over the next 5 to 10 years to meet projected demand for these critical battery materials, and mitigate risks associated with the current concentration of mined cobalt production in the DRC. In addition, development stage nickel projects are rapidly establishing reserves and require significant capital including low cost, non-dilutive financing to move through construction, commissioning and into production.

The Corporation will apply a disciplined investing and operating approach and will actively pursue battery materials streaming and royalty opportunities that could provide shareholders with near-term revenue and cash flow, diversified asset exposure, and additional future avenues for growth. Management believes that their collective experience in the areas of base metals mine development and resource exploitation (from concept to commercialization), mergers and acquisitions, stream and royalty financings, accounting and corporate and financial management, together with the advice of expert consultants in the evaluation and exploitation of nickel and cobalt opportunities, will enable the Corporation to achieve its objective.

Acquisition of Conic Metals Assets

The completion of the Arrangement was conditional upon Conic Metals entering into the Conic Metals Contribution Agreement with Cobalt 27 on the day prior to the Effective Date. Pursuant to the terms of the Conic Metals Contribution Agreement, Cobalt 27 effected the sale, transfer, conveyance and assignment, at the time specified in the Plan of Arrangement, of the Conic Metals Assets from Cobalt 27 to Conic Metals and, as consideration therefor, (i) Conic Metals issued to Cobalt 27 one (1) fully paid and non-assessable Conic Metals Preferred Share, (ii) Conic Metals issued to Cobalt 27 such number of fully paid and non-assessable Conic Metals Shares such that, immediately following such issuance, at the time specified in the Plan of Arrangement, Cobalt 27 held 9.9% of the issued and outstanding Conic Metals Shares, and (iii) Conic Metals assumed the Conic Metals Liabilities. See Item 5 – *Description of the Business – General Description of the Business.*

Employees

It is expected that Conic Metals will have seven (7) full time employees. Following completion of the Arrangement, the non-executive chairman of Conic Metals is expected to be Anthony Milewski and the Chief Executive Officer is expected to be Justin Cochrane. Martin Vydra, Craig Lennon and Conor Kearns are expected to join Conic Metals as Head of Strategy, Head of Asia Pacific and Chief Financial Officer, respectively. Conic Metals also intends to retain, from time to time, contractors and consultants to perform specialized services.

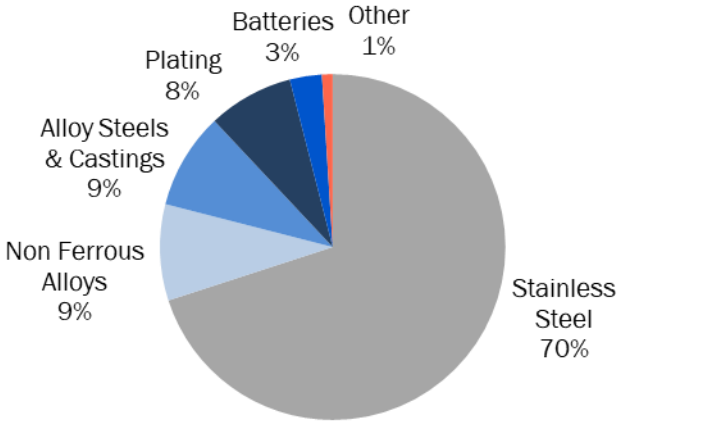
Conic Metals believes that its success is dependent on the performance of its management and key employees, many of whom have specialized knowledge and skills relating to the business to be carried out by Conic Metals. Conic Metals has adequate personnel with the specialized skills required to successfully carry out its operations. See *Item 21 – Risk Factors — Management Experience and Dependence on Key Personnel and Employees*.

Nickel Industry Overview

Nickel is currently mined in more than 25 countries and is the fifth-most common element on earth. Over two million tonnes of new or primary nickel is produced and consumed each year, approximately evenly divided between Class 1 nickel (containing a minimum of 99.8 percent nickel) and Class 2 nickel (containing less than 99.8 percent nickel). Nickel-containing ore bodies require a variety of techniques to extract nickel depending on the ore-type, with nickel laterites and nickel sulphides being the predominant ores that nickel is extracted from.

Nickel's physical and chemical properties make it essential in thousands of products. The largest use of nickel is in alloying with other metals, to produce corrosion resistant (commonly referred to as stainless) and heat-resisting steels. Primary nickel is produced and used as ferro-nickel, nickel oxides and other chemicals, and as pure nickel metal. 'First use' of nickel is defined as the conversion of nickel products into intermediate products, which form the basis for nickel-containing end-use products. In almost all cases, these first-use products undergo further processing before they are ready for use.

First Use of Nickel



Source: Nickel Institute 2019

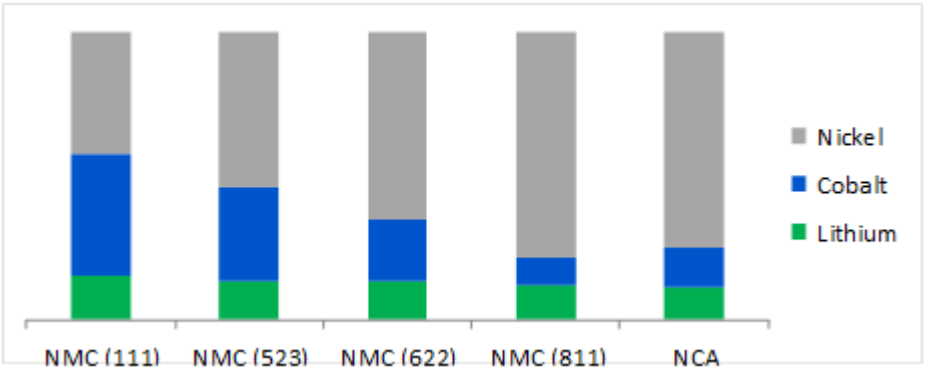
Nickel Market

At present, approximately 70% of nickel is used as an alloying input to steel production and only 3% is devoted to battery production. However, this is expected to change dramatically over the next decade. According to CRU Group, global primary nickel demand was approximately 2.2 million tonnes per annum in 2018, and is expected to reach 2.8 million tonnes by 2023. Nickel usage in batteries is expected to grow from approximately 70,000 tonnes in 2017, to 240,000 tonnes by 2023, representing a CAGR of 20% during that period. Up to 15 million EVs are projected to be sold in 2025, which could result in the need for approximately 700,000 tonnes of new Class 1 nickel supply by 2025.

With the accelerated global adoption of EVs and ESS, nickel, like cobalt, is expected to materially benefit from the new energy paradigm. Two chemistries of lithium-ion batteries dominate electric vehicle batteries – Nickel-Manganese-Cobalt or 'NMC', and Nickel-Cobalt-Aluminum or 'NCA'. NMC battery chemistry has been adopted by nearly every automobile manufacturer in the world with the exception of Tesla, which uses NCA chemistry. However, research indicates that, for at least the next decade, the evolution of the lithium-ion battery and its NMC chemistry is towards a more nickel-rich cathode.

The original NMC battery chemistry began as a 1-1-1 ratio of nickel-manganese-cobalt, moving on to 5-3-2 chemistry ratio, and in the future, as technology advances, it is expected that the nickel-rich battery chemistry will evolve to a 6-2-2 ratio, and then on to 8-1-1 and beyond, with the first number representing the relative nickel proportion of the cathode compared to the manganese and cobalt proportions. The Corporation believes that nickel, unlike other battery materials, has the potential to benefit twice from the adoption of EVs and ESS: (i) nickel will benefit from increased nickel-rich battery chemistry; and (ii) it will benefit from increased demand for EVs and ESS.

Battery Chemistries and Raw Material Requirements



Source: Bernstein, 2018

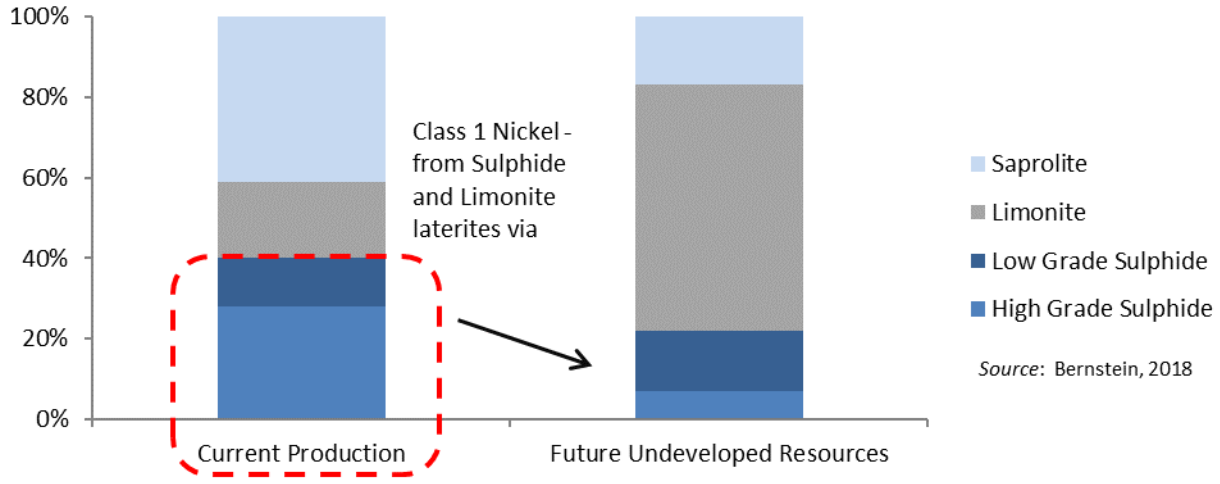
Class 1 Nickel

Lithium-ion batteries utilizing nickel-rich cathodes require high purity nickel, typically in the form of nickel sulphate. As the main feed for EV battery cathodes, the majority of current nickel sulphate production is by dissolving suitable forms of Class 1 nickel (briquettes, powders) or other suitable forms of nickel (high purity oxides or intermediates) in sulphuric acid. Future cathode production is gravitating towards bypassing the refined stage of Class 1 nickel and utilizing high purity nickel sulphate in solution generated during the nickel refining process. Currently approximately 29% of total nickel production and approximately 60% of Class 1 nickel production comes from nickel sulphide deposits. The second way to produce Class 1 nickel, or intermediate nickel products to be used as a feedstock for the production of lithium-ion batteries, is through the processing of limonitic laterite (i.e. oxide) ore bodies utilizing processes such as high pressure acid leaching ("**HPAL**").

Nickel Sulphide Deposits - One of the primary issues facing the nickel industry is the need to develop new high-grade sulphide nickel deposits, which tend to be the most economic form of nickel to process. Historically nickel sulphide deposits have provided the majority of Class 1 nickel production. Conic Metals believes that new nickel production required to fuel the EV revolution will need to come from nickel sulphide deposits such as the Turnagain Project in British Columbia, and the construction-ready Dumont Project in Québec. On or prior to the Effective Date, Conic Metals will hold royalties on both of these nickel sulphide projects which have the potential to provide new nickel production to meet future projected demand for Class 1 nickel as a primary feedstock for nickel sulphate required for the nickel-rich cathodes within lithium-ion batteries. See Item 5 – *Description of the Business – Acquisition of Conic Metals Assets* and Item 5 – *Description of the Business –Conic Metals' Global Portfolio - Conic Metals Royalty Portfolio*.

Nickel Laterite Deposits – Over the past decade, lateritic nickel deposits have emerged as a major source of Class 1 nickel due to the shortage of discoveries, exploration and development of new nickel sulphide deposits. Nickel laterites may be divided into two groups: limonites and saprolites, with the difference being that magnesia and silica levels are much higher and iron is much lower in saprolites. Saprolite ore bodies are exploited to produce FeNi or Nickel Pig Iron (NPI) forms of Class 2 nickel which is only suitable for consumption in stainless steel production. Class 1 nickel production from limonites has gained acceptance globally over the last three decades through processes such as HPAL. On or prior to the Effective Date, Conic Metals will hold an 8.56% joint venture interest in the integrated, producing Ramu mine, a long-life, low-cost nickel-cobalt mine located near Madang on the north coast of PNG. Conic Metals believes the Ramu mine, a nickel-cobalt laterite deposit, is one of the best ways to gain exposure to this important source of feedstock to produce Class 1 nickel given that it is ranked as a top ten asset globally for the production of nickel and cobalt.

Nickel Production by Ore Type



Business Strengths and Competitive Conditions

The Corporation believes seismic changes are underway in the automotive and energy industries. Electrification in the form of EVs and ESS are transforming the world. Over the next 10 years, global automotive manufacturers have committed to investing over US$300 billion in electric vehicles, battery technologies and manufacturing capacity (Bloomberg, January 2019). Conic Metals believes the world stands at the cusp of adoption of global electrification and it is the Corporation's view that battery materials, specifically nickel and cobalt, will act as proxies for the adoption of these new technologies. The Corporation also recognizes that the mining industry is capital intensive and significant new sources of capital will be required to meet future demand for the expansion and development of mine production of battery materials such as nickel and cobalt. During the 2008-2016 commodities cycle, streaming and royalties emerged as an alternative mine financing source, particularly for byproduct metals such as gold and silver. During this period, many base metal producers sold streams or royalties on byproducts as an alternative to debt and equity financing. Since this time, metals streaming and royalty financing has grown into a popular option as mining companies seek alternative, non-dilutive sources of capital for mine expansion, maintenance and exploration. Management believes that Conic Metals will enjoy the following business strengths and competitive advantages:

Strong nickel and cobalt fundamentals driven by direct exposure to growth in EV adoption

- Growth in EVs is expected to continue to drive increased investor demand for battery materials such as nickel and cobalt. Battery unit costs have declined significantly with technological and manufacturing innovations, thereby contributing to the increasing prevalence of EVs. In 2008, average lithium-ion battery costs were over US$1,000/kWh and have declined to US$176/kWh in 2018. In public statements, Tesla aims to achieve costs under US$100/kWh by 2020. The dramatic cost decrease has improved the economics of EVs, a critical factor for widespread adoption.

- Major automakers have reported material sales growth in EVs. In 2018, the global electric car fleet exceeded 5.1 million units, an increase from approximately 2 million in 2017. The People's Republic of China is the world's largest electric car market, followed by Europe and the United States. Norway is the global leader in terms of electric car market share. More than 29 automakers have invested in electric and hybrid vehicles, including Volvo, which aims to offer only electric and hybrid vehicles beyond 2019. In 2017, General Motors announced plans to introduce at least 20 new all-electric models by 2023. Conservative estimates suggest that EVs will represent 8%-20% of the automotive market by 2025, and 17%-38% by 2030. Several countries are targeting future bans on gasoline and diesel vehicle sales: Norway and the Netherlands by 2025; India and Germany by 2030; and the United Kingdom and France by 2040.

- Nickel sulfate is the key nickel-bearing product used by lithium-ion battery manufacturers. Nickel sulfate is currently produced economically from high purity nickel products, are defined as products with a nickel content of 99.8% or higher. This prohibits the supply of nickel for lithium-ion batteries from all ferronickel ("**FeNi**") and nickel pig iron ("**NPI**") operations which contain significant levels of iron and are typically between 2%-25% nickel in content. In 2017, FeNi and NPI operations produced a combined 51% of global mined nickel supply,

meaning a significant proportion of global nickel supply cannot be used in the production of lithium-ion batteries. In addition, some Class 1 supply is in the form of cathode which can be expensive to convert to nickel sulphate because of the refining process employed to produce the cathode. The Corporation estimates that mined nickel supply will grow 12% from 2017 to 2020, however, that mined supply suitable for battery manufacture will grow 2% or less over this period. Suitable primary nickel supply is produced from two sources: nickel sulphide deposits and nickel laterite deposits. Nickel sulphide deposits can benefit from the presence of valuable byproduct materials such as copper, cobalt, gold, silver, and platinum group metals and, on average, are lower-cost, on a co-product basis, than nickel-mining operations exploiting laterite deposits. The Corporation has identified a number of operations and development stage projects with nickel resources which have the potential to add to global supply of nickel suitable for use in the lithium-ion battery sector. In addition, the Corporation has identified operations that are on care and maintenance that could be restarted should base metal prices (such as Ni) increase materially over the near term. The Corporation believes these projects have the potential to add a combined 125,000 tonnes to annual nickel production.

Pure-play battery metals investment vehicle

- Following completion of the Arrangement, Conic Metals will have direct leverage to nickel and cobalt price appreciation through its JV interest in the long-life, low-cost Ramu Project. Additionally, the Corporation will seek to acquire nickel and cobalt streams, royalties, and direct interests in mineral properties prospective for battery metals from producers and developers.

- The Corporation believes the EV demand surge will result in a Class 1 nickel demand surge. Furthermore, with EV adoption still in the early stages, it is the Corporation's view that EV-driven nickel consumption could account for up to 10% of global nickel demand by 2025, supporting a long-term deficit. Conic Metals expects significant demand growth for Class 1 nickel through 2025, with nickel increasing in critical demand as a key element in advanced battery chemistries. According to research, Class 1 nickel - used in EV batteries, is forecast to go into deficit after 2022. The capital intensity to develop new nickel projects has traditionally been high and development times longer than announced. It is estimated that by 2030, the nickel industry will need to invest up to US$70 billion to meet expected demand. With current nickel prices well below the incentive price required to support new capacity, Conic Metals views its joint venture interest in the Ramu Project, following completion of the Arrangement, as a world-class opportunity to gain exposure to nickel through a producing, long-life, low-cost integrated operation, with significant expansion capacity.

- It is the Corporation's view that significant additional mine financing targeting nickel-cobalt projects, will be needed over the next 5-10 years to meet projected nickel and cobalt production demand and mitigate risks associated with the current concentration of cobalt production in the DRC. Existing production, mine expansion and new production of nickel-cobalt will all require considerable new sources of capital, while the forecasted global nickel and cobalt supply deficits in the medium to long-term are expected to keep upward pressure on prices.

- Conic Metals is positioned to take advantage of industry demand for the battery materials upcycle where large scale, nickel producers are actively seeking to leverage existing and future production to fund mine expansion and repay debt using alternative, non-dilutive sources of capital. Also, development stage nickel projects are rapidly establishing nickel and cobalt reserves and require significant capital including low cost, non-dilutive financing to move through construction, commissioning and into production.

- Conic Metals' strategy of acquiring direct interests in mined production of nickel and cobalt, as well as streams and royalties, will allow the Corporation to mitigate or in some cases completely eliminate operational, environmental, closure and capital risks associated with typical mining operations. By holding direct interests in nickel and cobalt operations, streams and royalties, the Corporation will seek to participate in nickel and cobalt price appreciation while minimizing exposure to such risks.

- Management believes that its business model will provide investors with nickel and cobalt price and exploration optionality, while limiting risk exposure. The Corporation expects Conic Metals to benefit from strong nickel prices given the supply and demand balance outlook, as well as growth opportunities from streams, royalties and direct interests on producing and exploration assets.

Growth through streams and royalties

- Conic Metals' metals stream and royalty growth strategy is intended to provide the opportunity to accretively grow the value of its joint venture interest in the Ramu Project, and cash flow per share.
- Stream and royalties have structural advantages over mining company equities as they provide exposure to commodity prices, exploration and expansion, but minimize exposure to operating and capital costs.
- Conic Metals' proposed management team has significant royalty and streaming experience.

Conic Metals' Global Portfolio

The Ramu Nickel-Cobalt Mine (Direct Interest)

Overview

Conic Metals holds an 8.56% joint venture interest in the Ramu Project, a producing, long life, low-cost nickel-cobalt operation located near Madang on the north coast of PNG. The interest in the Ramu Project was originally acquired on May 17, 2019 upon completion of a scheme of arrangement pursuant to which, among other things, Cobalt 27 acquired all of the ordinary shares of Highlands Pacific Limited.

Ramu was financed, constructed and commissioned in 2012, by majority-owner and operator Metallurgical Corporation of China Limited ("**MCC**"), for US$2.1 billion which, at the time, was China's largest overseas mining investment. In 2018, the Ramu mine achieved record annual production of 35,355 tonnes of nickel and 3,275 tonnes of cobalt.

Ramu Nickel Project Master Agreement and Ramu Nickel Joint Venture Agreement

Conic Metals will hold its interest in the Ramu Project through its indirect wholly-owned subsidiary, Ramu Nickel Limited ("**RNL**"). RNL is party to two principal agreements in respect of its interest in the Ramu Project: the Ramu Nickel Project Master Agreement (the "**Ramu Master Agreement**") dated March 30, 2005, as amended, among China Metallurgical Construction (Group) Corporation, RNL, Mineral Resources Ramu Limited (a landowner entity) ("**MRRL**") and Mineral Resources Madang Limited (a government entity) ("**MRML**", together with MRRL, "**MRDC**"); and the Ramu Nickel Joint Venture Agreement (the "**Ramu JVA**" and together with the Ramu Master Agreement, the "**Ramu Agreements**") dated October 20, 2005, as amended, among MCC Ramu NiCo Limited ("**MCC Ramu**"), RNL, MRRL and MRML, as joint venturers, and Ramu NiCo Management (MCC) Limited, as manager (the "**Manager**").

MCC Ramu is wholly owned by MCC-JJJ Mining whose shareholders are MCC with 67.02%, Jilin Jien Nickel Industry Limited (13%), Jiuquan Iron and Steel (Group) Limited (13%) and Jinchuan Group Limited (6.98%). MCC is listed on the Hong Kong Stock Exchange (Stock Code: 1618) and on the Shanghai Stock Exchange.

The Ramu Project is an unincorporated joint venture among MCC Ramu (85% individual share), RNL (8.56% individual share), MRRL (3.94% individual share) and MRML (2.5% individual share). As of the date hereof, RNL has US$114.6 million of outstanding project indebtedness owed to MCC Ramu (being capped development costs plus accumulated interest paid by MCC Ramu to lenders on behalf of RNL up to January 1, 2015 in respect of the Ramu Project). Under the terms of the Ramu Master Agreement, amongst others, upon repayment by both RNL and MRDC of their project indebtedness to MCC Ramu, RNL's effective share in the Ramu Project would increase by 2.74% to 11.3%. See Item 21 – *Risk Factors* below. In the event RNL's effective share in the Ramu Project increases to 11.3%, it will have the right to acquire an additional 9.25% interest in the Ramu Project from MCC Ramu at the fair market value.

Taken together, the Ramu Agreements set forth the terms and conditions concerning the development and operation of the unincorporated joint venture that owns the Ramu Project (the "**Ramu Joint Venture**") and provides for the terms and conditions of the appointment of the Manager as the manager of the Ramu Project. The Ramu JVA also specifies requirements with respect to the performance of obligations, the conduct of operations and other matters pertaining to the Ramu Joint Venture's property and assets.

Under the Ramu JVA, the joint venturers established a management committee, with each joint venturer entitled to appoint one representative and to exercise through such representative a number of votes equivalent to that appointing joint venturer's individual share in the Ramu Joint Venture. Subject to certain exceptions, the overall management and control of the operations at the Ramu Project and of the Ramu Joint Venture are vested in the management committee, which is empowered to make all decisions in respect of all undertakings, activities and operations at or in respect of the Ramu Project. Other than decisions concerning certain specified matters that require

a vote of at least 86% of the total aggregate individual shares of the joint venturers entitled to vote (including the surrender of any key mining tenements, settlement of any third party litigation in excess of A$5 million or more, disposal of any Joint Venture property with a value of A$5 million or more, borrowing by the Manager on behalf of the Ramu Joint Venture and appointment of a successor manager of the joint venture), all decisions of the management committee are determined by a vote of a simple majority of the total aggregate individual shares of the joint venturers entitled to vote.

The Ramu JVA provides for the appointment of the Manager as the manager of the Ramu Joint Venture. Under the Ramu JVA, the Manager: (i) is required to manage, supervise and conduct operations of the Ramu Joint Venture generally in accordance with an annual plan, three-year plan and the life of mine operations plan (each of which are required to be prepared by the Manager and presented to the joint venturers in accordance with the Ramu JVA); (ii) has full and exclusive possession, custody and control of all Joint Venture property as agent for the joint venturers; (iii) will be subject to the direction of the management committee; and (iv) will decide the degree to which nickel, cobalt and any other mineralized materials mined from the mining tenements and/or other product is processed, refined or otherwise produced by the Ramu Joint Venture. Without restricting the generality of the foregoing, the Ramu JVA also outlines certain specified duties of the Manager in connection with the operation of the Ramu Project. The Manager is entitled to an annual management fee of A$1 million payable quarterly in arrears in respect of each financial year of the Ramu Joint Venture. The Ramu JVA also imposes on the Manager certain specified reporting obligations with respect to the financial and operational results of the Ramu Project.

Except as expressly permitted under the Ramu JVA, no joint venturer (without the prior written consent of each other joint venturer) can sell, assign, transfer, mortgage, pledge, charge, encumber, sub-lease or otherwise dispose of, or create or suffer to exist a lien, charge or encumbrance over or trust in respect of the whole or any part of its share in the Ramu Joint Venture. A joint venturer may, at any time, sell, assign or otherwise dispose the whole or any part of its share in the Ramu Joint Venture pursuant to a bona fide offer to purchase by an independent third party expressed in cash, provided first, however, that such joint venturer gives notice of the offer to the other joint venturers and offers them (in the proportions of their respective shares) a period of 30 days to purchase the selling joint venturer's shares in the Ramu Joint Venture. In addition, if in the case of a joint venturer that is a subsidiary of another entity: (i) the ultimate holding company of that joint venturer ceases of "control" the entity or (ii) except where the ultimate holding company of the joint venturer is a publicly listed company, a "change of control" of the ultimate holding company occurs, in each case without the prior written waiver by the other joint venturers, then such joint venturer is deemed to have offered to sell its share in the Ramu Joint Venture to the other joint venturers at a price equal to fair market value as determined in accordance with the terms of the Ramu JVA. Notwithstanding any of the foregoing and any other provision of the Ramu JVA, MCC is entitled to sell, assign, transfer or otherwise dispose all or part of its share in the Ramu Joint Venture without restriction provided it continues to hold greater than 60% of the outstanding shares in the Ramu Joint Venture.

The Ramu JVA continues in full force and effect until the earlier of: (i) termination by the written agreement of the parties thereto; (ii) termination pursuant to any specific provisions of the Ramu JVA; (iii) termination or expiry of the last of the mining tenements unless operations are continuing; (iv) termination or completion of all operations at the Ramu Project; or (v) the individual share of any joint venturer reaching 100% of the outstanding shares in the Ramu Joint Venture.

All costs of the Ramu Joint Venture are to be borne and paid for by the joint venturers in proportion to their respective shares as at the date incurred, and any receipts, payments or credits arising in the course of operations of the Ramu Project are to be credited to the joint venturers in the same proportions as at the date received. If a joint venturer fails to pay in full any aggregate cash amount which such joint venturer is required to furnish to the Manager, commits a material breach or default of the Ramu JVA or becomes insolvent, among other remedies, the other joint venturers have the right to purchase the defaulting joint venturer's interest in the Ramu Joint Venture for fair market value, less any unpaid amounts owing to the Ramu Joint Venture.

As a result of a nomination given under the Ramu Master Agreement in connection with a certain clarification agreement dated February 19, 2015 (the "**Clarification Agreement**") among MCC Ramu, RNL, MRRL, MRML and the Manager, RNL recognized a loan balance owing to MCC Ramu in respect of its 8.56% share of capped development costs plus accumulated interest for funds paid by MCC Ramu to lenders on behalf of RNL up to January 1, 2015. Such borrowings are held in RNL and are non-recourse to any parent entity (including Conic Metals on completion of the Arrangement) and were to be repaid by RNL out of its share of operating surpluses, less ongoing capital expenditure requirements, at an agreed rate of 80% of this net distribution. However, the agreement of the parties to the Ramu Master Agreement instituting this repayment methodology ended effective December 31, 2018, and consequently, the

original repayment methodology under the Ramu Master Agreement (that currently provides for 100% of RNL's share of operating surpluses from the Ramu Joint Venture being applied to RNL's outstanding loan balance until repayment of US$38.8 million and thereafter at least 65% of RNL's share of operating surpluses from the Ramu Joint Venture being applied to RNL's outstanding loan balance) is in effect, subject to the ability of the parties to the Ramu Master Agreement to agree otherwise in the future. See Item 21 – *Risk Factors* below.

The terms of the Ramu Master Agreement also provide that in the event that MCC Ramu wishes to give effect to a proposal for any capital program which results in an expansion by more than 10% of the capacity of the Ramu Project or a material change in the nature or scope of the Ramu Project, MCC Ramu must first offer to purchase the interests of RNL, MRRL and MRML at fair market value; if such joint venturers do not accept such offer, then they would be subject to monthly dilution over the duration of the period of implementation of the proposal in accordance with a specified dilution formula based on enterprise value and the costs of the capital program. See Item 21 – *Risk Factors* below.

Ramu Technical Report

For a detailed summary of the Ramu Technical Report and certain other material scientific and technical information with respect to the Ramu Project, see Item 5 – *Description of the Business - Ramu Project Mining and Technical Information* below.

Conic Metals Royalty Portfolio

Conic Metals holds the following eleven (11) royalties:

Royalty Name	Property Owner	Property Location	Stage	Primary Metal(s)	Royalty Type
Dumont Project	8248567 Canada Limited	Québec	Development	Ni-Co	1.75% NSR*
Turnagain Project	Giga Metals Corporation	British Columbia	Exploration	Ni-Co	2% NSR*
Flemington Project	Australian Mines Ltd.	Australia	Exploration	Ni-Co-Sc	1.5% GRR**
Nyngan Project	Scandium International Mining Corp.	Australia	Development	Sc- Ni-Co	1.7% GRR**
Triangle Property	New Found Gold Corp.	Ontario	Exploration	Co-Ag	2% Co NSR*
Rusty Lake Property	New Found Gold Corp.	Ontario	Exploration	Co-Ag	2% Co NSR*
Professor & Waldman Property 1	New Found Gold Corp.	Ontario	Exploration	Co-Ag	2% Co NSR*
Professor & Waldman Property 2	New Found Gold Corp.	Ontario	Exploration	Co-Ag	2% Co NSR*
North Canol Property 1	Golden Ridge Resources Ltd.	Yukon	Exploration	Ag-Pb-Zn-Co	2% Co NSR*
North Canol Property 2	Golden Ridge Resources Ltd.	Yukon	Exploration	Ag-Pb-Zn-Co	2% Co NSR*
Sunset Mineral Corp.	Three Individuals	British Columbia	Exploration	Cu-Zn-Co	2% Co NSR*

Net Smelter Return ("NSR**")* ***Gross Revenue Royalty ("**GRR**")*

A royalty is a payment to a royalty holder by a property owner or an operator of a property and is typically based on a percentage of the minerals or other products produced or the profits or revenue generated from the property. Royalties are not working interests in a property. Therefore, the royalty holder is generally neither responsible for, nor has an obligation to, contribute additional funds for any purpose, including, but not limited to, operating or capital costs, or environmental or reclamation liabilities. Typically, royalty interests are established through a contract between the royalty holder and the property owner. Many jurisdictions permit the holder to also register or otherwise record evidence of a royalty interest in applicable mineral title or land registries. The unique characteristics of royalties provide royalty holders with special commercial benefits not available to the property owner as a royalty holder enjoys the upside potential of the property with reduced risk.

Common forms of royalties are NSR and GRR. NSR is based on the proceeds paid by a smelter or refinery to the miner for the mining production from the property less certain transportation, smelting and refining costs as defined in a royalty agreement. This type of royalty provides cash flow that is free of any operating or capital costs and environmental liabilities. GRR is generally based on the value of the mining production from the property before subsequent treatment charges are incurred. This type of royalty provides cash flow that is free of any treatment charges, operating or capital costs and environmental liabilities.

Key Royalties

Below is a summary of the following key royalties: Dumont Nickel-Cobalt Royalty, Turnagain Nickel-Cobalt Royalty, Flemington Cobalt-Scandium-Nickel Royalty and Nyngan Cobalt-Scandium-Nickel Royalty.

Dumont Nickel-Cobalt Royalty (Royalty Interest)

Dumont is a shovel-ready open pit mine strategically located in the established Abitibi mining camp and contains one of the largest undeveloped nickel and cobalt reserves. An updated feasibility study released by RNC Minerals in June 2019 envisions a 30 year life-of-mine initially producing 33,000 tpa of nickel and ramping up to 50,000 tpa of nickel by year 8 with life-of-mine C1 cash costs of $3.22/lb. Dumont is fully permitted and is in close proximity to roads, rail, airport and a low-cost power supply. The Dumont Nickel-Cobalt Royalty is a life-of-mine 1.75% NSR royalty with a repurchase option on 0.375% of the NSR royalty for US$15 million, exercisable in July 2020.

Turnagain Nickel-Cobalt Royalty (Royalty and Direct Equity Interest)

Located in British Columbia, Canada, Turnagain is a nickel-cobalt deposit which is 100% owned by Giga Metals Corporation and is among the world's largest undeveloped nickel-cobalt sulphide deposits. Turnagain ore is ideally suited to be refined into cobalt and Class 1 nickel required by battery manufacturers globally. Engineering studies are underway with a goal of having the project shovel ready by 2021. The Turnagain Royalty is a 2.0% NSR royalty on all future metal production from the Turnagain Nickel-Cobalt Project.

Flemington Cobalt-Scandium-Nickel Royalty (Royalty Interest)

Located 370 km west of Sydney, New South Wales, Australia, Flemington is located in a politically stable and mining-friendly jurisdiction. The large-scale nickel cobalt deposit represents an important undeveloped source of cobalt and nickel. The project is currently under option by Australian Mines Ltd. The Flemington Royalty is a life-of-mine 1.5% GRR.

Nyngan Cobalt-Scandium-Nickel Royalty (Royalty Interest)

Located 500 km north-west of Sydney, New South Wales, Australia, Nyngan is located in a politically stable and mining-friendly jurisdiction. Nyngan is fully permitted and construction ready and is the world's first scandium-only mine development project. It is 100% owned by Scandium International Mining. The Nyngan Royalty is a life-of-mine 1.7% GRR.

Ramu Project Mining and Technical Information

Overview

The scientific and technical information below with respect to the Ramu nickel-cobalt mine ("**Ramu**" or the "**Ramu Project**") has been derived from, and in some instances extracted from, a NI 43-101 technical report entitled "*Ramu Nickel Cobalt Project, Located in Madang Province, Papua New Guinea, NI 43-101 Technical Report*" dated effective as of October 25, 2019 (the "**Ramu Technical Report**") prepared by Dr. Qingping Deng, BS, MS and PhD, CPG AIPG, RM MMSA, Mr. Peter D. Ingham, MSc, BSc, FAusIMM, MIMMM, CEng, Mr. Roland Nice, BSc, FAusIMM, Life MCIM, MAIME, MIEAust, Chartered Engineer, and Mr. Adrian Brett, BSc (Hon), MSc, M Envir. Law, FAusIMM of BDA, each of whom approved the scientific and technical information contained in this summary that was derived from or extracted from the portion of the Ramu Technical Report that such person authored, and is a "qualified person" within the meaning of NI 43-101.

A copy of the Ramu Technical Report can be found on Conic's profile on SEDAR at www.sedar.com to obtain further particulars regarding Ramu. Figures or charts referred to in this summary but not reproduced in the following summary may be viewed in the Ramu Technical Report. Table references are to tables in the Ramu Technical Report, certain of which are reproduced in this Listing Application. Technical information in this summary regarding Ramu should be read in the context of the qualifying statements, procedures and accompanying discussion within the complete Ramu Technical Report and this summary is qualified in its entirety by the Ramu Technical Report.

Project Description, Location and Access

Project Setting

Ramu is located in Madang Province on the north coast of PNG. The Ramu Project comprises the Kurumbukari ("**KBK**") mine and beneficiation plant, located on the Kurumbukari plateau, in the foothills of the Bismarck Ranges, 600-800m above sea level and 75km to the southwest of the provincial capital of Madang, and the Basamuk processing plant located on the coast, approximately 55km southeast of Madang. The KBK mine is at latitude 5° 34´ S and longitude 145° 13´ E and the Basamuk refinery is at latitude 5° 32´ S and longitude 145° 8´ E. Beneficiated ore is pumped from the mine as a slurry to the plant via a 135km pipeline. The Basamuk plant produces a mixed nickel-cobalt hydroxide product ("**MHP**").

Access is along the highway between Madang and the port city of Lae, which is called the Madang – Lae Highway. The nearest government station is Usino and the nearest large village is Danagari, some 2km from the mining area. The mine is accessible by an all-weather road to Usino and linked to Madang via the Madang-Lae Highway. There is an 8km mine access road to Banu Bridge connecting the mine to the national road and a 7km logging road from Banu Bridge to Yamagi Bridge marking the beginning of the sealed national road. The refinery is located on the coast of Basamuk Bay, 55km to the southeast of Madang city. The distance between the mine and refinery is about 90km and the slurry pipeline route from the mine to the refinery is about 135km.

Mineral Tenure, Surface Rights, Water Rights, Royalties and Agreements

The Ramu nickel deposit is covered by Exploration Licence EL 2579 (formerly EL 193) and Special Mining Lease SML 8. Exploration licences have a two-year renewal period. Highlands Pacific Limited ("**Highlands**") holds, through Ramu Nickel Limited, an 8.56% equity interest in both of SML 8 and EL 2579, together with the other licences listed in Table 4.1 of the Ramu Technical Report, which are part of the assets of the Ramu joint venture. The SML, EL and other tenements cover the Ramu Project's mineral deposits and project infrastructure corridors. Under the terms of the Ramu joint venture master agreement and amending agreements, upon repayment by both Highlands and MRDC of their project debts, Highland's interest in SML 8 and EL 2579 will increase to 11.3%.

Tenements are issued by the PNG Mining Minister on recommendation from the Mining Advisory Council ("**MAC**") under the *Mining Act 1992*. The Head of State, acting on advice from the National Executive Council issues the Special Mining Lease whilst the Minister for Mining issues the other types of licences.

An exploration licence may be granted for a term not exceeding two years, which may be extended for periods not exceeding two years. The area of land in respect of which an exploration licence may be granted shall be no more than 750 sub-blocks (one sub-block = 3.41km^2). A mining lease is generally issued for small to medium scale alluvial and hard rock mining operations. A mining lease may be granted for a term not exceeding 20 years, which may be

extended for periods not exceeding 10 years. The area of land in respect of which a mining lease shall be granted shall be not more than 60km^2. A Special Mining Lease is generally issued to the EL holder for large scale mining operations. The EL holder must also be a party to a Mining Development Contract with the state. A SML may be granted for a term not exceeding 40 years, which may be extended for periods not exceeding 20 years. Before the grant of a SML, the Minister is required to convene a development forum to consider the views of the persons and authorities whom the Minister believes will be affected by the grant of the SML. A Lease for Mining Purposes ("**LMP**") may be granted in connection with mining operations conducted or planned to be conducted by the applicant for one or more of the following purposes: the construction of buildings and other improvements; operating plant, machinery and equipment; the installation of a treatment plant and the treatment of minerals therein; the deposit of tailings or waste; housing and other infrastructure required in connection with mining or treatment operations; transport facilities including roads, airstrips and ports; any other purpose ancillary to mining or treatment operations or to any of the preceding purposes which may be approved by the Minister. A mining easement may be granted in connection with mining, treatment or ancillary operations conducted by the applicant for the purpose of constructing and operating one or more of the following facilities: a road, an aerial ropeway, a power transmission line, a pipeline, a conveyor system, a bridge or tunnel, a waterway, or any other facility ancillary to mining or treatment or ancillary operations in connection with any of the preceding purposes which may be approved by the Minister.

Royalties comprise a Mineral Resources Authority ("**MRA**") levy of 0.25% of sales revenue and a nickel royalty of 1.25% of sales revenue after deducting the refining costs. The MRA levy will shortly increase to 0.5% of free-on-board ("**FOB**") sales revenue based on the legislative changes announced by the PNG Government in February 2018. Based on the Ramu project payments during the four years from 2013 to 2017, it has been assumed a nickel royalty of 2% of FOB sales revenue will be payable after deducting the refining costs.

The two main PNG National Government agencies relevant to the Ramu Project are the MRA, which administers the *Mining Act 1992* and the *Mining (Safety) Act 1977* ("**Mining Safety Act**"), and the Conservation and Environment Protection Authority ("**CEPA**"), which is responsible for the *Environment Act 2000* ("**Environment Act 2000**"). The CEPA administers the Environment Act 2000, the primary legislative instrument governing all aspects of the environment in relation to resource development activities. The Ramu Project is operated under the Environment Act 2000.

The Kurumbukari mine and beneficiation plant and the Basamuk processing plant are operated by MCC Ramu under Environment Permits WD-L3(115) and WE-L3(85) issued by the Independent State of Papua New Guinea under Section 65 of the Environment Act 2000.

The key Environmental Approval for the project is the Environmental Plan Approval issued under the Environmental Planning Act 1978 in March 2000 by the Minister for Environment and Conservation and Operational Environmental Monitoring Plan ("**OEMP**"). The operations permits are WD-L3(115) which covers all works within SML 8, all LMPs, MEs and ML 149. Permit WE-L3(85) covers the extraction and use of water resources within SML 8, all LMPs, MEs and ML 149. Both of these permits were issued on 1 January 2004 for a term of 50 years, and various amendments have been made to the initial permits issued. Permit WD-L3(115) also approves the discharge of waste streams into the environment from the various premises, including air emissions and tailings discharge via the Deep Sea Tailings Pipeline ("**DSTP**"). Both the mine and processing plant are operated under various environment protection management sub-plans which are consolidated in the Environmental Management Plan, including air emissions, noise, water, chemical spill and control, dust control, erosion and sediment control, water resources, and progressive rehabilitation. Other socio-economic management plans include cultural, historical and archaeological heritage, and social and economic management.

Various environmental monitoring and reporting programs are conducted across the mine site and processing plant areas which are a requirement stipulated under the environmental permits. A key monitoring program is SO2 emissions from the processing plant exhaust stacks. SO2 monitoring programs include on-line monitoring (ie. in-stack) which are reported regularly to CEPA. Other programs include ground-level SO2 monitoring, daily SO2 monitoring for confined area access and manual SO2 sampling and analysis. The monitoring plan as per the Environmental Permit includes the following requirements: (a) stream flows, tide and current patterns (sediment dispersal); (b) meteorology; (c) fresh and marine water quality; (d) biological tissue (metal content) – shallow, reef and deep water fishes, shell fish, sea grass; (e) nearshore sedimentation rates; (f) coral reef (sediment cover); (g) ocean floor sediments (metal and particle size distribution); (h) ground level concentration of air emission levels; (i) noise levels; (j) control and sampling sites; (k) sampling protocols (quality control/quality assurance); and (l) sampling frequency.

MCC Ramu is required to conduct inspection of the DSTP on an annual basis. This is performed using a Remotely Operated Vehicle ("**ROV**") external visual inspection of the DSTP at the Basamuk Bay Refinery. The purpose of this

visual inspection is to identify the integrity of the pipeline to ensure its effective tailings discharge at the 152m below sea level outfall. The latest inspection confirmed that there was no identified evidence of damage, cracks or tailings leakage observed on the tailings pipeline at the time of inspection and the tailings discharge at 152m depth appears to be unobstructed and was flowing freely at the time of inspection. A 5-year marine environment monitoring program is also a requirement under the operating permit. The first marine monitoring program was completed in 2018; preliminary results indicate no adverse effects findings on fish tissue samples and that metals are at background levels. The reporting requirement as per the Environmental Permit, is that a quarterly Environmental Performance Report shall be submitted each quarter which shall include the following; (a) raw data (analysis by certified laboratories) from the environmental monitoring programs; (b) interpretation of raw data; (c) incidence of non-compliance and reasons; (d) status of compliance with the Waste Management Plan and other conditions of the permit; and (e) records of environmental monitoring programs.

History

The Ramu deposit was discovered in 1962 by the Australian Bureau of Mineral Resources. Highlands Gold Properties Pty Limited ("**HGP**") first undertook work in the area in 1989/90, and in 1992, assumed the management of the current joint venture. Further historical detail of exploration is set out in Section 9 Exploration of the Ramu Technical Report.

An intensive period of geological exploration and engineering led to a prefeasibility study and in 1996 the Ramu Nickel Joint Venture was established to prepare a bankable feasibility study. Highlands purchased HGP's interest in April 1997 and prepared the 1998 feasibility study but project development did not progress. In 2000 the project was granted its SML and in 2005 MCC joined the joint venture taking a 61% interest with Highlands share reducing to 8.56% and the PNG Government and landowners (through the holding company MRDC) 6.44% with the remaining 39% held by a number of other Chinese entities. MCC prepared a feasibility study in 2007 for the Ramu Project and commenced construction in 2008, financed by MCC. In 2009 MCC increased its stake in the project to 67%.

The mine and refinery began commissioning and ramp up in 2012. Ramp-up of the HPAL refinery was related to the ability of the mine to produce at required levels. Ramp-up of the HPAL refinery was initially restricted by the ability of the mine to produce ore feed at the required levels. Overall the ramp up took an extended period of time to reach the nominal capacity of 31,150tpa of nickel and 3,300tpa of cobalt. An incident at the refinery in 2016 necessitated an operational shutdown for three months resulting in lower production during that period but in the last two years, the refinery has exceeded the design capacity, producing an average of approximately 90,000tpa of MHP containing 35,000t of nickel and 3,300t of cobalt. A summary of the seven years of ore and MHP production at the Ramu Project is shown in Table 6.1 of the Ramu Technical Report.

In 2018 MCC Ramu announced plans for a US$1.5B capital expansion to double the existing production capacity. It is proposed that plant throughput will increase to around 8.3Mtpa (dry-basis) and that metal production will increase to approximately 65,800tpa of contained nickel and 6,550tpa of contained cobalt. Approvals for the expansion will be required from the various government agencies and by the various landowner groups at the two sites and along the slurry pipeline route. MCC Ramu has indicated that preparation of engineering designs for the expansion has commenced; an expansion feasibility study has been prepared by China ENFI Engineering Corporation ("**ENFI**").

Geological Setting, Mineralization and Deposit Types

The Ramu deposit is a typical tropical nickel-cobalt laterite deposit. The deposit was historically divided into three contiguous resource blocks, Kurumbukari ("**KBK**"), Ramu West, and Greater Ramu, primarily based on degree of exploration and drilling density. The area of the deposit covered by exploration drilling is around 25km^2; however, the mineralisation potentially covers a much larger area where underlying dunite has been mapped. The deposit lies above a bedrock comprised of ultramafic intrusives of dunite with minor harzburgite and pyroxenite. The nickel-cobalt laterite mineralisation is related to the weathering and leaching of the ultramafic bedrock in a tropical environment and consists of distinct layers of weathered lateritic material as summarized in the below table. From the surface down, these defined laterite layers are the overburden, limonite, saprolite, upper rocky saprolite and the lower rocky saprolite. The rock-free saprolite interface between S and R1 was defined from a combination of geological logging of drill core and ground penetrating radar ("**GPR**") surveys. The limonite and saprolite layers are the primary ore horizons in the deposit. The upper rocky saprolite has been shown to be mineable; however, only a portion of the lower rocky saprolite has been mined as run-of-mine ("**ROM**") ore.

Summary of the Laterite Layers of the Ramu Deposit Area

Rock Type	Description	Thickness (m)
Overburden (O)	Including the upper humic layer and the lower red limonite overburden; generally contains low nickel (<0.5% Ni) and cobalt grades; stripped as waste before mining the lower ore layers	0.7-48m averaging 4.5m
Limonite (L)	Yellow limonite ore; hosts the bulk of the nickel-cobalt resource	0.3-19m averaging 4.6m
Saprolite (S)	Enriched in nickel and cobalt; the top of the saprolite marks the boundary between acidic weathering and alkaline weathering conditions in the profile	0.4-13m averaging 3.9m
Rocky Saprolite (R1)	Contains less than 30% (averaging 17% by volume) dunite boulders in a saprolite host; enriched in nickel but not in cobalt	0.4-21m averaging 2.8m
Rocky Saprolite (R2)	Contains greater than 30% (averaging 51% by volume) dunite boulders in a saprolite host; enriched in nickel but not in cobalt	0.3-13m averaging 2.7m
Bedrock	Typically dunite with minor harzburgite and pyroxenite	

The depth profile of the laterite mineralization averages approximately 14m, but varies locally as a result of active erosion by streams and gullies. The principal ore minerals at Ramu are goethite, asbolan and garnierite. Chromite is present in the deposit as a residual mineral and is recovered as a by-product by gravity separation methods from the ROM ore wash plant at the mine site.

Assay data shows that nickel is generally depleted (less than 0.5% Ni) in the overburden layer (including the humic and red limonite horizons), but is enriched in the yellow limonite and saprolite layers, including the rocky saprolite R1 and R2. Cobalt is generally depleted in the overburden layer, is enriched in the saprolite layer and generally not enriched in the rocky saprolite. Magnesium in the original rock was mostly leached out in the humic layer and the limonite layers, but only partially leached out in the saprolite layers. Aluminum is strongly enriched in the humic layer and the red limonite layer, slightly enriched in the yellow limonite layer, and not enriched in the saprolite layers from the original rock. Chromium occurring as residual chromite is generally enriched in the limonite layers and slightly enriched in the saprolite layers from the original rock. Iron is generally enriched in the limonite layers and slightly enriched in the saprolite layers from the original rock.

Exploration

The Ramu deposit was discovered in 1962 by the Australian Bureau of Mineral Resources. Since that time, there have been periods of intense investigation by several groups centred on the potential for economic exploitation of the nickel, cobalt and chromite content of the laterite. International Nickel Southern Exploration Limited ("**INSEL**"), an exploration division of the International Nickel Company held an exploration title between 1963 and 1965. INSEL augered 72 holes and dug 115 pits over 23km^2. Metals Exploration N.L. ("**Metals X**") subsequently took control of the title and sunk an additional l4 test pits. Carpentaria Exploration Company Ltd ("**CEC**"), on invitation from Metals X, assessed the available data and concluded that the saprolite resource had been inadequately explored to justify development based on current nickel extraction technology and the deposit's mineralogy and grades. Subsequently, a small PNG-based group, Eastern Pacific Mines Pty Limited ("**EPM**"), gained control of the title from Metals X and invited CEC to joint venture the property. CEC became operator of the joint venture and solely funded exploration from 1971 to 1978.

CEC conducted a program of work including surface sampling, drilling more than 250 hand auger holes, 22 percussion and 72 diamond drill holes, bulk sampling from two bulldozer trenches and metallurgical testwork. Data generated included lithological mapping, assays for nickel, cobalt, iron and chromium, estimates of lateral variability of grade, bulk densities and size distribution of rocks in the laterite profile. CEC concluded that the deposit was not viable at that time. In 1978, Nord Resources Corporation ("**Nord**") became the operator of the project by entering into a joint venture agreement with CEC. Nord continued exploration drilling using both auger and diamond techniques. By the end of 1980, 129 pits, 1,081 auger holes and about 200 diamond holes had been sunk into the nickel-cobalt deposit. Nord subsequently carried out an evaluation of the Danagari alluvial chromite resource. This resource was estimated in 1987 to contain 4.1 million cubic metres of material at an average recovery of 60kg/m3 of chromite concentrate. The chromite concentrate was of low-grade metallurgical quality averaging 42% Cr2O3, 29% FeO, 16% Al2O3, and 1.5% SiO2. The chrome to iron ratio was 1.3:1 which, together with the other grade attributes, indicated a potential only for a chemical grade product. No further work was undertaken.

In response to an improvement in the world nickel market, Nord re-commenced exploration of the Kurumbukari nickel-cobalt resource in 1989/90. At this time HGP purchased CEC's interests in the Ramu Joint Venture and elected to fund a diamond drilling and augering program managed by Nord. The drilling was designed to evaluate the area termed Ramu Central, for its high grade (greater than 1.5% Ni equivalent) potential. The program comprised 1,160m of diamond drilling in 67 holes, 406m in 60 auger holes, 528m in 70 auger pre-collar holes and 155m from 7 bulldozer trenches. The diamond drill holes were drilled on a 150 x 150m grid. The grid was in-filled by the auger drilling. In 1992 a re-negotiation of the joint venture agreement resulted in HGP increasing its interest to 60% by taking over the management of project and sole funding Kina 5.0M of exploration expenditure. In 1993, HGP commenced an intensive period of exploration, which included 56.5km of GPR survey (used to detect the top surface of the rocky saprolite), the drilling of 389 resource HQ diamond drill holes and 25 metallurgical PQ diamond drill holes totaling 10,200m, together with extensive metallurgical test work. Other activities undertaken concurrently with the drilling program included environmental monitoring, socio-economic studies, hydrological considerations, pitting to determine bulk density and limited re-sampling of drill core.

In April 1997, Highlands purchased HGP's interest in the project. In the same year, as part of the feasibility study compiled by Fluor Daniel and Simons, a drilling program was commenced to upgrade the quality of the resource estimate for the greater Ramu area by drilling on a 100 x 100m grid. This grid covered Ramu Central, Ramu East and Ramu Central Extended, a total of 7.2km^2; all of these areas were referred to as the KBK Block in the feasibility study resource estimation. Up to the end of July 1998, a total of 474 drill holes were completed for a total of 9,681m of NQ core. In addition, 13 diamond drill holes and 25 auger holes were drilled at Ramu South. Drilling was also carried out on close spacing on a 50 x 50m grid over a 300 x 300m local area and on a 25 x 25m spacing locally to test the variability within the orebody. Two trial mining pits were dug in 1997 to gain an understanding of mining requirements, obtain bulk samples for metallurgical test work and to gather additional geological information. Based on the drilling and sampling information to date, Highlands, under the guidance of MRDI, completed a resource estimate for the Ramu deposit in October 1998 as part of the 1998 Feasibility Study for the project.

Highlands completed a further 88 diamond drill holes and 29.9km of GPR survey for the Ramu West Block in 1999; these holes were used to replace the previous CEC holes in this area as Highlands believed that the assay quality of the CEC holes were questionable. Highlands maintained the drilling density of 200 x 200m for the holes in the area. The 1999 Highlands drill holes were not used for the 1998 Highlands/MRDI feasibility study resource estimate. Highlands completed a resource estimate update for the Ramu West Block in 2001 based on the new drilling and the new GPR survey data, as well as an updated topographic survey in the area and using a technique similar to the 1998 Highlands/MRDI resource model.

After a six year hiatus, MCC entered into the joint venture in 2005 by providing financing and undertaking construction of the project. In February 2007, ENFI completed a revised feasibility study of the Ramu Project for MCC. Since then, MCC has conducted several infill grade control drilling programs using Chinese exploration contractors to support the construction and production. Construction commenced in 2008 and the mine and refinery began commissioning and ramp up in 2012. Sinomine completed a 450 diamond drill hole program (6,052m) at a nominal drill spacing of 25 x 25m to support the first year production in the KBK Block from April 2007 to December 2007. At the same time, a detailed 1:500 topographic survey was carried out for a 0.48km^2 area and a 0.28km^2 area. Sinomine continued the drilling for the second year production in the KBK Block from September 2007 to May 2009. A total of 549 diamond holes with a total length of 8,382m were completed at a nominal drill spacing of 25 x 25m. Detailed topographic survey at a scale of 1:500 was conducted for a 0.32km^2 area and a 0.36km2 area. Production infill drilling in 2013 was conducted by Hubei Geological Survey Institute of Coal ("**Hubei Coal**") to better define the Mineral Resources in a 1.8555km^2 periphery area of the KBK Block at a nominal drill spacing of 50 x 50m. A total of 780 diamond holes were drilled in this area.

From March 2015 to March 2016, Hubei Coal conducted infill production drilling for the northeastern area of the KBK Block and some local areas of the adjacent Greater Ramu Block at a nominal drill spacing of 50 x 50m. A total of 490 diamond holes with a total drilled length of 5,683m were competed in this period. The area drilled in the Greater Ramu Block was approximately 0.66km^2. Production infill drilling was conducted by Hubei Coal in 2016 for the south and the north of the KBK Block and an area in the adjacent Greater Ramu Block at nominal drill spacing from 50 x 50m (1.46km^2), 100 x 100m (0.44km^2) to 200 x 200m (0.301km^2). A total of 668 diamond holes with a total drilled length of 9,729m were completed in this period.

The 2017 drilling was conducted by both Sinomine and Hubei Coal. Sinomine conducted exploration drilling in the west side of the KBK Block over a 4.1km^2 area at a nominal drill spacing of 100 x 100m. A total of 363 diamond holes with a total drilled length of 5,125m were completed in this area. This extended the resource estimation into a previously

covered area. Hubei Coal conducted 50 x 50m infill drilling for an area of 1.6km^2 located in the northwest and southwest of the KBK Block. A total of 702 diamond drill holes with a total drilled length of 9,026m were completed in these areas. This extended the Measured/Indicated Mineral Resource estimate into the previous Greater Ramu Block with only Inferred Mineral Resources estimated. The infill production drilling from 2007 to 2016 was generally used for ore grade control purpose only and was not used to update the Ramu resource estimate. However, a QA/QC program was carried out for the 2017 drilling, and the drilling results were used to update the resources and reserves of the Ramu deposit area.

See also Item 5 – *Description of the Business - Ramu Project Mining and Technical Information — History*.

Drilling

In the 1998 feasibility study report for the Ramu Project, the pre-1999 historical exploration drilling was divided into four phases. Phase 1 drilling was carried out between 1970 and 1982 by CEC. During this period the global Ramu area was drilled on a 400 x 400m grid with local areas of 200 x 200m infill drilling. A total of 1,098 auger holes, 207 diamond holes and 39 pits were completed. This phase of drilling was designed more to test the limits of the laterite mineralisation rather than to produce a resource estimate.

Phase 2 drilling was carried out in 1990 by Nord and comprised 67 diamond drill holes (1,160m), 72 auger holes (406m), 70 auger pre-collars (528m) and 7 bulldozer trenches (155m). All of the drilling was within the KBK Block. This phase of drilling was basically designed to improve the quality of the resource estimate in the "best" area found in the Phase 1 program. Almost all of the work carried at this time falls within the KBK Block. However, none of the Phase 2 drilling results were used in the 1998 feasibility resource estimate as HGP/Highlands completed sufficient drill holes for the KBK Block in the Phases 3 and 4 drilling.

Phase 3 drilling was conducted from October 1993 to July 1994 by HGP. A total of 384 HQ geochemical holes (10,210m) and 25 PQ metallurgical holes were drilled. Both tungsten and diamond bits were used. Hole depth averaged 26m. An FMC mounted, top drive, Longyear 38 rig was utilised in the program. The holes were drilled using a PQ/HQ tungsten bit until a dunite boulder or harder material was encountered. The tungsten bit was pushed down using the rod weight with minimum amount of rotation. Water and polymer were used in minimum quantities. When dunite boulders were encountered, the tungsten bit was replaced by a diamond bit which was then used until the completion of the hole.

Phase 4 drilling was carried out from May 1997 to July 1998 by Highlands, which purchased HGP's interest in the project in April 1997. A total of 591 NQ geochemical holes (9,845m), 69 metallurgical holes (1,099m), and 69 geological record holes (1,209m) were drilled. Average hole depth was 16m. Both tungsten and diamond bits were used to drill these holes in the same manner as for the Phase 3 drilling. The Phase 4 drilling was carried out using three man-portable Edson rigs. These rigs can be broken down and the pieces are then moved from site to site by a team of 10 men. These rigs performed well completing an average of one hole a day for the entire program.

BDA notes that the drilling statistics (including the number of drill holes and the total drilled length) in the four drilling phases described above are slightly different from the drilling statistics described in the previous Exploration History section in the Ramu Technical Report as the information used was derived from two different chapters of the 1998 Feasibility Study report. BDA has not attempted to reconcile these differences.

After the 1998 feasibility study, Highlands completed a further 88 diamond drill holes and 29.9km of GPR survey for the Ramu West Block in 1999 in order to replace the less reliable, previous CEC holes in this resource block. Highlands completed a resource estimate update for the Ramu West Block in 2001 based on the new drilling and the new GPR survey data as well as an updated topographic survey in the area.

Since MCC became the majority shareholder and operator of the Ramu Project in 2005, production ore control infill drilling programs were conducted over a number of phases in 2007, 2009, 2013, 2015 and 2016 using Chinese drilling contractors. This drilling was generally conducted within the KBK Block but some of the drilling also covered some adjacent areas. The results of these drilling programs were not used for Mineral Resource estimate updates under the Australasian JORC Code, therefore, these ore control infill drilling programs are not be discussed further in the Ramu Technical Report.

In 2017, Sinomine and Hubei Coal conducted drilling programs for MCC Ramu in the Ramu deposit area. Sinomine conducted exploration drilling on the southwest side of the KBK zone covering a 4.1km2 area at a nominal drill spacing

of 100 x 100m. A portion of the drilling area overlaps the Greater Ramu Block area. A total of 363 diamond holes with a total drilled length of 5,125m were completed in this area. Chinese-made portable XY-1 drill rigs were used for the drilling. Tungsten and diamond bits were used as for the historical Phases 3 and 4 HGP/Highlands drill holes, with tungsten bits used for the upper soft laterite layers drilling in dry conditions and diamond bits used for the rocky saprolites and bedrock. Drill hole diameter was from 110mm (slightly smaller than PQ) at the top to 91mm (slightly smaller than HQ) at the bottom. After drilling, the hole was backfilled by clays and a wooden post was inserted in the drill hole collar and a plastic wrapped paper tag was attached to the post and marked with drill hole number, depth, and completion date. It appears that the paper tag as well as the wooden post are reasonably long lasting in this tropical environment. The Sinomine drilling will materially increase the Mineral Resources for both the KBK Block and the entire Ramu deposit area as the total drilled area was expanded.

Also in 2017, Hubei Coal conducted 50 x 50m infill drilling over an area of 1.6km^2 located in the northwest and southwest of the KBK Block. A total of 702 diamond drill holes with a total drilled length of 9,026m were completed. This will extend the Measured/Indicated resource estimate into the previous Greater Ramu Block where previously only Inferred Resources were estimated. The drilling techniques used by Hubei Coal and core recoveries were generally similar to that for the 2017 Sinomine drilling.

All of the drill holes for the Ramu Project were drilled vertically as they were short holes used to penetrate sub-horizontal laterite horizons. Details of the drilling technologies and core recoveries as well as sampling, logging, sample preparation and analysis, and QA/QC procedures are generally not available for pre-HGP drill holes and they are not be discussed further in the Ramu Technical Report.

For the 1998 Feasibility Study, resource models were constructed by Highlands under the guidance of MRDI using different databases for the different resource blocks. The KBK Block was well drilled by HGP/Highlands in the Phases 3 and 4 drilling with a nominal drill spacing ranging from 25 x 25m, 50 x 50m to 100 x 100m, therefore, only the 972 HGP/Highlands diamond holes (with a total drilled length of 20,096m) were used for the resource estimation and the resource estimates were classified as Measured, Indicated and Inferred. Resource estimates for the Ramu West Block were based on 56 pre-1991 CEC diamond holes at a nominal drill spacing of 200 x 200m, and the resource estimates were classified as Indicated and Inferred. Resource estimates for the Greater Ramu Block were based on historical drill holes (45 diamond holes and 113 auger holes) at a nominal drill spacing of 400 x 400m, and the resource estimates were all classified as Inferred.

In 2001 Highlands updated the Ramu West Block resource estimates based only on re-drilled diamond holes drilled by Highlands in 1999 at the same nominal drill spacing of 200 x 200m as the previous CEC holes, and the resource estimates were classified as Indicated and Inferred.

In 2018, Sinomine completed a resource estimate update for MCC Ramu based on 363 Sinomine 2017 diamond holes drilled to the southwest of the KBK Block at a nominal drill spacing of 100 x 100m and 702 Hubei Coal diamond holes drilled towards the northwest and southwest sides of the KBK Block at a nominal drill spacing of 50 x 50m. The resource estimates in the newly drilled areas were classified as Measured, Indicated and Inferred.

Sampling, Analysis and Data Verification

In the sample preparation room, overburden, limonite and saprolite samples were dried in an oven with temperature set at 95ºC (±10ºC) for at least 10 to 14 hours to dry the sample for assay but to avoid driving off any water of crystallization. If, during subsequent preparation, samples showed any indication of abnormal moisture content they were returned to the oven for further drying. Following drying the samples were jaw crushed or crushed with a wooden rolling pin if necessary and pulverized to -200 mesh in a ring grinder.

The rocky saprolite samples were separated by wet screening into a -2mm saprolite fraction and +2mm rock fraction. These fractions were dried and weighed to determine the dry rock fraction weight percentage of the sample; a dry volume percentage of the rock fraction was then calculated according to the density of weathered dunite. The saprolite fraction of the sample was jaw crushed or crushed with a wooden rolling pin if necessary and pulverized to -200 mesh in a ring grinder. A 100g sample for assay and a 100g duplicate sample were separated from the pulverized sample and put into paper bags. The paper bags were labelled with the sample number.

Sample preparation was carried out by trained employees of the company or drilling contractor in the site sample preparation room following set sample preparation procedures. Appropriate security measures were undertaken by establishing a chain of sample responsibility to ensure there was no error in sample transportation and submittal.

The Mineral Resource estimates for the Ramu nickel and cobalt deposit have been carried out under the guidelines of the Australasian JORC Code by Competent Persons as defined by those guidelines. The JORC Code guidelines are compatible with the requirements of NI 43-101 in this regard.

The quality control procedures and results for the Phases 3 and 4 HGP/Highlands drilling programs were audited by the Competent Person, Dr Francois-Bongarcon of MRDI, for the 1998 Feasibility Study resource estimate. In his October 1998 report he stated that "it is MRDI's opinion that the sampling and QA-QC procedures at Highlands Pacific Limited and Astrolabe are now reaching a level of depth, detail and scrutiny that places them above industry standards. The quality and reliability of the data used in the resource modelling exercise at Ramu have been properly characterized and controlled, biases detected and corrected, reproducibility established and maintained." BDA's Qualified Person for the Ramu Technical Report, Dr Qingping Deng, concurs with the MRDI conclusion based on review of the historical technical reports produced by MRDI and the 1998 Feasibility Study report.

The Competent Person for the 2017 Sinomine Mineral Resource estimate update was Mr Zhang Xueshu, Chief Geologist of Sinomine. The Sinomine 2017 Mineral resource estimate update report stated that the QA/QC results for the 2017 drilling meet the production needs of the mine. However, BDA considers that there is some room for improvement for the quality controls for the 2017 drilling programmes. BDA recommends that independently certified assay standards and external check assays could be used for quality control of the assay results produced by the Ramu assay laboratory. The laboratory could also be checked by external standard associations to ensure the assay procedures and results meets industry standards. As the assays for the 2017 drilling programs represent only a small portion of the overall assays used for the 2017 resource estimate update, BDA's Qualified Person considers that the overall database quality for the 2017 resource estimate update remains generally acceptable for generating a Mineral Resource estimate update under both the 2012 Australasian JORC Code and 2011 NI 43-101.

Dr Francois-Bongarcon of MRDI was the Competent Person for the 1998 Feasibility Study resource estimate for the Ramu nickel and cobalt deposit. He conducted a site visit to the Ramu project site from 30 August to 1 September 1997. This trip also included a visit to the sample preparation and assay laboratory. Successive visits to Highlands' Brisbane offices followed on 10-21 November 1997, 9-13 February, 24 June - 3 July, 18-2 July and 5-9 October 1998. Dr Francois-Bangarcon reviewed the geology, drilling, sampling, sample preparation and analysis, density determination, and QA/QC programs, and conducted an audit of the Ramu deposit drilling and sampling database; he provided a number of recommendations to Highlands based on his site visits and review of the project database, which were mostly taken up by Highlands. Dr Francois-Bongarcon's final conclusion was that the sampling and QA-QC procedures at Highlands' Ramu project and Astrolabe laboratory were above industry standards.

Mr Zhang Xueshu, Chief Geologist of Sinomine, was the Competent Person for the 2017 Ramu deposit resource estimate update. Sinomine was engaged by MCC Ramu to conduct field exploration work, including drilling, sampling, sample preparation and topography survey and drill hole collar location survey, and prepare a JORC-compliant resource estimate update and a report based on the exploration work in 2017. Mr Zhang took part in the field exploration work by Sinomine in 2017.

BDA's Qualified Person, Dr Qingping Deng, visited Highlands' Ramu property on 5th and 6th February 2019 and 11th to 13th June 2019. He reviewed the drilling, sampling, sample preparation and analysis, QA/QC programs, Mineral Resource and Mineral Reserve estimation, the mining, processing and smelting operations of the Ramu nickel and cobalt mine. Dr Deng also made a visit to Sinomine's Beijing office in China from 20th to 22nd May 2019 to discuss Sinomine's 2017 Mineral Resource estimate update report.

Mineral Processing and Metallurgical Testing

The Ramu NiCo processing plants have been in operation since 2012. Background data on the development of the Ramu NiCo processing plants is limited other than what is provided in the report "Ramu Nickel Project Papua New Guinea, Feasibility Study (Revised)" written by China Nonferrous Engineering and Research Institute (ENFI) dated February 2007. An initial pre-Feasibility Study ("**PFS**") was completed in 1996. A "bankable" Feasibility Study was completed in 1998 by Fluor Daniel Corporation ("**Fluor**") assisted by its subsidiary, Simons Engineering and Consulting Incorporated ("**SEC**"). Some preliminary engineering was started in 1999 with Kvaerner Engineering ("**Kvaerner**") but was suspended in 2000.

The 2007 ENFI report states that the JV conducted a series of laboratory-based tests and continuous tests (such as mineralogical studies and de-agglomeration tests); metallurgical tests and slurry rheology studies were also undertaken.

ROM Ore Preparation (Beneficiation) Testwork

The beneficiation plant as constructed comprises two plants; the first treats Run-of-Mine (ROM) material to remove boulders and coarse material, thereby upgrading the material sent to second chromite removal plant; subsequently the pulp is thickened prior to transport via pipeline to the Basamuk hydrometallurgical plant.

Mineralogical studies were undertaken and, while no detailed reports are available, ENFI has summarized the conclusions:

- Ni in limonite and saprolite occurs mainly in the goethite, with 90% of the Ni in limonite goethite and 55% in the saprolite goethite;
- associated Co is contained in the asbolan and manganese minerals;
- associated chromium is recoverable as coarse-grained chromite; and
- basic gangue minerals such as magnesite are closely related to the chromite and forsterite and reducing Cr from 2.2% in ROM material to 0.5% in pressure leach feed significantly reduces the acid consumption.

The Canadian based laboratory of SGS Lakefield, now known as SGS Canada Inc. ("**SGS Lakefield**") conducted screen analyses of the limonite and saprolite samples as summarized in the following table. The table reports sizes from 3.35mm and below on the basis that the chromite removal plant treats this size distribution.

Screen Analyses of Ramu Samples

Size micron (µm)	Limonite SAG5-7		Saprolite SAG10/1	
	Oversize %	Cumulative Oversize %	Oversize %	Cumulative Oversize %
3,350	0.16	0.16	6.47	6.47
850	0.37	0.53	2.42	8.89
150	5.60	6.13	13.08	21.97
53	4.15	10.28	9.49	31.46
38	1.79	12.07	3.07	34.53
-38	87.93	100.0	65.47	100.0

Another laboratory, Amdel Laboratories ("**Amdel**"), in Adelaide, South Australia undertook some size-by-size analyses of three saprolite samples in 1997. The below summarizes these results. It is noted that these samples differ somewhat, both in the grade of the various elements as well as the distribution. However, there are some general consistencies:

- nickel distribution in the coarse +3.35mm material ranges from 4.9% to 16.1%;
- cobalt distribution in the coarse +3.35mm material ranges from 3.1% to 14.5%;
- chromium distribution in the coarse +3.35mm material ranges from 4.1% to 19.0%;
- sample "A" is the sample that reports these higher distributions;
- the majority of the MgO reports to the coarse material;
- most of the iron and alumina reports to the finer sizes; and
- much of the silica reports to the coarse +3.35mm material.

It is noted that no description regarding the source of these samples is given. The results of the three samples tested by Amdel vary significantly and, as such, cannot be considered "representative" of the deposit being mined. However, the data, while variable, does support the use of a washing and scrubbing pre-concentration plant. The size separations adopted in the plant design are supported by these size-by-size distributions.

Size-by-Size Analyses of Ramu Saprolite Samples (1997)

Sample Size µm	Mass %	Grade Ni %	Co %	Cr %	Fe %	MgO %	SiO_2 %	Al_2O_3 %	Distribution Ni %	Co %	Cr %	Fe %	MgO %	SiO_2 %	Al_2O_3 %
Rocky Saprolite Sample "A"															
+3,350	50.2	0.36	0.015	0.4	6.9	44.8	40.4	0.5	16.1	14.5	19.0	15.7	91.6	70.7	10.6
-3,350 + 500	4.8	0.97	0.052	5.5	22.0	10.1	23.4	7.2	4.2	4.8	22.7	4.8	2.0	4.0	15.5
-500 + 300	3.2	1.05	0.095	6.9	20.8	11.3	21.3	5.7	3.0	5.8	19.2	3.0	1.5	2.4	8.0
-300 + 150	4.2	1.69	0.205	4.9	24.6	9.3	22.7	4.9	6.5	16.7	18.1	4.7	1.6	3.3	9.1
-150+53	6.4	2.22	0.235	2.1	33.8	4.7	20.3	3.4	13.0	29.2	11.9	9.8	1.2	4.6	9.8
-53	31.2	2.02	0.048	0.3	44.2	1.7	13.9	3.4	57.2	28.9	9.1	62.1	2.2	15.1	46.9
Feed	**100**	**1.10**	**0.052**	**1.1**	**22.2**	**24.6**	**28.7**	**2.3**	**100**	**100**	**100**	**100**	**100**	**100**	**100**
Rocky Saprolite Sample "C"															
+3,350	19.6	0.38	0.01	0.4	6.6	43.6	41.3	0.7	5.6	3.8	4.9	4.5	66.5	30.5	3.8
-3,350 + 500	4.7	0.74	0.74	4.9	13.7	17.1	34.7	6.2	2.6	3.3	15.8	2.3	6.3	6.3	8.2
-500 + 300	3.3	0.87	0.115	8.2	16.6	14.2	26.7	6.3	2.2	5.1	18.4	1.9	3.6	3.3	5.8
-300 + 150	5.5	1.26	0.210	6.5	19.3	11.1	28.8	5.3	5.3	15.7	24.3	3.7	4.7	6.0	8.1
-150+53	11.4	1.47	0.195	2.7	24.7	5.9	33.8	3.7	12.8	30.4	20.7	9.9	5.3	14.6	11.7
-53	55.5	1.69	0.055	0.4	39.6	3.2	18.7	4.0	71.5	41.8	16.0	77.6	13.7	39.3	62.4
Feed	**100**	**1.31**	**0.073**	**1.5**	**28.3**	**12.9**	**26.4**	**3.6**	**100**	**100**	**100**	**100**	**100**	**100**	**100**
Rocky Saprolite Sample "D"															
+3,350	13.0	0.35	0.03	0.6	9.8	42.0	37.6	1.5	4.9	3.1	4.1	3.8	83.0	34.7	2.1
-3,350 + 500	5.1	0.54	0.23	7.1	20.4	5.3	9.6	10.8	2.9	9.1	20.8	3.0	4.0	3.5	6.0
-500 + 300	3.3	0.66	0.305	7.8	20.5	4.9	9.7	10.3	2.4	7.9	15.1	2.0	2.4	2.3	3.8
-300 + 150	5.2	1.02	0.485	7.4	24.0	3.7	9.6	10.7	5.8	19.6	22.1	3.7	2.9	3.5	6.1
-150+53	7.9	1.17	0.480	4.5	33.4	2.2	10.4	9.4	10.1	29.6	20.5	7.8	2.6	5.8	8.2
-53	65.6	1.03	0.060	0.5	41.1	0.5	10.8	10.2	73.9	30.7	17.3	79.7	5.1	50.2	73.9
Feed	**100**	**0.91**	**0.128**	**1.7**	**33.8**	**6.6**	**14.1**	**9.1**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

In addition, Amdel conducted a continuous de-agglomeration test in 1997 and evaluated scrubbing four samples from the Ramu deposit. The detailed results are not available but the ENFI summary states:

- it is necessary to include both scrubbing and agitation in the first stage of de-agglomeration;
- using a second stage of scrubbing included the use of high-density rubber balls to intensify the scrubbing action;
- waste rock rejection occurred with the +3mm size fraction;
- about 75% to 90% of the Ni is distributed to the -300µmsize fraction; and
- in order to make the slurry suitable for transport to the Basamuk plant, the coarser concentrates should be ground; testwork indicated that grinding the final product would require a Ball Mill Work Index ("**BWi**") of 13.3 kilowatt hours per tonne ("**kWh/t**").

Chromium Separation

As can be seen in Table 13.2 of the Ramu Technical Report, the Cr content is significant. The initial objective regarding the removal of the chromite is related to the high wear incidence in the pipeline that transports the slurry from the KBK plant to the Basamuk plant. However, it is noted in the Production Capacity Improvement Proposal published by ENFI in December 2016 that the chromium six ion ("Cr^{6+}") affects product quality thus requiring treatment with sulphur dioxide gas to reduce the Cr^{6+} to Cr^{4+}.

Nord Resources Corporation, the project owner prior to Highlands, undertook testwork to treat the fines and remove as much chromite as possible into a saleable chromite concentrate. Detailed results are not available but a summary of the results of the testwork indicated that by incorporating de-sliming, gravity separation scrubbing and magnetic separation, a chromite concentrate with greater than 30% Cr and low iron content could be produced, with a Cr recovery to that concentrate of about 74%. It was also determined that about 80% of the chromite ultimately reports to the -53µm size fraction.

In 1995 a Canadian company, Canadian Mineral Technologies ("**CMT**"), completed some continuous Cr separation tests that confirmed that the use of classification and gravity separation unit operations would achieve removal of the Cr, working with a size distribution of -45µm. In 1997 to 1998 SGS Lakefield conducted some systematic pilot plant beneficiation tests. These tests were conducted on both limonite and saprolite samples for the purpose of optimising the ore preparation operations as well as providing samples for thickening tests, grindability tests and chromite quality evaluation. No information is given regarding sample source and representivity, other than the comment that "test samples taken from the test pits have a certain representativeness". Other findings were:

- classification was improved by using two-stage in series hydrocyclones;

- combined spiral separation followed by shaking table concentration for cleaning produced a quality Cr concentrate at about 35% Cr with recoveries of 57% to 87%;
- the BWi was measured at 12.7kWh/t; and
- thickener testwork indicated that underflow density could be raised to about 33% solids with water ("**w/w**"), and the flocculant addition rate could be reduced to about 75g/t using a high-rate thickener unit.

It should be noted that some thickener testwork conducted in 2004 by Eimco Limited technicians using the ENFI laboratory facilities further reduced flocculant addition rates.

Confirmation of Wash Plant and Beneficiation Plant Performance

It has been noted in the previous paragraphs that detailed testwork results have not been available for review. Nevertheless, summaries of the results were provided and the design of the wash or de-agglomeration plant and the beneficiation plant was based on parameters supported by the testwork results. The below table illustrates the performance of the KBK operations to the end of calendar year 2018 compared with design. By taking into consideration a 3-4 year "ramp-up" period, de-agglomeration and beneficiation plants are now performing close to the original design and close to the annual forecast from 2019 onwards; feed to the hydrometallurgical refinery at Basamuk has exceeded the design and forecast.

Kurumbukari Operation - Comparison of Design and Budget Parameters with Actual Production – 2012 to 2018

Parameter	Units	Design	2012	2013	2014	2015	2016	2017	2018	Budget
Feed to Basamuk Plant	Mt/a	**3.210**	-	1.252	2.373	2.784	2.270	3.601	3.719	**3.400**
Ni	%	**1.09**	1.01	1.02	1.05	1.12	1.13	1.09	1.11	**1.08**
Co	%	**0.11**	0.09	0.10	010	0.11	0.11	0.11	0.10	**0.12**
Chromite Concentrate	kt	**200.0**	18.0	32.7	32.0	51.4	52.8	90.1	92.1	**95.4**

It should be noted that the design of the de-agglomeration plant has incorporated initial boulder washer or scrubbing followed by intermediate size (-50mm) log washing scrubbing. Screen sizes have remained the same and all +3mm material is ultimately rejected as waste product.

The chromite recovery or beneficiation plant has been built generally according to the 2007 design although magnetic separation techniques have been applied to improve chromite concentrate grades.

Slurry Pipeline Kurumbukari to Basamuk

The decision was made to locate the concentrate refinery on the coast about 75km southwest from Madang. After some deliberation it was decided to transport the concentrate from the beneficiation plant using a pipeline. The main advantages that influenced the decision to utilize a slurry pipeline were essentially quicker construction time, lower capital costs and higher capacity compared with road transport. Lower operating costs related to lower energy costs, less labour required, easier maintenance and the use of automatic control were factors as well, together with minimizing the impact of weather.

To assist design of the slurry pipeline a Canadian company, Saskatchewan Research Council ("**SRC**"), was commissioned to provide relevant test data. SRC undertook a number of ring pipeline tests at 26.2mm diameter and 53.1mm diameter. A slurry mix of limonite and saprolite (ratio 2:1) was tested at varying slurry pulp densities. An Australian company CMPS&F (later merged with GHD Engineers) prepared a summary test report using the data from SRC.

The data from the CMPS&F/SRC testwork report was used by Fluor Daniel to produce a report "Feasibility Study Report of Ramu Nickel-Laterite Slurry Pipeline". The design parameters included a nominal flow rate at 430t/h (dry) at a bulk density of 3.6-3.9t/m^3, a pipeline length of 135km, starting at an elevation of 706m dropping to 25m at Basamuk, with the last 44km relatively level and near sea level. The pipeline diameter was set at 500mm and it was planned to have a pump station at KBK and a second station about 85km from KBK.

Kvaerner used the CMPS&F/SRC report and commissioned a sub-contractor Paterson & Cooke Consulting Engineers Pty Ltd to evaluate the report and look at pipeline options. More recent (around 2007) work was conducted by Tsinghua University examining slurry rheology and testing continuously through ring pipelines of 100mm, 150mm and 200mm diameter pipes to provide further information for the engineering design.

The 2007 ENFI Feasibility Study accepted the Kvaerner design of pumping at 32% solids w/w through an API grade X70 pipeline with external diameter of 508mm using two stage pumping. Positive displacement diaphragm pumps were recommended for this service.

It should be noted that the pipeline that was ultimately installed is 610mm diameter and the slurry is pumped using a

single station of four centrifugal pumps in series. The slurry underflow from the two product thickeners is between 15% and 19% solids w/w. Performance of the pipeline to-date has proven the ability to transport the concentrate in excess of design to Basamuk from KBK.

Basamuk Hydrometallurgical Plant

Over the history of recovering nickel and cobalt from lateritic ore, there have been a number of processes developed, including smelting and the use of hydrometallurgical processes. The various feasibility studies conducted by previous owners in 1996 and 1998 and the preliminary engineering conducted in 2001 all opted for the use of high pressure acid leaching ("**HPAL**") of the ore followed by purification and ultimately production of the two metals using electrowinning ("**EW**") to produce finished metal for market. Subsequent to this historical work, the 2007 ENFI Feasibility Study opted to use HPAL and ultimately produce a mixed nickel/cobalt sulphide. The plant that is currently operating has modified the final product to a mixed nickel/cobalt hydroxide (MHP).

HPAL Testwork

The initial testwork was conducted in Australia by Hydrometallurgy Research Laboratories ("**HRL**"), located in Brisbane. The testwork was predominantly bench-scale as well as some "discontinuous" pilot plant studies.

During 1997 and 1998, continuous pilot plant studies were conducted by Lakefield Research Ltd in Canada and Hazen Research Inc. ("**Hazen**") in Golden, Colorado USA. Each laboratory was provided about 6.5t of a mixed limonite/saprolite sample at a 2:1 ratio of limonite:saprolite. Both laboratories conducted beneficiation, HPAL CCD thickening and Fe/Al removal tests while Lakefield also conducted Ni/Co precipitation tests as well as solvent extraction ("**SX**") and EW tests. Lakefield also looked at cobalt carbonate precipitation options.

For the HPAL tests, Lakefield used a 3.2L autoclave with four compartments while Hazen used a 3.7L vessel with six compartments. They both operated at 250°C with pressures at 3,100 to 3,300kilopascals ("kPa") and retention times were 50-60 minutes. Hazen operated continuously for about 35days at a utilization of 95%.

The samples were taken from exploration drill holes in different areas of the deposit; no further details are available. Acid consumption ranged from 200kg/t to 310kg/t of material (dry). The mixed sample had grades of 0.96% Ni and 0.09% Co while the saprolite graded 1.45% Ni and 0.11% Co with the limonite at 0.93% Ni and 0.09% Co. HPAL extractions averaged 95.4% for Ni and 92.0% for Co.

After the removal of the Fe and Al, the resultant solution was then used to test precipitation of the nickel and cobalt using three different precipitants, magnesia, sodium hydroxide and lime. All three reagents proved successful but the hydroxide product was quite fine, suggesting settling and filtration would be difficult. The magnesia testwork indicated precipitation efficiencies of 95% for Ni and 97% for Co.

In 1999/2000 a series of batch tests were undertaken to:

- preheat slurry to examine autoclave volume reduction;
- thicken the slurry prior to HPAL;
- ammonia leach the Ni/Co hydroxide; and
- recovery of Co from Ni raffinate.

In addition; other tests were conducted to:

- test separate drill holes for HPAL response (variability tests);
- test ammonia, sulphur dioxide ("**SO2**") ammonia distillation and pressure leaching of cobalt sulphide;
- test the use of Cyanex 272 for Ni and Co SX;
- test heat capacity of a number of process solution flows;
- corrosion testing the materials of construction; and
- demonstrate thickener settling.

ENFI has stated that "generally speaking, the experimental investigations completed previously are aimed mainly at process route for producing electrowon ("**EW**") nickel/cobalt". ENFI also concludes "except local details, the test results can meet requirements for engineering design".

ENFI contended in the 2007 Feasibility Study that the production of EW products was not practicable given the project location and thus opted for an intermediate product such as a sulphide or a hydroxide.

Because of costs and process complexity, ENFI decided to proceed in the Feasibility Study with the production of an intermediate mixed Ni/Co product. ENFI made the observation that no testwork was conducted on Ni/Co sulphide production. The production of a mixed hydroxide was rejected due to a perceived low market demand at the time as well as the previously mentioned problem of fine precipitate particle size distribution. The 2007 Feasibility Study by

ENFI mentions that the design of the mixed Ni/Co sulphide product precipitation process was based on the experience of other operators such as Murrin Murrin and Moa Bay using hydrogen sulphide.

The final determination for the plant design was to produce a mixed hydroxide precipitation product. The problems with the fine particle size distribution have been resolved by the use of recycled "seeding" and the market concern has been eliminated as there is a good demand for hydroxide products to be used in the electric battery production industry.

Confirmation of Design with Plant Performance To-Date

The following table summarizes the HPAL refinery plant performance compared to Feasibility Study design and the forward budget prepared by the company.

Basamuk Plant Operation - Comparison of Design and Budget Parameters with Actual Production – 2012 to 2018

Parameter	Units	Design	2012	2013	2014	2015	2016	2017	2018	Budget
Feed to Basamuk Plant	Mtpa	**3.210**	-	1.252	2.373	2.784	2.270	3.601	3.719	**3.400**
Ni	%	**1.09**	1.01	1.02	1.05	1.12	1.13	1.09	1.11	**1.08**
Co	%	**0.11**	0.09	0.10	010	0.11	0.11	0.11	0.10	**0.12**
Overall Recovery										
Ni	%	**92.0**	-	93.8	87.7	83.3	87.1	88.0	87.0	**89.0**
Co	%	**89.0**	-	92.3	90.2	83.3	86.2	86.6	86.0	**82.0**
MHP Shipped (wet)	kt	**73.4***	43.8	103.6	180.2	179.0	153.9	237.4	241.1	**220.5**
MHP Shipped (dry)	kt	**58.8***	13.8	29.7	57.4	65.3	57.3	80.9	92.3	**83.8**
Moisture	%	**20.0***	68.5	71.3	68.1	63.5	62.4	63.2	61.7	**62.0**
Ni Grade	%	**55.0***	38.3	40.4	36.6	39.2	38.5	38.5	38.3	**39.0**
Co Grade	%	**5.5***	3.4	3.8	3.7	3.8	3.8	3.7	3.6	**3.8**
Ni Contained	t	**32,334**	5,283	12,023	20,986	25,582	22,268	34,666	35,355	**32,681**
Co Contained	t	**3,257**	469	1,126	2,133	2,505	2,190	3,308	3,275	**3,346**

**2007 Feasibility Study based on mixed sulphide production; the authors would note that mixed sulphide and mixed hydroxide are materially different intermediates and therefore moisture, Ni grade and Co grade cannot be directly compared*

As can be seen from table above the Basamuk plant took approximately four years to ramp up to design but from 2017 has exceeded budget. It should be noted that there was a significant incident on-site in 2016 that necessitated a full shutdown for three months; that obviously affected production dramatically during that period.

The change to MHP rather than a mixed sulphide product has not affected overall nickel and cobalt output. The HPAL and hydrometallurgical recovery plant has, since 2017, performed better than the 2007 Feasibility Study forecasts.

The operation of the two plants, the beneficiation plant at Kurumbukari and the hydrometallurgical plant at Basamuk is discussed below.

Mine Site Wash Plant and Beneficiation Plant

The feed to the wash plant comes from both conventional excavator and truck mining and from hydraulic mining. The KBK mine site plant flowsheet is shown in Figure 10 and comprises a de-agglomeration or wash plant, with four separate lines, each comprising a feed bin with grizzly, apron feeder and rotating drum scrubber followed by a log washer and the requisite screening facilities.

The scrubber washes and screens the ore, with the coarse material rejected as waste at the end of the scrubber, while intermediate sized pebbles are fed to two logwashers operating in parallel. The logwasher overflow or "fines" are sent to the beneficiation plant while the coarse material is then further screened. The hydraulic mining material is pumped directly to the screens.

The fines from the wash plant including the fines from the hydraulic mining, are pumped to the Beneficiation Plant. The main purpose of the Beneficiation Plant is to remove the high amount of chromite mineral from the slurry. Chromite is a very abrasive mineral and is quite harmful to steel pipelines. The Beneficiation Plant (Figure 10) comprises a receiving storage tank from which the slurry is pumped to the plant. The first step is to separate the "slimes" material using two banks or clusters of hydrocyclones. This material is then sent to two banks of spiral concentrators that separate the coarse chromite from the Ni/Co bearing fines.

The coarse chromite-rich concentrates are sent to two banks of 26 shaking tables each to remove chromite. The table concentrates containing more than 80% of the chromite in the feed slurry are sent to a magnetic separator which separates a high-grade chromite product or concentrate and a lower grade "middlings" product. The high-grade chromite concentrate is filtered and stockpiled for sale.

The non-chromite streams from the spirals and tables are sent to a grinding mill to be reduced in size distribution. The ground slurry is thickened to recover water for re-use in the wash plant and hydraulic mining, and the slurry is pumped via a pipeline to the hydrometallurgical plant at Basamuk Bay.

The KBK plant commenced operation in 2012 and experienced a number of issues during ramp up and early operation, however these have been systematically resolved. The KBK plant is designed to treat around 4.6Mtpa of dry ore (nominally around 8Mtpa of wet ore) at a 41% moisture level from the mine to provide 3.2Mpta (dry) feed to the Basamuk plant.

The feed to the wash plant has averaged about 6Mtpa for the past two years with feed to the Basamuk plant averaging 3.66Mtpa. Metal production for 2017 and 2018 has been at or slightly in excess of design (107% and 108% respectively); monthly production in 2016 was close to design, but three months of production were lost due to a major plant incident. BDA considers that the ramp-up period was completed in 2015, and considers that the plant should be capable of design 3.6Mtpa production in the future years of operation.

Basamuk Refinery

Following washing, scrubbing, screening and beneficiation, the ore is transported from the mine site via a 135km slurry pipeline to the Basamuk refinery, located approximately 75km east of Madang (Figure 1). The Basamuk plant is designed to produce annually approximately 78,000t (dry) of mixed nickel-cobalt hydroxide product (MHP) containing around 32,600t Ni and 3,300t Co.

The refinery flow-sheet (Figure 10) comprises several discrete processes including high pressure acid leaching (HPAL), slurry pre-neutralization (PN), counter current decantation (CCD) thickening, scrubbing, iron and aluminum removal, Ni-Co precipitation and neutralization of the residue prior to disposal.

Ore from KBK arrives at the Basamuk site at high pressure which has to be dissipated using a series of orifice plates. Once the slurry energy has been reduced, the slurry is stored in tanks prior to being thickened and then pumped to the HPAL feed storage tanks. The plant incorporates three HPAL trains (autoclaves). Each HPAL line is made up of three pre-heat vessels, the autoclave and three heat recovery/pressure let-down or "flash" vessels. The discharge from the third pre-heat vessel is pumped using two positive displacement (PD) pumps into the autoclave. Each PD pump is capable of pumping full capacity but normally operates at half rate. Each pump has its own discharge line into the autoclave. Steam and acid are added to the autoclave to raise the temperature to 250°C at a pressure of about 43 bars (4,300kPa or about 623 pounds per square inch). Each autoclave is lined with high quality titanium alloy to counter acidic degradation and to protect against abrasion and is equipped with multiple compartments and agitators for a residence time of about 1 hour.

The discharge from the autoclave heat recovery vessels is sent to a pre-neutralization circuit where limestone is added to reduce the free acid (FA) and also precipitate some iron and aluminum. After the PN circuit the slurry is treated in a series of seven 36m diameter counter-current decantation (CCD) thickeners with slurry feeding forward and thickener overflow or liquor feeding counter-current.

The slurry from CCD 7 is sent to tailings neutralization while the liquor from CCD1 is sent for further Fe and Al removal by precipitation using limestone slurry. Once the metals are precipitated the slurry is thickened with the underflow solids sent for filtering. The filtered solids are sent to the tailings disposal circuit while the filtrate joins the first stage thickener overflow for a second neutralization stage. The second stage discharge is thickened, with solids returned to PN for re-leaching of any Ni and Co with the thickener overflow liquor sent to the first stage of Ni/Co precipitation.

The first Ni/Co precipitation step uses sodium hydroxide to precipitate the Ni and Co as hydroxides with the resultant slurry thickened. The underflow solids containing the mixed hydroxide product (MHP) are filtered and the solids packaged in 1t bags. The MHP grades about 38% Ni and 3.5% Co with moisture at greater than 60%. A second stage Ni/Co precipitation step uses burned lime with the slurry thickened. Thickener underflow solids are returned to PN for re-leach.

Tailings neutralization is accomplished in a series of agitated tanks with lime slurry added to the waste pulp to raise the pH to over 7. The neutralized tailings slurry is discharged using deep sea tailings placement (DSTP). The project has an approved deep sea tailings discharge system which has a twenty year life, currently considered sufficient for the LOM.

The plant has a two-train acid-making facility as well as a limestone processing plant for making the key reagents used in producing the mixed hydroxide product.

The Basamuk Ni/Co extraction and recovery plant has been operating well over the past three years following ramp up. HPAL extractions average about 94% for Ni and 95% for Co with overall plant recoveries of 87% Ni (target 89%) and 86% Co (target 82%).

Each plant has its own analytical laboratory used primarily for process plant control although mining samples are also analyzed at the KBK laboratory. Most of the analyses are undertaken using AAS and XRF techniques; some wet laboratory analysis is also used.

The KBK operation uses no process reagents while the Basumuk operation uses a number of reagents all requiring handling, storage and distribution facilities.

Mineral Resource and Ore Reserve Estimates

Mineral Resources

The Mineral Resource and Mineral Reserve estimates for the Ramu nickel and cobalt deposit have been carried out under the guidelines of the Australasian JORC Code by Competent Persons as defined by those guidelines. The JORC Code guidelines are compatible with the requirements of NI 43-101 in this regard.

Of the three historical contiguous resource blocks in the Ramu deposit, the KBK and Ramu West Blocks contain Measured and Indicated resources and the Greater Ramu Block contains only Inferred resources. The KBK and Greater Ramu resource models were developed in 1998 by Highlands under the guidance from Mineral Resources Development, Inc. ("**MRDI**") based in San Mateo, California, USA (Dr Francois-Bongarcon of MRDI was the Competent Person) for the 1998 Feasibility Study. The resource model remained unchanged (apart from allowing for mining depletion) for the 2007 Feasibility Study and the December 2013, December 2014, December 2015 and December 2016 resource estimate updates. The resource model for Ramu West was updated in 2001 by Highlands (Mr. Larry Queen, Chief Geologist of Highlands, was the Competent Person) based on additional exploration data and remained unchanged as of the end of 2017. The 2017 drilling expanded the original KBK Block to the southwest and to the northwest. Current reported Mineral Resources were based on a pit limit dated 31 December 2017 and were updated by Sinomine Resources Exploration Co., Ltd. ("**Sinomine**") based in Beijing, China based on additional drilling work completed in 2017 (Mr Zhang Xueshu was the Competent Person for the 2017 resource estimate update). As the 2017 drilling extended the original KBK Block to the northwest into the original Greater Ramu Block and to the southwest into an area with no previous drilling, the 31 December 2017 resource estimate update was reported for the entire Ramu deposit area, with no separation into the three original resource blocks.

Ramu Mineral Resources – 31 December 2017

Category	Tonnage Mt	Nickel Grade %	Cobalt Grade %
Measured	34	0.9	0.1
Indicated	42	0.9	0.1
Measured + Indicated	76	0.9	0.1
Inferred	60	1.0	0.1

Note: resources at a cut off of 0.5% Ni; resources are inclusive of reserves; the figures may not add exactly due to rounding; resources do not include the +2mm rock fragments in the rocky saprolite layers; Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability; the Mineral Resources are classified according to the 2014 CIM Definition Standards.

Resources include limonite, saprolite and rocky saprolite (R1 and R2) mineralisation at a cut off of 0.5% Ni. The rocky saprolites includes rock-free material less than -2mm in size. The +2mm rock material in the rocky saprolites is considered as in-resource waste. The lower boundary of the lower rocky saprolite (R2) is determined by either the first 1.5m boulder intersected or a 3m intersection with greater than 50% of the volume of the intercept being rock.

Micro Lynx software using a gridded seam modelling technique was used for the original Highlands/MRDI resource model created for the 1998 Feasibility Study as well as the 2001 Highlands Ramu West Block resource estimate update. Grade estimation for that model was carried out using omni-directional variography and ordinary kriging ("**OK**") with grade values interpolated into 25 x 25m seam blocks for the KBK Block and Ramu West Block. Grade estimation for the Greater Ramu Block was carried out using the inverse distance squared ("**ID²**") method. Bulk density values for the KBK Block were estimated using the ID^2 interpolation method. Average bulk density for each laterite layers in the KBK Block was assigned to the respective laterite layers for the Ramu West Block and the Greater Ramu Block as there were no systematic bulk density measurements for these two resource blocks at that time. The Micro Lynx gridded seam model was converted into Surpac mining software in 2012; and Surpac has then been used to update the resource estimate from December 2013. A new digital terrain model ("**DTM**") developed by MCC Ramu was utilized which enabled an allowance to be made for mining depletion. For the December 2017 resource estimate update, the KBK Block was expanded to the northwest into the original Greater Ramu Block and to the southwest into an area with no previous drilling; the ID^2 interpolation method and the traditional polygonal method on plans were used for grade estimation for the newly drilled areas.

In the KBK Block, the limonite and saprolite are categorized as Measured resources, the upper rocky saprolite as Indicated, and the lower rocky saprolite as Inferred as the block was drilled at a spacing of 100 x 100m. In the Ramu West Block, the limonite and saprolite are categorized as Indicated resource, and the upper rocky saprolite and lower rocky saprolite as Inferred, reflecting the wider drill hole spacing of 200 x 200m. The entire resource in the Greater Ramu Block is categorized as Inferred due to the wide 400 x 400m hole spacing. For the December 2017 resource estimate update, the additional drilled area around the original KBK Block with a drilling density of 100 x 100m was classified as Indicated (limonite, saprolite and upper rock saprolite) and Inferred (lower rocky saprolite).

As the resource estimate for the Ramu deposit does not include the +2mm rock boulders, it should be compared in production reconciliations with the dry tonnage data from the slurry produced post the wash plant at the mine site after the rocky material has been removed, not with the dry tonnage of the ROM ore. As chromite concentrate produced by the wash plant represents a significant percentage (generally +5%) of the -2mm portion of the ROM ore, this material should also be considered in production reconciliations.

BDA's Mineral Resource Qualified Person for the Ramu Technical Report, Dr Qingping Deng, considers the Measured, Indicated and Inferred Mineral Resource estimates as of the end of 2017 are an appropriate representation of the in-situ mineralisation for the area that had been drilled at that time and are suitable for use in mine planning and Mineral Reserve estimation of the project. The 2017 year-end Mineral Resource estimates by Sinomine are the latest Mineral Resource estimates available to BDA's review, therefore, they are considered as the current Mineral Resource estimates for the Ramu deposit. As there are significant areas underlain by the ultramafic dunite surrounding the area that had been drilled at the end of 2017, there is significant exploration potential within the current exploration licence area as well as outside the current exploration licence area, and it is anticipated that the total resource will increase significantly when additional drilling is conducted.

Mineral Reserves

The Mineral Reserve estimation for the Ramu nickel and cobalt deposit has been updated a number of times since the 1998 and 2007 feasibility studies. AMC Consultants Pty Ltd ("**AMC**") based in Brisbane, Australia completed the 2013, 2014 and 2015 year-end Mineral Reserve estimate updates for the deposit. The AMC 2015 year-end Mineral Reserve estimate update includes a detailed report as to how the update was performed. In following years, the Mineral Reserve estimate update was performed by China Nonferrous Engineering and Research Institute ("**ENFI**") in 2016 and Sinomine in 2017.

The 2015 year-end Mineral Reserves for KBK Block and the Ramu West Block of the Ramu deposit were estimated by AMC based on the Surpac gridded seam resource model produced by Mr Queen of Highlands in 2012 and the 2015 year-end pit survey for the Ramu mine. Mine planning models were developed in Datamine Studio software from the Surpac resource models from Highlands and pit optimizations were conducted using Whittle 4X pit optimisation software. The operating costs, processing recoveries, production rate assumptions and other pit optimisation parameters were generally based on actual operating performance during or at the end of 2015. Mineral Reserves contained within pit shells produced by Whittle 4X pit optimisation were summarized. The Mineral Reserves were categorized as Proven and Probable from Measured and Indicated resources in accordance with the 2014 CIM Definition Standards. Inferred resources were treated as waste in the Mineral Reserve estimate.

The year-end mineral reserve estimate update for the Ramu deposit was performed by ENFI in 2016 and Sinomine in 2017. Sinomine conducted Whittle pit optimisation or manual pit design for the areas drilled in 2017 using updated economic and other pit optimisation parameters. Sinomine updated the Mineral Reserve estimates to the end of 2017 from the 2016 estimate by subtracting the mining depletion in 2017 and adding any new reserves defined by the 2017 drilling. The following table lists Sinomine's Mineral Reserve estimates for the Ramu deposit as of the end of 2017.

Ramu Mineral Reserves – 31 December 2017

Category	Tonnage Mt	Nickel Grade %	Cobalt Grade %
Proven	24	0.9	0.1
Probable	33	0.9	0.1
Total	**56**	**0.9**	**0.1**

Note: Mineral Reserves at a cut-off grade of 0.5% Ni, which is not materially different from the 0.58% nickel equivalent cut-off grade used in the previous year; reserves are included in resources; the figures may not add exactly due to rounding; reserves do not include the +2mm rock fragments in the rocky saprolite layers; the Mineral Reserves are classified according to the 2014 CIM Definition Standards.

BDA's Mineral Reserve Qualified Person for the Ramu Technical Report, Mr Peter Ingham, considers that AMC's 2015 open pit design based on Whittle open pit optimisation for the KBK Block and the Ramu West Block, and Sinomine's 2017 open pit designs for the newly drilled areas in 2017 are generally reasonable considering this is a large scale very shallow deposit. The mining ore loss factors and mining dilution factors used for the Mineral Reserve estimates appear reasonable based on the production reconciliation. Overall BDA's Qualified Person considers the Proven and Probable Mineral Reserves as of the end of 2017 are an appropriate representation of the recoverable tonnes and grade at that time and are suitable for use in mine planning and financial modelling of the project. The 2017 year-end Mineral Reserve estimates by Sinomine are the latest Mineral Reserve estimates available to BDA's review, therefore, they are considered as the current Mineral Reserve estimates for the Ramu deposit.

As the Ramu mine is an established mining operation, the Mineral Reserve estimates take into account mining, metallurgical, infrastructure, permitting, and other relevant factors.

Mining Operations

The Kurumbukari ("**KBK**") owner-mining operation utilizes conventional open-pit mining methods. MCC carries out all mining operations with a fleet of excavators and trucks along with other ancillary equipment to support the mining fleet. After an initial trial period, hydro-sluicing, using hydraulic water jets, was introduced in 2016 as a second form of extraction where the geometry was suitable; hydro-sluicing has accounted for around 30% of production since its introduction.

After the initial logging of the trees by specialized teams, the humus/topsoil and overburden are generally removed by bulldozers; excavator and truck haulage are used if the quantities are significant. The topsoil is temporarily stockpiled on the mining area, and then excavated and hauled to the mining area boundary and stockpiled for later mining rehabilitation reclaim. Overburden is excavated with small-scale excavators and hauled in articulated six-wheel dump trucks. Overburden is either placed directly into pit voids, backfilling the old mining areas in preparation for mining rehabilitation, or stockpiled at the mining area boundaries for later reclaim.

Limonite, saprolite, and rocky saprolite ore are excavated and hauled to either one of the four ore bins at the wash plant or placed on the ROM pad for later reclaim. Excavation from multiple mining areas, being a combination of different pit locations and different stratigraphic layers within the pits, ensures that the ore feed is a blend of these different ore types; a key goal is consistency in the average grades of nickel, cobalt, magnesium, and aluminium metals in plant feed.

Large rocks or boulders are identified at the working face in the pit and excluded from the ore to be loaded on trucks. Only the smaller- sized rocks (<0.35 m) pass through the grizzly apertures at the washing plant so excavators operate on the ROM pad as a final step in the ore sorting process. The excavator operators scalp the larger rocks from the top of the grizzly screens to prevent blockages. Oversize rocks are stockpiled on the ROM pad for later reclaim and back-haulage to the mining area, either for disposal into the pit void or for road construction.

Mine Site Wash Plant and Beneficiation Plant

The feed to the wash plant comes from both conventional excavator and truck mining and from hydraulic mining. The KBK mine site plant flowsheet comprises a de-agglomeration or wash plant, with four separate lines, each comprising a feed bin with grizzly, apron feeder and rotating drum scrubber. The scrubber washes and screens the ore, with the coarse material rejected at the end of the scrubber, while intermediate sized pebbles are fed to two logwashers operating in parallel. The fines are further screened and sent to the beneficiation plant. The hydraulic mining material is pumped directly to the screens.

The fines from the wash plant including the fines from the hydraulic mining are pumped to the Beneficiation Plant. The main purpose of the Beneficiation Plant is to remove the high amount of chromite mineral from the slurry. Chromite is a very abrasive mineral and is quite harmful to steel pipelines. The Beneficiation Plant comprises a receiving storage tank from which the slurry is pumped to the plant. The first step is to separate the slimes using two banks or clusters of hydrocyclones. The oversize material is sent to two banks of spiral concentrators which separate the coarse chromite from the Ni-Co bearing fines. The coarse chromite-rich concentrates are sent to two banks of 26 shaking tables each to remove chromite. The table concentrates containing more than 80% of the chromite in the feed slurry are sent to a magnetic separator which separates a high-grade chromite product or concentrate and a lower grade "middlings" product. The high-grade chromite concentrate is filtered and stockpiled for sale.

The non-chromite streams from the spirals and tables are sent to a grinding mill to be reduced to a size distribution. The ground slurry is thickened to recover water for re-use in the wash plant and hydraulic mining, and the slurry is pumped via a pipeline to the hydrometallurgical plant at Basamuk Bay.

The KBK plant commenced operation in 2012 and experienced a number of issues during ramp up and early operation,

however these have been systematically resolved. The KBK plant is designed to treat around 4.6 million tonnes per annum ("**Mtpa**") of dry ore (nominally around 8Mtpa of wet ore) at a 41% moisture level from the mine.

The feed to the wash plant has averaged about 6Mtpa for the past two years with feed to the Basamuk plant averaging 3.66Mtpa. Metal production for 2017 and 2018 has been at or slightly in excess of design (107% and 108% respectively); monthly production in 2016 was close to design, but three months of production were lost due to a major plant incident. BDA considers that the ramp-up period was completed in 2015, and considers that the plant should be capable of design 3.6Mtpa production in the future years of operation.

Basamuk Refinery

Following washing, scrubbing, screening and beneficiation, the ore is transported from the mine site via a 135km slurry pipeline to the Basamuk refinery, located approximately 75km east of Madang (Figure 1). The Basamuk plant is designed to produce annually approximately 78,000t (dry) of mixed nickel-cobalt hydroxide product (MHP) containing around 32,600t Ni and 3,300t Co.

The refinery flow-sheet comprises several discrete processes including high pressure acid leaching ("**HPAL**"), slurry pre-neutralization ("**PN**"), counter current decantation ("**CCD**"), thickening, scrubbing, iron and aluminum removal, Ni-Co precipitation and neutralization of the residue.

Concentrate from KBK arrives at the Basamuk site and the slurry is stored in tanks prior to being thickened and then pumped to the HPAL feed storage tanks. The plant incorporates three HPAL trains (autoclaves). Each HPAL line is made up of three pre-heat vessels, the autoclave and three heat recovery/pressure let-down or "flash" vessels. The discharge from the third pre-heat vessel is pumped using two positive displacement ("**PD**") pumps into the autoclave. Each PD pump is capable of pumping full capacity but normally operates at half rate. Each pump has its own discharge line into the autoclave. Steam and acid are added to the autoclave to raise the temperature to 250°C at a pressure of about 43 bars (4,300 kilo-Pascal or about 623 pounds per square inch). Each autoclave is lined with high quality titanium alloy to counter acidic degradation and to protect against abrasion and is equipped with seven compartments and seven agitators for a total residence time of about 60 minutes.

The discharge from the autoclave heat recovery vessels is sent to a pre-neutralization circuit where limestone is added to reduce the free acid ("**FA**") and also precipitate some iron and aluminum. After the PN circuit the slurry is treated in a series of seven 36m diameter CCD thickeners with slurry feeding forward and thickener overflow or liquor feeding counter-current.

The slurry from CCD7 is sent to tailings neutralization while the liquor from CCD1 is sent for further Fe and Al removal by precipitation using limestone slurry. Once the metals are precipitated, the slurry is thickened with the underflow solids sent for filtering. The filtered solids are sent to the tailings disposal circuit while the filtrate joins the first stage thickener overflow for a second neutralization stage. The second stage discharge is thickened, with solids returned to PN for re-leaching of any Ni and Co, with the thickener overflow liquor sent to the first stage of Ni/Co precipitation.

The first Ni/Co precipitation step uses sodium hydroxide to precipitate the Ni and Co as hydroxides, with the resultant slurry thickened. The underflow solids containing the mixed hydroxide product (MHP) are filtered and the solids packaged in one tonne ("**1t**") bags. The MHP grades typically 38% Ni and 3.5% Co with moisture at greater than 60%. A second stage Ni/Co precipitation step uses burned lime to neutralize the MHP thickener overflow with the slurry thickened. Thickener underflow solids are returned to PN for re-leach, while thickener overflow is recycled to the CCD circuit.

Tailings neutralization is accomplished in a series of agitated tanks, with lime slurry added to the waste pulp to raise the pH to over 7. The neutralized tailings slurry is discharged using deep sea tailings placement ("**DSTP**"). The project has an approved deep sea tailings discharge system which has a twenty year life, currently considered sufficient for the LOM.

The plant has a two-train acid-making facility as well as a limestone processing plant for making the key reagents used in producing the mixed hydroxide product.

The Basamuk Ni/Co extraction and recovery plant has been operating at design capacity and conditions over the past three years following ramp up. HPAL extractions average about 94% for Ni and 95% for Co with overall plant recoveries of 87% Ni (target 89%) and 87% Co (target 88%).

Mining Methods

The KBK owner-mining operation utilizes conventional open-pit mining methods. MCC carries out all mining operations with a fleet of excavators and trucks along with other ancillary equipment to support the mining fleet. After an initial trial period, hydro-sluicing, using hydraulic water jets, was introduced in 2016 as a second form of extraction where the geometry was suitable; hydro-sluicing has accounted for around 30% of production since its introduction.

The hydraulic water jets dislodge and transport fine material from the mining face, down an inclined drainage channel to a collection point, where it is pumped directly to the wash plant for transfer to the beneficiation plant. After the initial logging of the trees by specialized teams, the humus/topsoil and overburden are generally removed by bulldozers; excavator and truck haulage are used if the quantities are significant. The topsoil is temporarily stockpiled on the mining area, and then excavated and hauled to the mining area boundary and stockpiled for later mining rehabilitation reclaim. Overburden is excavated with small-scale excavators and hauled in articulated six-wheel dump trucks. Overburden is either placed directly into pit voids, backfilling the old mining areas in preparation for mining rehabilitation, or stockpiled at the mining area boundaries for later reclaim.

Limonite, saprolite, and rocky saprolite ore are excavated and hauled to either one of the four ore bins at the washing plant or placed on the ROM pad for later reclaim. Excavation from multiple mining areas, being a combination of different pit locations and different stratigraphic layers within the pits, ensures that the ore feed is a blend of these different ore types; a key goal is consistency in the average grades of nickel, cobalt, magnesium, and aluminum in the plant feed. Large rocks or boulders are identified at the working face in the pit and excluded from the ore to be loaded on trucks. Only the smaller-sized rocks (<0.35m) pass through the grizzly apertures at the washing plant so excavators operate on the ROM pad as a final step in the ore sorting process. The excavator operators scalp the larger rocks from the top of the grizzly screens to prevent blockages. Oversize rocks are stockpiled on the ROM pad for later reclaim and back-haulage to the mining area, either for disposal into the pit void or for road construction.

Hydro-sluicing was introduced as a low-cost innovative mining solution, focused on sluicing the -2mm limonite and saprolite ore. Mining areas are selected for hydro-sluicing based on taking advantage of the natural floor gradient. Hydro-sluicing with multiple water cannons located along the mining face is assisted by an excavator to maintain access to -2mm ore by removing rocks from the mining face or pit floor. The material from the hydro-sluicing is pumped to the washing plant for screening and then pumped with the ore slurry from the washing plant to the beneficiation plant.

Ore fed through the grizzlies is wet screened to remove oversize material and any remnant tree root or other organic matter. The undersize material is generally fine clay, and this clay slurry is pumped to the beneficiation plant.

Processing and Recovery Operations

As noted in Section 13 – Mineral Processing and Metallurgical Testing of the Ramu Technical Report, the Ramu NiCo project incorporates two processing plants at the KBK site, the wash plant located adjacent to the open pits and the beneficiation plant located about 1.5km from the wash plant. A third processing plant, the Basamuk refinery, is located about 135km from KBK on the coast about 75km southeast of Madang.

The two KBK plants treat the mined ore to first remove coarse (+3mm) material as waste and then treat the -3mm material to remove chromite before sending the nickel-cobalt rich concentrate to the Basamuk plant. The Basamuk plant treats the concentrate to produce a mixed nickel-cobalt hydroxide product (MHP) which grades about 39% Ni and 3.8% Co.

Ramu NiCo considers the detailed design of the three processing plants to be commercially sensitive and the description below is restricted to generalities. However, BDA has inspected the plants, has had access to recent production reports and has been provided with information on the plant upgrades which are planned so that plant production can be progressively increased. BDA considers that the two KBK processing plants have the capability to produce the required tonnages of ore feed to the Basamuk hydrometallurgical plant and the Basamuk plant can treat the ore to produce the budgeted amount of MHP annually.

Infrastructure, Permitting and Compliance Activities

Project Infrastructure

Kurumbukari Mine

The Kurumbukari mine and beneficiation plant are established operations and the site is provided with appropriate infrastructure, with suitable road access, power and water. Accommodation is also established for the workforce. Water is sourced from the nearby Gagaiyo River, with a capacity of 48,000 cubic metres ("m3") per day, and power is generated at site by six generators with a combined capacity of 30 megawatts ("**MW**").

Waste from the mine is deposited back into the mined out areas and rehabilitated. The beneficiation plant produces a chromium concentrate which is transported from the mine by road transport and shipped to the buyers. Excess chromium concentrate to available sales contracts is deposited back into the mine area and encapsulated. Detailed descriptions of the beneficiation plant at Kurumbukari mine is provided in Section 17 - Recovery Methods.

Slurry Pipeline

The nickel cobalt product from the mine in the form of a slurry is piped from Kurumbukari mine to the Basamuk refinery by pipeline approximately 135km, with a drop in elevation of about 680m. The majority of the pipeline has been buried and has road access for ease of checking and maintenance.

Basamuk Refinery

The process plant at Basamuk has established water and power infrastructure along with workforce accommodation. Water is sourced from the nearby Yaganon River and from six large diameter wells with capacity around 24,000m3 per day; power is generated at site by eight generators with a combined capacity of 54MW which use heavy fuel oil ("**HFO**").

Adjacent to the plant site are wharf facilities that can handle ships up to 50,000dwt. The wharf is equipped with three 25t portal cranes. Goods handling at the wharf includes handling of bulk cargo, general cargo, oil products and a few containers as well as loading and unloading of special or large-sized equipment.

Sulphur is imported from overseas sources to supply the two double-catalysis double-adsorption sulphur burning acid plants. Each plant has a capacity of 500ktpa sulphuric acid. Sufficient dry sulphur storage has been provided at the port and sufficient acid storage has been provided at the plant area. Steam is a by-product of the acid plants and is used throughout the plant for various uses including HPAL. Currently there is no co-generation of power from the acid plants. Extra steam is provided from two 45t steam boilers fired by fuel oil.

Limestone is mined at a quarry near the Basamuk plant. The limestone is transported to the plant with a large storage capacity to accommodate wet season quarrying delays. The limestone is reclaimed and crushed in a two-stage jaw and cone crushing circuit with the fines sent to a grinding mill circuit for further size reduction and slurrying ready for use in the plant. Initially, it was intended to burn some of the limestone in a rotary kiln to produce the burned lime necessary for downstream processing, however, the limestone quality was inadequate and it was decided to import burned lime in bags. The burned lime is slurried and stored ready for use. Detailed descriptions of the Basamuk refinery is provided in Section 17 - Recovery Methods of the Ramu Technical Report.

Environment and Deep Sea Tailings Disposal System

The project has an approved deep sea tailings ("**DSTP**") disposal system. Based on advice from international experts received during the feasibility study and permitting stages, it was decided to dispose of the tailings from the operation into the 1,500m deep sea canyons to the north of the refinery, as this represented the most appropriate and safe method of disposal. Reasons for this decision include the fact that the area has among the highest rainfalls in the region and land-based tailing storage could be disturbed in a highly active volcanic and high-rainfall region while also impinging on agriculture and landholder customary land.

Environmental, Permitting and Social Considerations

The relevant PNG environment legislation under which the Ramu Project is operated is the *Environment Act 2000*. The Kurumbukari mine and beneficiation plant and Basamuk processing plant are operated by MCC Ramu under various Environment Permits issued by the Independent State of Papua New Guinea under Section 65 of the Environment Act 2000. The key Environmental Approval for the project is the Environmental Plan Approval issued under the Environmental Planning Act 1978 in March 2000 by the Minister for Environment and Conservation.

The operations permits are WD-L3(115) which covers all works within SML8, all LMPs, MEs and ML149. Permit WE-L3(85) covers the extraction and use of water resources within SML8, all LMPs, MEs and ML149. Both of these permits were issued on 1 January 2004 for a term of 50 years, and various amendments have been made to the initial permits issued. Permit WD-L3(115) also approves the discharge of waste streams into the environment from the various premises, including air emissions and tailings discharge via the DSTP.

Both the mine and processing plant are operated under various environment protection management plans including air emissions, noise, water, chemical spill and control, dust control, erosion and sediment control, water resources, and progressive rehabilitation. Other socio-economic management plans include cultural, historical and archaeological heritage, and social and economic management.

Various environmental monitoring and reporting programs are conducted across the mine site and processing plant areas which are a requirement stipulated under the environmental permits. A key monitoring program is SO_2 emissions from the processing plant exhaust stacks. SO_2 monitoring programs include on-line (ie. in-stack) which are reported regularly to CEPA (PNG Conservation and Environment Protection Authority). Other programs include ground-level SO_2 monitoring, daily SO_2 monitoring for confined area access and manual SO_2 sampling and analysis.

MCC Ramu is required to conduct inspection of the DSTP on an annual basis. This is performed using a Remotely Operated Vehicle ("**ROV**") external visual inspection of the tailings pipeline at the Basamuk Bay Refinery. The purpose of this visual inspection is to identify the integrity of the pipeline to ensure its effective tailings discharge at the 152m below sea level outfall. The latest inspection confirmed that there was no identified evidence of damage, cracks or tailings leakage observed on the tailings pipeline at the time of inspection and the tailings discharge at 152m appears to be unobstructed and was flowing freely at the time of inspection.

A 5-year marine environment monitoring program is also a requirement under the operating permit. The first marine monitoring program was completed in 2018; preliminary results indicate no adverse effects findings on fish tissue samples and that metals are at background levels.

The PNG Mining Act 1992 provides for compensation to be paid by the holders of mining leases to the landholders for all loss or damage suffered, or foreseen to be suffered. The Water Resources Act also provides for certain compensation to be paid in certain circumstances to persons with an interest in land, where that interest is compromised.

To facilitate these compensation requirements, MCC Ramu has an executed Lands and Environment Compensation Agreement in place, dated 7 January 2000. This agreement is registered under Section 156 (6) of the Mining Act dated 24 February 2000. This Land and Environment Compensation Agreement remains valid and the various landholders groups are paid compensation on the terms and conditions set out in the agreement. Highlands advises that the Compensation Agreement is currently being reviewed.

Capital and Operating Costs

Capital Cost Estimates

Capital cost estimates for Ramu essentially cover sustaining and replacement capital. The three year cyclical nature of the estimate reflects the expected major work on the refinery plant. BDA's provision for mine closure, as detailed in Section 4.7 of the Ramu Technical Report, has been included in the cost estimate in the last year of production of US$55M including escalation (US$33M excluding escalation).

Ramu Sustaining Capital Cost Estimate - Life of Mine 2019-2032

	Unit	2019	2020	2021	2022	2023	2024	2025	2026	27-32	Total
Sustaining Capital	US$M	5	21	5	6	23	6	6	26	108	206

Note: Capital costs are nominal and incorporate escalation.

BDA has reviewed the Ramu provisional estimates and these values recognize the status of the project and the projected accuracy of the estimates; BDA has also included an allowance for closure costs.

Operating Cost Estimates

The following table shows the actual costs for the Ramu project for the last three years, 2016-2018, split into mining and processing costs. The unit site operating cost over the last three years has averaged US$66/t of ore processed at the refinery.

Ramu Operating Cost Estimate – Actuals 2016-2018

Item	Unit	2016	2017	2018
Operating Costs				
Mining	US$M	44.8	54.3	63.9
Processing	US$M	118.2	159.8	190.3
Total Site Operating Costs	*US$M*	*163.0*	*214.1*	*254.2*
Unit Costs				
Mining	US$/t	19.73	15.08	17.18
Processing	US$/t	52.06	44.38	51.16
Total Site Operating Costs	*US$/t*	*71.79*	*59.46*	*68.34*

Note: all site unit operating costs are given in terms of per tonne of ore processed at the refinery

A summary of the estimated LOM operating costs is shown in the following table showing total cost, and unit cost for ore and MHP; these are compared with the combined operating costs for the last two years, 2017 and 2018. The forecast costs are in real 2019 dollar terms operating costs and have been escalated.

Projected LOM Operating Costs

Activity	Actual (2017+2018)			Annual Projection		
	US$M	US$/t Ore	US$/t MHP	US$M	US$/t Ore	US$/t MHP
Mine Costs	118.20	16.15	649	50.53	14.86	603
Processing Cost	350.08	47.82	1,921	144.19	42.41	1,721
Total Site Operating Costs	**468.28**	**63.97**	**2,570**	**194.72**	**57.27**	**2,324**

The costs, prepared by Highlands, are based on experience to date and are generally consistent with conventional open pit mining standards in PNG and with local labour rates. The equipment costs and performance are based on site experience project to date, reflecting the actual local conditions. Mining costs include the extraction of ore with either conventional mining using excavators and trucks or by hydro-sluicing; the costs also include the beneficiation of the ore at KBK including the removal of the chromite in a separate concentrate. The estimated cost is approximately US$14.90/t of dry ore processed for the LOM without escalation (or US$20.20/t of dry ore processed for the LOM including escalation). The projected mining unit costs are lower than recent historical costs. The mining costs are sensitive to changes in fuel costs, which represent around 27% of the mining cost, and to maintenance costs. The costs assume around 23% of the ore is hydro-sluiced; an increase in this proportion could potentially lower the operating costs of the KBK operations. Mining costs for conventional mining could rise above the mine operating cost estimate as the mining area becomes further from the washing (de-agglomeration) plant but increasing hydro sluicing could offset these increases.

Processing costs at the Basamuk refinery have been estimated at US$42.41/t over the LOM without escalation (or US$53.68/t including escalation over the LOM). These costs are most sensitive to acid consumption, sulphur prices and power plant fuel prices. The estimated processing costs are comparable to those achieved on the project to date, adjusted for known variances, although the 2018 unit processing costs were somewhat higher at US$51.20/t treated. One variable is the frequency of autoclave shutdowns and, to some extent, acid plant shutdowns. The trend at the Basamuk plant has been to extend autoclave shutdowns from eight months to approaching twelve months, thus allowing some reduction in shutdown maintenance costs.

Combined general and administration costs have been allocated to KBK and BSK at 30% and 70% respectively in the financial model.

Overall, the operating cost estimates appear generally reasonable; BDA considers the operating cost estimates to be accurate to ±10-15%, as would be anticipated for an existing operation.

Economic Analysis

As MCC is a "producing issuer", as defined in NI 43-101, the Ramu mine and processing plants are in production and the Ramu Technical Report does not include a material expansion of current production, an economic analysis for Ramu is not a requirement for the Ramu Technical Report.

Ramu 2019 Performance

In the quarter ending June 30, 2019, Ramu produced 22,490 tonnes of MHP containing 8,767 tonnes of Ni and 793 tonnes of Co. As of September 9, 2019, year to date production at Ramu was 16,430 tonnes of contained nickel and 1,497 tonnes of contained cobalt. Ramu exceeded annual production projections in 2017 and 2018, with 34,666 tonnes of contained nickel and 3,308 tonnes of contained cobalt in 2017 and 35,535 tonnes of contained nickel and 3,275 tonnes of contained cobalt in 2018.

For the year ending December 31, 2018 Ramu mined 6.350 million wet metric tonnes of material from the reserve base described above, of which 3,719 million dry metric tonnes were fed to the process. This was consistent with the mining plan referenced in the Technical Report. The Corporation expects to issue an updated statement of Ramu's Mineral resource and reserves during Q4 2019, which will account for mining activity that MCC has conducted since December 31, 2017.

On August 24, 2019, Cobalt 27 disclosed that there had been an accidental waste discharge at the Ramu Basamak plant. Cobalt 27 was informed by MCC that the discharge had been contained, had a limited impact and that MCC was working with local authorities on appropriate remedial measures. On October 24, 2019, Cobalt 27 disclosed that it had been notified by MCC that processing at the Ramu process facility had been temporarily suspended to undertake remedial works to protect against potential future incidents similar to the reported occurrence on August 24, 2019. These works included increases in retainment bunds, instrumentation enhancements, improvements to preventative maintenance systems and undertaking increased safety and training measures. Conic was subsequently been informed by MCC that processing at the Ramu process facility resumed.

ITEM 6: FINANCING

Available Funds

Pursuant to the terms of the Arrangement Agreement and following completion of the Arrangement and the transfer of Conic Metals Assets in the manner described above under Item 5 – *Description of the Business – Acquisition of Conic Metals Assets*, Conic Metals has available working capital of approximately US$5,000,000. It is expected that these funds will be used to carry out the business objectives of Conic Metals set out under the heading *Item 5 – Description of the Business – Business Strategy and Business Model*.

Principal Purposes

The following table summarizes expenditures anticipated by Conic Metals based on current plans required to achieve its business objectives during the 24-month period following completion of the Arrangement. In addition to the amounts set out below, Conic Metals may make additional acquisitions of streams, royalties and direct interests in mineral properties as more fully described above, under the heading Item 5 – *Description of the Business — Business Strategy and Business Model.*

Principal purpose	Amount
Consulting fees and salaries	US$2,647,000
Professional fees	537,000
Marketing and promotion fees	400,000
Project evaluation costs	284,000
General and administrative	184,000
Total:	US$4,052,000

Based on initial working capital available and the expenditures assumed (as listed above), Conic Metals expects to have funding for at least the next 24 months. See Item 21 – *Risk Factors — Additional Capital.* **While Conic Metals currently intends to spend the funds available to it as stated in the table above, there may be circumstances where the Conic Metals Board determines that a reallocation of funds is necessary or advisable in order for Conic Metals to meet its business objectives. If, due to unexpected additional capital requirements, the Corporation does not have sufficient funds to satisfy its capital obligations, it may be required to seek additional sources of capital. See Item 21 – *Risk Factors — Liquidity Concerns and Future Financing Requirements.***

Following completion of the Arrangement and pursuant to the Conic Metals Contribution Agreement, Conic Metals has agreed to indemnify Cobalt 27, its successors and assigns and each of their Representatives from and against any and all Losses, Liabilities and Claims suffered or incurred by any of them or made against any of them arising or resulting from or in connection with, directly or indirectly, the Conic Metals Assets and/or Conic Metals Liabilities.

ITEM 7: DIVIDENDS AND OTHER DISTRIBUTIONS

Conic Metals has not, since the date of its incorporation, declared or paid any dividends on the Conic Metals Shares, and does not currently anticipate paying any dividends in the foreseeable future. For the foreseeable future, Conic Metals intends to use its future earnings and other cash resources for the operation and development of its business but may declare and pay dividends in the future as operational circumstances permit. There are no restrictions precluding the Corporation from paying dividends or making other distributions to the Conic Metals Shareholders.

ITEM 8: MANAGEMENT'S DISCUSSION AND ANALYSIS

Included as Appendix G to this Listing Application is the *Management's Discussion and Analysis – Conic Metals Corp. for the twelve-month period ended December 31, 2018 and eight-months period ended December 31, 2017*. It includes financial information from, and should be read in conjunction with, the audited carve out financial statements of Conic Metals and the notes thereto, which are attached as Appendix C to this Listing Application, as well as the disclosure contained throughout this Listing Application.

Included as Appendix H to this Listing Application is the *Management's Discussion and Analysis – Conic Metals Corp. for the three-month period ended June 30, 2019*. It includes financial information from, and should be read in conjunction with, the unaudited interim carve-out financial statements of Conic Metals and the notes thereto, which are attached as Appendix D to this Listing Application, as well as the disclosure contained throughout this Listing Application.

ITEM 9: DISCLOSURE OF OUTSTANDING SECURITY DATA ON FULLY DILUTED BASIS

The authorized capital of Conic Metals consists of an unlimited number of Conic Metals Shares. As of the date hereof, 83,465,472 Conic Metals Shares are issued and outstanding. See Item 10 – *Description of Securities to be Listed* and Item 15 – *Principal Securityholders* for additional details.

ITEM 10: DESCRIPTION OF SECURITIES TO BE LISTED

The authorized capital of Conic Metals consists of an unlimited number of Conic Metals Shares.

Conic Metals Shares are not subject to any future call or assessment and do not have any pre-emptive, conversion or redemption rights, and all have equal voting rights. There are no special rights or restrictions of any nature attached to any of the Conic Metals Shares, all of which rank equally as to all benefits which might accrue to the holders of Conic Metals Shares. All holders of Conic Metals Shares are entitled to receive a notice of, attend and vote at any meeting to be convened by Conic Metals. At any meeting, subject to the restrictions on joint registered owners of Conic Metals Shares, every Conic Metals Shareholder has one vote for each Conic Metals Share of which such Conic Metals Shareholder is the registered owner. Voting rights may be exercised in person or by proxy. The holders of Conic Metals Shares are entitled to share *pro rata* in any: (i) dividends if, as and when declared by the Conic Metals Board in its discretion, and (ii) such Conic Metals' assets as are distributable to them upon liquidation, dissolution or winding-up of Conic Metals. The Conic Metals Shares are fully paid and non-assessable, without liability for further calls or to assessment. Rights pertaining to the Conic Metals Shares may only be amended in accordance with applicable corporate law.

ITEM 11: CONSOLIDATED CAPITALIZATION

The following table sets out the share capital of Conic Metals before and after giving effect to the Arrangement. The table should be read in conjunction with the unaudited pro forma financial statements attached as Appendix F to this Listing Application, as well as with the other disclosure contained in this Listing Application. See Item 10 – *Description of Securities to be Listed* and Item 13 – *Prior Sales.*

Capital	Authorized	Amount outstanding as of the date immediately prior to completion of the Arrangement[1]	Amount outstanding immediately following completion of the Arrangement[2]
Conic Metals Shares	Unlimited	$1.00 (1 Conic Metals Share)	$160,325,793 (83,465,472 Conic Metals Shares)

Notes:

(1) See Item 13 – *Prior Sales.*

(2) These figures are based on the revised number of Conic Metals Shares as a result of the amendment to the Arrangement Agreement dated October 1, 2019 and the implied value per share of Conic Metals of $1.92. See table below for a reconcilliation of the number of shares.

	# Shares
Cobalt 27 Shares	86,239,413
Less: Pala Investments' shares	(16,267,282)
Shares before Change of Control Payments	69,972,131
Add: Shares Issued to Regent Advisors LLC	412,915
Add: Shares Issued for Change of Control Benefit	4,817,344
Shares Excluding Pala Investments' Shares	75,202,390
Add: Pala Investments' Shares (9.9%)	8,263,082
Total Shares (post-closing)	**83,465,472**

ITEM 12: STOCK OPTION PLAN

Conic Metals Omnibus Long-Term Incentive Plan

The Conic Metals omnibus long-term incentive plan (the "**Conic Metals LTIP**") will authorize the Conic Metals Board to issue a variety of equity-based awards that provide different types of incentives to be granted to Conic Metals' directors, officers, employees and consultants. A copy of the Conic Metals LTIP is set out in Appendix J of this Listing Application.

The Conic Metals LTIP will be implemented when Conic Metals lists the Conic Metals Shares on the TSXV. The Conic Metals LTIP will facilitate granting of "**Conic Metals Awards**" representing the right to receive one Conic Metals Share (and in the case of Conic Metals RSUs, one Conic Metals Share, the cash equivalent of one Conic Metals Share, or a combination thereof) in accordance with the terms of the Conic Metals LTIP. The following discussion is qualified in its entirety by the text of the Conic Metals LTIP.

Under the terms of the Conic Metals LTIP, the Conic Metals Board, or if authorized by the Board, the Conic Metals Compensation and Corporate Governance Committee, may grant Conic Metals Awards to eligible participants. Conic Metals Awards may be granted at any time and from time to time in order to (i) increase participants' interest in Conic Metals' welfare; (ii) provide incentives for participants to continue their services; (iii) reward participants for their performance of services, and (iv) provide a means through which Conic Metals may attract and retain people to enter its employment. Participation in the Conic Metals LTIP is voluntary and, if an eligible participant agrees to participate, the grant of Conic Metals Awards will be evidenced by a grant agreement with each such participant. The interest of any participant in any Conic Metals Award is not assignable or transferable, whether voluntary, involuntary, by operation of law or otherwise, except upon the death of the participant.

The Conic Metals LTIP will provide that appropriate adjustments, if any, will be made by the Conic Metals Board in connection with a reclassification, reorganization or other change to the Conic Metals Shares, consolidation,

distribution, merger or amalgamation, in the Conic Metals Shares issuable or amounts payable to preclude a dilution or enlargement of the benefits under the Conic Metals LTIP. In the event that a participant receives Conic Metals Shares in satisfaction of a Conic Metals Award during a black-out period, such participant shall not be entitled to sell or otherwise dispose of such Conic Metals Shares until such black-out period has expired.

The maximum number of Conic Metals Shares reserved for issuance under the Conic Metals LTIP will be 10% of the aggregate number of Conic Metals Shares issued and outstanding from time to time. The maximum number of Conic Metals Shares reserved for issuance under the Conic Metals LTIP to non-executive directors will be 1% of the aggregate number of Conic Metals Shares issued and outstanding from time to time. The total Conic Metals Market Value to any non-executive directors in any given calendar year shall not exceed $150,000, of which no more than $100,000 of value may be comprised of Conic Metals Options. The aggregate number of Conic Metals Shares (i) issued to insiders under the Conic Metals LTIP or any other proposed or established share-based compensation arrangement within any one-year period and (ii) issuable to insiders at any time under the Conic Metals LTIP or any other proposed or established share-based compensation arrangement, shall in each case not exceed 10% of the aggregate number of issued and outstanding Conic Metals Shares from time to time or such other number as may be approved by the TSXV and the shareholders of Conic Metals from time to time.

In addition, at all times when Conic Metals is listed on the TSXV: (i) the total number of Conic Metals Shares which may be reserved for issuance to any one eligible participant under the Conic Metals LTIP together with all of Conic Metals' other previously established or proposed share compensation arrangements shall not exceed 5% of the issued and outstanding Conic Metals Shares on the grant date (on a non-diluted basis); (ii) the aggregate number of Conic Metals Awards to any one eligible participant that is a consultant of Conic Metals in any 12 month period must not exceed 2% of the issued Conic Metals Shares calculated at the first such grant date; (iii) the aggregate number of Conic Metals Options to all persons retained to provide investor relations activities must not exceed 2% of the issued Conic Metals Shares in any 12-month period calculated at the first such grant date (and including any eligible participant that performs investor relations activities and/or whose role or duties primarily consist of investor relations activities); (iv) Conic Metals Options granted to any person retained to provide investor relations activities must vest in a period of not less than 12 months from the date of grant of the Conic Metals Award and with no more than 25% of the Conic Metals Options vesting in any three (3) month period notwithstanding any other provision of the Conic Metals LTIP; (v) the aggregate number of share units to any one eligible participant must not exceed (a) 1% of the issued Conic Metals Shares at the first such grant date and (b) 2% of the issued Conic Metals Shares in any 12-month period calculated at the first such grant date; and (vi) the aggregate number of share units issuable to all eligible participants under the Conic Metals LTIP must not exceed 8,346,546. At all times when Conic Metals is listed on the TSXV, Conic Metals is required to seek annual TSXV and shareholder approval for the Conic Metals LTIP in conformity with the rules of the TSXV.

Unless the Conic Metals Board determines otherwise, the Conic Metals LTIP provides that Conic Metals Options will vest as to 1/3 following the first anniversary of the date of such grant, 1/3 following the second anniversary of the date of such grant and 1/3 following the third anniversary of the date of such grant. The exercise price of any Conic Metals Option shall be fixed by the Conic Metals Board when such Conic Metals Option is granted, but shall be no less than the three-day volume weighted average trading price of the Conic Metals Shares on the TSXV on the day prior to the date of grant (the "**Conic Metals Market Value**"). A Conic Metals Option shall be exercisable during a period established by the Conic Metals Board, which shall commence on the date of the grant and shall terminate no later than ten years after the date of granting the Conic Metals Option, or such shorter period of time as the Conic Metals Board may determine. The Conic Metals LTIP will provide that the exercise period shall automatically be extended if the date on which such Conic Metals Option is scheduled to terminate shall fall during a black-out period. In such cases, the extended exercise period shall terminate 10 Business Days following the last day of the blackout-period.

With respect to Conic Metals RSUs, unless otherwise approved by the Conic Metals Board and except as otherwise provided in a participant's grant agreement or any other provision of the Conic Metals LTIP, Conic Metals RSUs will vest as to 1/3 each on the first, second and third anniversary date of their grant. With respect to Conic Metals PSUs, unless otherwise approved by the Conic Metals Board and except as otherwise provided in a participant's grant agreement or any other provision of the Conic Metals LTIP, Conic Metals PSUs will vest subject to performance and time vesting.

The following table describes the impact of certain events upon the rights of holders of Conic Metals Awards under the Conic Metals LTIP, including termination for cause, resignation, termination other than for cause, retirement and death, subject to the terms of a participant's employment agreement:

Event Provisions	Provisions
Termination for cause	Immediate forfeiture of all vested and unvested Conic Metals Awards.
Resignation	Forfeiture of all unvested Conic Metals Awards and the earlier of the original expiry date and 90 days after resignation to exercise vested Conic Metals Awards or such longer period as the Conic Metals Board may determine in its sole discretion.
Termination other than for cause	Subject to the terms of the grant or as determined by the Conic Metals Board, upon a participant's termination without cause, the number of Conic Metals Awards that may vest is subject to pro-ration over the applicable performance or vesting period.
Retirement	Upon the retirement of a participant's employment with the Conic Metals, any unvested Conic Metals Awards held by the participant as at the retirement date will continue to vest in accordance with its vesting schedule, and all vested Conic Metals Awards held by the participant at the retirement date may be exercised until the earlier of the expiry date of the Conic Metals Awards or one year following the retirement date; provided that, if the participant breaches any post-employment restrictive covenants in favour of Conic Metals (including non-competition or non-solicitation covenants), then any Conic Metals Awards held by such participant, whether vested or unvested, will immediately expire and the participant shall pay to Conic Metals any "in-the-money" amounts realized upon exercise of Conic Metals Options following the retirement date.
Death	All unvested Conic Metals Awards will vest and may be exercised within 180 days after death.

In connection with a change of control of Conic Metals, the Conic Metals Board will take such steps as are reasonably necessary or desirable to cause the conversion or exchange or replacement of outstanding Conic Metals Awards into, or for, rights or other securities of substantially equivalent (or greater) value in the continuing entity; provided that the Conic Metals Board may accelerate the vesting of Conic Metals Awards if: (i) the required steps to cause the conversion or exchange or replacement of Conic Metals Awards are impossible or impracticable to take or are not being taken by the parties required to take such steps (other than Conic Metals); or (ii) Conic Metals has entered into an agreement which, if completed, would result in a change of control and the counterparty or counterparties to such agreement require that all outstanding Conic Metals Awards be exercised immediately before the effective time of such transaction or terminated on or after the effective time of such transaction. If a participant is terminated without cause or resigns for good reason during the 12 month period following a change of control, or after Conic Metals has signed a written agreement to effect a change of control but before the change of control is completed, then any unvested Conic Metals Awards will immediately vest and may be exercised within 30 days of such date.

The Conic Metals Board may, in its sole discretion, suspend or terminate the Conic Metals LTIP at any time, or from time to time, amend, revise or discontinue the terms and conditions of the Conic Metals LTIP or of any Conic Metals Award granted under the Conic Metals LTIP and any grant agreement relating thereto, subject to any required regulatory and TSXV approval, provided that such suspension, termination, amendment, or revision will not adversely alter or impair any Conic Metals Award previously granted except as permitted by the terms of the Conic Metals LTIP or as required by applicable laws.

The Conic Metals Board may amend the Conic Metals LTIP or any Conic Metals Award at any time without the consent of a participant; provided that such amendment shall (i) not adversely alter or impair any Conic Metals Award previously granted, except as permitted by the terms of the Conic Metals LTIP, (ii) be in compliance with applicable law and subject to any regulatory approvals including, where required, the approval of the TSXV, and (iii) be subject to shareholder approval, where required by law, the requirements of the TSXV or the Conic Metals LTIP; provided, however, that shareholder approval shall not be required for the following amendments and the Conic Metals Board may make any changes which may include but are not limited to:

- amendments of a general housekeeping or clerical nature that, among others, clarify, correct or rectify any ambiguity, inconsistency, defective provision, error or omission in the Conic Metals LTIP;
- changes that alter, extend or accelerate the terms of exercise, vesting or settlement applicable to any Conic Metals Award (subject to TSXV prior approval if in respect of Conic Metals Options granted to persons who provide investor relations activities);
- a change to the assignability provisions under the Conic Metals LTIP,
- any amendment regarding the effect of termination of a participant's employment or engagement;
- any amendment to add or amend provisions relating to the granting of cash-settled Conic Metals Awards, provision of financial assistance or clawbacks;
- any amendment regarding the administration of the Conic Metals LTIP;

- any amendment necessary to comply with applicable law or the requirements of the TSXV or any other regulatory body (provided, however, that the TSXV may require shareholder approval of any such amendments); and
- any other amendment that does not require the approval of the shareholders,

provided that the alteration, amendment or variance does not:

- increase the maximum number of Conic Metals Shares issuable under the Conic Metals LTIP, other than pursuant to the adjustment provisions;
- reduce the exercise price of the Conic Metals Awards;
- introduce non-employee directors as eligible participants on a discretionary basis or increases the existing limits imposed on non-employee director participation;
- remove or exceed the insider participation limit; or
- amend the amendment provisions of the Conic Metals LTIP.

No such amendment to the Conic Metals LTIP shall cause the Conic Metals LTIP in respect of Conic Metals RSUs to cease to be a plan described in section 7 of the Tax Act or any successor to such provision.

ITEM 13: PRIOR SALES

The following table contains the details of the prior sales of securities by the Corporation from incorporation to the date hereof:

Date	Number of Conic Metals Shares	Issue price per Conic Metals Share
June 25, 2019[(1)]	1	$1.00

Note:

(1) Conic Metals was incorporated on June 25, 2019. One (1) Conic Metals Share was issued to Cobalt 27 at a price of $1.00 to facilitate the initial organization of Conic Metals. See Item 11 – *Consolidated Capitalization*.

ITEM 14: ESCROWED SECURITIES AND SECURITIES SUBJECT TO RESTRICTION ON TRANSFER

As of the date hereof, certain Conic Metals Shares issued or issuable pursuant to the Arrangement were required to be placed in a Tier 1 Value Security Escrow Agreement in accordance with TSXV Policy 5.4 - *Escrow, Vendor Consideration and Resale Restrictions*:

Designation of Class	Number of Conic Metals Shares Held in Escrow [(1)]	Percentage of Class
Common Shares	5,500,561	6.6%

Note:

(1) The Conic Metals Shares are held in escrow pursuant to an escrow agreement among TSX Trust Company, Anthony Milewski, Justin Cochrane, Conor Kearns and Martin Vydra. The terms of the escrow agreement provide for the release from escrow over a period of 18 months (commencing from the date of the final TSXV Exchange Bulletin in respect of the listing of the Conic Metals Shares on the TSXV) with 25% of the Conic Metals Shares held being released every six months.

Other than as disclosed above, no other securities of Conic Metals are held in escrow or are anticipated to be held in escrow.

ITEM 15: PRINCIPAL SECURITYHOLDERS

Prior to completion of the Arrangement, Cobalt 27 held one (1) Conic Metals Share representing 100% of the issued and outstanding Conic Metals Shares. Upon completion of the Arrangement and pursuant to the terms of the Arrangement Agreement, 100% of the Conic Metals Shares became owned by the Former Cobalt 27 Shareholders (other than Dissenting Shareholders). Pala and its affiliates hold approximately 9.9% of the issued and outstanding

Conic Metals Shares (subject to adjustments as a result of the exercise of Dissent Rights and the elimination of fractional Conic Metals Shares pursuant to the Plan of Arrangement).

Assuming completion of the Arrangement, to the knowledge of Conic Metals' directors and officers, no person will beneficially own, directly or indirectly, or exercise control or direction over more than 10% of the then outstanding Conic Metals Shares.

ITEM 16: DIRECTORS AND EXECUTIVE OFFICERS

Directors and Officers

As at the Effective Time, the directors of Conic Metals were Anthony Milewski, Justin Cochrane, Nick French, Frank Estergaard and Philip Williams. Each director of Conic Metals will hold office until the next annual general meeting of Conic Metals Shareholders unless the director's office is earlier vacated in accordance with the notice of articles of Conic Metals or the director becomes disqualified to serve as a director. The following table sets forth the name, province or state and country of residence, position with Conic Metals, principal occupation during the previous five (5) years and the pro forma number of voting securities beneficially owned, directly or indirectly, or over which control or direction is exercised, for the directors and executive officers of Conic Metals.

Name and Municipality of Residence	Principal Occupation During the Last Five Years[1]	Director or Officer Since	Number of Conic Metals Shares Held and Percentage of Conic Metals Shares[2]
Anthony Milewski *Non-Executive Chairman* Kennewick, Washington, USA	Former Chairman and CEO of Cobalt 27. Previously a Consultant acting as a Managing Director in a Business Development and Investment Advisory Capacity at Pala Investments Limited.	October 25, 2019	2,905,604[6] (3.48%)
Justin Cochrane *President, CEO and Director* Burlington, ON, Canada	Former President, COO and Director of Cobalt 27. Board member of Nevada Copper Corp. and Duke Royalty Limited. Previously Executive Vice President and Head of Corporate Development, Sandstorm Gold Ltd.	June 25, 2019	2,615,808 [6] (3.13%)
Conor Kearns *CFO and Corporate Secretary* Burlington, ON, Canada	Former Vice-President of Finance of Cobalt 27. Previously CFO of EFT Canada.	October 25, 2019	15,000 (0.02%)
Martin Vydra *EVP, Head of Strategy* Edmonton, Alberta	Former head of Strategy of Cobalt 27. Previously Senior Vice-President of Sherritt International Corporation.	October 25, 2019	898,192[7] (1.08%)
Craig Lennon *Head of Asia Pacific* Brisbane, Australia	Former head of Asia Pacific of Cobalt 27. Previously CEO and CFO of Highlands Pacific Limited.	October 25, 2019	0 (0%)
Philip Williams[3] *Lead Director* Toronto, ON, Canada	Former Director of Cobalt 27. Self-employed Chartered Financial Analyst. Previously Managing Director of Investment Banking, Dundee Capital Markets (now Eight Capital).	October 25, 2019	10,000 (0.01%)
Nick French[4] *Director* London, England	Former Director of Cobalt 27. Consultant to the cobalt industry, and cobalt trader.	October 25, 2019	25,000 (0.03%)

Name and Municipality of Residence	Principal Occupation During the Last Five Years[1]	Director or Officer Since	Number of Conic Metals Shares Held and Percentage of Conic Metals Shares[2]
Frank Estergaard[5] *Director* Kelowna, B.C., Canada	Former Director of Cobalt 27. Current Director and Chairman of the Audit Committee for Fission Uranium Corp. and Fission 3.0 Corp. Previously KPMG LLP partner.	October 25, 2019	1,000 (0.00%)

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Notes:

(1) All companies noted are still carrying on business as of the date hereof unless otherwise noted.

(2) The information as to Conic Metals Shares to be beneficially owned, directly or indirectly, or over which control or direction is exercised, is based upon information furnished to Conic Metals by its proposed directors and officers as of the date hereof.

(3) Member of the Conic Metals Audit Committee; member of the Conic Metals Corporate Governance Committee; member of the Conic Metals Compensation Committee; and member of the Conic Metals Nominating Committee

(4) Member of the Conic Metals Audit Committee and Conic Metals Compensation Committee.

(5) Member of the Conic Metals Audit Committee and member of the Conic Metals Compensation Committee.

(6) Includes 2,064,576 shares issued in lieu of change of control payments as per the Supplement to Management Information Circular dated October 3, 2019.

(7) Includes 688,192 shares issued in lieu of change of control payments as per the Supplement to Management Information Circular dated October 3, 2019.

Director Profiles

Each of the 5 proposed directors are profiled below, including his/her background and experience, areas of expertise, committee memberships and other public companies and board committees of which he/she is a member. Information concerning each such person is based upon information furnished by the individual proposed director.

Anthony Milewski

Age: 39 Kennewick, Washington, USA

Director Since:

October 25, 2019

Non-Independent

Committee Membership:

None

Areas of Expertise:

Principal Occupation:

Chairman of Conic

Mr. Milewski has spent his career in various aspects of the mining industry, including as a company director, advisor, founder and investor. In particular, he has been active in the battery metals industry including investing in cobalt and actively trading physical cobalt. Mr. Milewski has managed numerous mining investments at various stages of development, including exploration, development, production and turnaround situations, and across a broad range of commodities. He has also served as a director of both public and private companies and has been seconded as interim CEO on multiple occasions.

Mr. Milewski was formerly a consultant with Pala who acted as a managing director in a business development and investment advisory capacity. Mr. Milewski previously worked at Renaissance Capital and Skadden, Arps, Slate, Meagher & Flom LLP in Moscow, where he focused on advisory and transactional work in metals & mining and oil & gas sectors. He has lived and worked in Africa and Russia, including a year as a Fulbright scholar, and has spent considerable time in Central Asia. Mr. Milewski holds a B.A. in Russian history from Brigham Young University, an M.A. in Russian and Central Asian Studies from the University of Washington, and a J.D. from the University of Washington. He holds an LLM from the Russian Academy of Sciences.

Other Public Company Directorships:

Giga Metals Corporation (TSXV: GIGA)

Justin Cochrane	Director Since:	Committee Membership:
Age: 39 Burlington, Ontario, Canada	June 25, 2019 Non-Independent	None

Areas of Expertise:

Principal Occupation:

President and Chief Executive Officer of Conic

Mr. Cochrane, President and Chief Operating Officer of Cobalt 27, has over 17 years of royalty and stream financing, M&A and corporate finance experience. Prior to joining Cobalt 27, he served as Executive Vice President and Head of Corporate Development for Sandstorm Gold Ltd. for five years. At Sandstorm, he was responsible for the structuring, negotiation and execution of over $500 million of royalty and stream financing contracts around the world, across dozens of projects.

Prior to Sandstorm, he spent nine years in investment banking and equity capital markets with National Bank Financial where he covered the resource, clean-tech and energy technology sectors. In addition, Mr. Cochrane is currently a board member of Nevada Copper Corp. and Duke Royalty Limited. Mr. Cochrane is a Chartered Financial Analyst and a registered and licensed security advisor in Canada.

Other Public Company Directorships:

Nevada Copper Corp. (TSX: NCU)
Duke Royalty Limited (LSE: DUKE)

Nick French	Director Since:	Committee Membership:
Age: 66 London, England	October 25, 2019 Independent	Conic Metals Audit Committee Conic Metals Compensation Committee

Areas of Expertise:

Principal Occupation:

Lead Director of Conic

Mr. French graduated from Cambridge University in 1975 with an M.A. in Geography (Economic) before spending 22 years with London based trader Wogen Resources Ltd. during which time he rose from trainee to Managing Director and was at the trading desk when the price of cobalt rose from US$5/lb to US$50/lb during an eight-month period during 1978. During the following years, Mr. French was on the cobalt front line as the market developed new directions based upon the opening up of China as it turned from net exporter to net importer and the collapse of the Iron Curtain including the sell-off of the Soviet stockpiles. In 1999 he became the CEO of SFP Metals Ltd., a creative cobalt specialist trading house. In 2015, Mr. French stepped back to form his own cobalt consultancy, Metal Investment Consultants, and has spent the last three years advising various parties on the structure and potential of the cobalt market with occasional articles published in the industrial press and conference presentations.

Other Public Company Directorships:

N/A

Frank Estergaard	Director Since:	Committee Membership:
Age: 79 Kelowna, British Columbia, Canada	October 25, 2019 Independent	Conic Metals Audit Committee Conic Metals Compensation Committee

Areas of Expertise:

Principal Occupation:

Corporate Director

Mr. Estergaard is a CPA, CA and a retired partner of KPMG. As an audit partner with KPMG, he provided audit services to clients in a wide range of industries, including mineral exploration and high technology. He also served on the firm's Management Committee and Partnership Board.

Since retirement from KPMG, Mr. Estergaard has provided financial consulting services through Frannan Enterprises Ltd., and has served as CFO for several companies, including Rackforce Networks Ltd. (a private company), and for Metalex Ventures Ltd., (a public company). Mr. Estergaard has also served as a Director and Chairman of the Audit Committee for QHR Technologies Inc. and Fission Energy Inc. He is currently a Director and Chairman of the Audit Committee for Fission Uranium Corp. and Fission 3.0 Corp. and serves on their Corporate Governance Committees.

Other Public Company Directorships:

Fission Uranium Corp. (TSX: FCU)
Fission 3.0 Corp. (TSXV: FUU)

Philip Williams	Director Since:	Committee Membership:
Age: 44 Toronto, Ontario, Canada	October 25, 2019 Independent	Conic Metals Audit Committee Conic Metals Corporate Governance Committee Conic Metals Compensation Committee Conic Metals Nominating Committee

Areas of Expertise:

Principal Occupation:

Corporate Director

Mr. Williams brings more than 15 years of mining and finance industry experience. He was formerly the President & CEO of Uranium Royalty Corp., a private uranium royalty company. His diverse work experience includes roles in corporate development, as a sell-side research analyst, in fund management and most recently as managing director of investment banking focused on the metals and mining sector. In each of these roles, he focused a significant amount of time on the exploration industry.

As a research analyst at Westwind Partners, Mr. Williams worked with a team that covered a range of commodities including precious and base metals, diamonds and uranium. In late 2008, he joined Pinetree Capital, a natural resource focused investment fund, in the role of VP Business Development. During his time there, he was responsible for analyzing and monitoring investments and was also appointed to the board of directors of several investee companies. In 2012, he joined Dundee Capital Markets (now Eight Capital) in the investment banking group. As a Managing Director, he successfully completed equity financings across a wide range of commodities and was a named advisor on multiple M&A transactions. Mr. Williams is a Chartered Financial Analyst and holds a Bachelor of Commerce Degree.

Other Public Company Directorships:

Mawson Resources Limited (TSX: MAW)

Officers Profiles

The three officers of the company who are not also directors are profiled below, including his/her background and experience, areas of expertise, committee memberships and other public companies and board committees of which he/she is a member. Information concerning each such person is based upon information furnished by the individual proposed director.

Conor Kearns

Burlington, Ontario, Canada

Officer Since:

October 25, 2019

Areas of Expertise:

Principal Occupation:

Chief Financial Officer and Corporate Secretary

Conor Kearns has nearly two decades of accounting, auditing, finance, and tax experience providing advisory services to a wide array of businesses, most recently as Vice President of Finance of Cobalt 27 Capital Corp. Prior to joining Cobalt 27, Mr. Kearns was the Chief Financial Officer of EFT Canada Inc. (TSXV: EFTC), a fintech company which provides advanced electronic payment services and tools for businesses.

Other Public Company Directorships:

N/A

Martin Vydra

Edmonton, Alberta, Canada

Officer Since:

October 25, 2019

Areas of Expertise:

Principal Occupation:

EVP, Head of Strategy

Martin Vydra has a 31-year career with Sherritt International Corporation ("**Sherritt**") as a leader in the mining, processing and refining of lateritic nickel and cobalt with operations in Canada, Cuba and Madagascar. Martin is widely recognized as an expert in nickel and cobalt extraction, processing and refining including the development and application of advanced technologies to maximize the recovery of valuable metals such as nickel and cobalt from a variety of feeds. While at Sherritt, Martin's technical accomplishments spanned four continents and over 20 operations including postings in Australia where he was integrated in Murrin Murrin's refinery start up; Finland for the design of Harjavalta's nickel reduction circuit; and, in Chile where he oversaw the design, construction and commissioning of a major pressure oxidation operation.

From 2012 to 2017, Martin held the position of Senior Vice-President of Metals, where he successfully guided the division through one of the most challenging periods in the commodities cycle, while delivering production at near to bottom quartile costs. Martin played a key role in the assessment of Cuba's operations at Moa Bay, which resulted in the formation of Sherritt's Moa Joint Venture. From 2005 to 2007, Martin was responsible for engineering, maintenance and capital construction at Sherritt's nickel refinery and was considered one of Sherritt's top technical experts across global operations. Most recently, Martin served as Sherritt's Senior Vice President, Commercial and Technologies, where he had oversight for the sales and marketing of nickel and cobalt, and marketing and commercialization of Sherritt's proprietary technologies. Martin was instrumental in gaining access to numerous markets culminating with large-scale commercial plants built in China (zinc processing and coinage), Australia (HPAL), and in South America (pressure oxidation of sulphide ores).

In addition to his technical expertise, from 2008-2011, Martin held the position of Managing Director, Commercial Contracts and Marketing, with global responsibility for

metal marketing which included finished products from Sherritt's Ambatovy and Moa joint ventures. Over his career, Martin has been responsible for the sales and marketing of cobalt, nickel, fine cobalt powders and chemicals, thermal spray powders and coinage with end users ranging from aerospace to lithium-ion battery manufacturers.

Other Public Company Directorships:

Giga Metals Corporation (TSXV: GIGA)

Craig Lennon

Brisbane, Australia

Officer Since:

October 25, 2019

Areas of Expertise:

Principal Occupation:

Corporate Director

Craig Lennon is the Managing Director and Chief Executive Officer of Highlands Pacific Limited. Prior to this appointment he served as Chief Financial Officer at Highlands for 9 years and has been with the company for 18 years. Preceding Highlands, he had worked for companies in Australia and the United Kingdom in industries including manufacturing, construction, retail, hospitality and mining.

Craig has a Graduate Diploma in Applied Corporate Governance with the Chartered Secretaries Australia and a Graduate Diploma in Applied Finance with FINSIA and is a member of the Australian Institute of Directors.

Other Public Company Directorships:

N/A

Following completion of the Arrangement, directors and executive officers of Conic Metals, including spouses and associates, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 6,478,782 Conic Metals Shares representing 7.76% of the issued and outstanding Conic Metals Shares.

Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of the Corporation, none of the current or proposed directors or executive officers of Conic Metals are, as at the date hereof, or have been within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company (including Conic Metals) that:

(a) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or

(b) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

To the knowledge of Conic Metals, none of the current or proposed directors or executive officers of Conic Metals:

(a) is, as at the date hereof, or has been within the 10 years before the date hereof, a director or executive officer of any company (including Conic Metals) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;

(b) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder;

(c) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(d) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

Conic Metals directors are required to act honestly and in good faith with a view to the best interests of the Corporation and to disclose any interests which they may have in any project or opportunity of Conic Metals. However, Conic Metals directors and officers may serve on the boards and/or as officers of other companies which may compete in the same industry as Conic Metals, giving rise to potential conflicts of interest. To the extent that such other companies may participate in ventures in which the Corporation may participate, they may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such conflicts of interest arise at a meeting of Conic Metals directors, such conflicts of interest must be declared and the declaring parties must abstain from voting for or against the approval of such participation in compliance with the BCBCA. The remaining Conic Metals directors will determine whether or not the Corporation will participate in any such project or opportunity.

The directors and officers of Conic Metals are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts of interest, and Conic Metals will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of directors or officers of Conic Metals. Such directors or officers in accordance with the BCBCA will disclose all such conflicts and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

See Item 21 – *Risk Factors — Conflicts of Interest*.

Please see chart below for a listing of all present and past involvement of the officers and directors of Conic Metals in other reporting issuers.

Name	Name and Jurisdiction of Reporting Issuer	Name of Trading Market	Position	From	To
Anthony Milewski	Cobalt 27 Capital Corp.	TSXV	Chairman and CEO	04/2017	10/2019
	Giga Metals Corporation	TSXV	Director	04/2019	Current
	Fission Uranium	TSX	Non-Executive Director	08/2014	06/2018
	Khot Infrastructure Holdings	CSE	Non-Executive Director	01/2014	12/2015
	Quest Petroleum	ASX	Executive Director	08/2012	10/2016
	Well Star Energy Corp.	CSE	Non-Executive Director	06/2014	12/2014
	Valprasio Energy	CSE	Non-Executive Director	09/2014	12/2014
Justin Cochrane	Cobalt 27 Capital Corp.	TSXV	President & COO	03/2017	10/2019
	Nevada Copper Corp.	TSX	Director	05.2018	Current
	Duke Royalty Limited	LSE	Executive Vice President	10/2015	Current
	Antipodes Gold Limited	TSXV, NZX	Director	02/2012	07/2018
	Sandstorm Gold Ltd.	TSX, NYSE MKT	Executive Vice President	12/2010	10/2015
Nick French	Cobalt 27 Capital Corp.	TSXV	Lead Director	04/2017	10/2019
Frank Estergaard	Cobalt 27 Capital Corp.	TSXV	Director	04/2017	10/2019
	Fission Uranium Corp.	TSX	Director	02/2014	Current
	Fission 3.0 Corp.	TSXV	Director	09/2013	Current
Philip Williams	Cobalt 27 Capital Corp.	TSXV	Director	08/2018	10/2019
	Mawson Resources Limited	TSX	Director	06/2017	Current

Conor Kearns	Cobalt 27 Capital Corp.	TSXV	VP of Finance	06/2018	10/2019
	EFT Canada Inc.	TSXV	CFO	04/2012	06/2018
Martin Vydra	Cobalt 27 Capital Corp.	TSXV	Head of Strategy	08/2018	10/2019
	Giga Metals Corporation	TSXV	Director	11/2018	Current
	Sherritt International Corporation.	TSX	Senior Vice-President	02/2012	04/2018
	Sherritt International Corporation.	TSX	Vice-President	06/2008	02/2012
Craig Lennon	Highlands Pacific Limited	ASX	Director	12/2016	08/2019
	Highlands Pacific Limited	ASX	CEO/MD	12/2016	08/2019
	Highlands Pacific Limited	ASX	CFO	03/2007	11/2016

ITEM 17: EXECUTIVE COMPENSATION

Named Executive Officers

For purposes of this section, the terms "**Named Executive Officers**" or "**NEO**" refer to each of the following individuals:

(a) a chief executive officer ("**CEO**") of the Corporation;

(b) a chief financial officer ("**CFO**") of the Corporation;

(c) each of the Corporation's three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than $150,000; and

(d) each individual who would be a NEO under paragraph (c) above but for the fact that the individual was neither an executive officer of the Corporation, nor acting in a similar capacity, at the end of that financial year.

Compensation Discussion and Analysis and Oversight of Compensation

Overview

It is expected that Conic Metals' long-term corporate strategy will be central to all of the Corporation's business decisions, including around executive compensation. The Corporation's compensation programs will be designed to attract, motivate and retain high caliber executives and align their interests with sustainable profitability and growth of the Corporation over the long-term in a manner which is fair and reasonable to the shareholders. In this regard, it is expected that a compensation committee (the "**Conic Metals Compensation Committee**") will be established by the Conic Metals Board to assist the Conic Metals Board in fulfilling its responsibilities relating to compensation matters, including the evaluation and approval of the Corporation's compensation plans, policies and programs. The Conic Metals Compensation Committee will ensure that the Corporation has an executive compensation plan that is both motivational and competitive so that it will attract, hold and inspire performance by executive officers and other members of senior management in a manner that will enhance the sustainable profitability and growth of the Corporation.

Executive Compensation Policies and Programs

It is expected that the Corporation's compensation policies and programs for executive officers will consist of a base salary/compensation, cash bonuses, stock options, restricted share units, and may include other customary employment benefits. As a general rule for establishing compensation for NEOs and executive officers, it is expected that the Conic Metals Board will consider the executive's performance, experience and position within the Corporation

and the recommendations of the Chief Executive Officer, or in the case of the Chief Executive Officer, the recommendation of the Lead Director of the Conic Metals Board. The Conic Metals Compensation Committee will use its discretion to recommend compensation for executive officers at levels warranted by external, internal and individual circumstances. Compensation of executive officers of the Corporation is expected to be reviewed on an annual basis and rely on, among other things, discussion of formal and informal objectives, as well as criteria, analysis and recommendations of external advisors and consultants. Conic Metals Options, Conic Metals RSUs and Conic Metals PSUs are expected to be granted pursuant to the Conic Metals LTIP at the discretion of the Conic Metals Compensation Committee. Conic Metals Options, Conic Metals RSUs and Conic Metals PSUs to be granted pursuant to the Conic Metals LTIP will generally vest in equal amounts over three-year periods or as otherwise determined by the Conic Metals Compensation Committee.

In the course of its deliberations, the Conic Metals Board is expected to consider the implications of the risks associated with adopting the compensation practices in place from time to time and detect actions of management and employees of the Corporation that would constitute or lead to inappropriate or excessive risks. The Corporation is not expected to have a policy that would prohibit the NEOs or directors from purchasing financial instruments that are designed or would have the effect of hedging the value of equity securities granted to, or held by, these individuals.

Base Salary

The objectives of the base salary will be to provide compensation in accordance with market value, and to acknowledge the competencies and skills of individuals. The base salaries that will be paid to the NEOs are expected to be reviewed annually by the Conic Metals Board as part of the annual review of executive officers. The base salaries paid to the NEOs are not expected to be subject to the achievement of any performance criteria. The decision whether to grant an increase to the executive's base salary and the amount of any such increase will be in the sole discretion of the Conic Metals Board.

Incentive Bonuses

Incentive bonuses in the form of cash payments are designed to add a variable component of compensation, based on corporate and individual performances for executive officers and employees. In determining the amounts to be awarded to the NEOs as incentive bonus compensation, the Conic Metals Board and the Conic Metals Compensation Committee are expected to give consideration to several objective and subjective factors as they deem appropriate from time to time. While the Conic Metals Board and the Conic Metals Compensation Committee are expected to generally review and take into account the compensation of other royalty and streaming companies, no specific peer group is expected to be used to determine the quantum of incentive bonuses, and no specific weight is expected to be assigned to any particular performance criterion or goal. The process of determining the amount to be paid for this element of each NEO's overall compensation is expected to be based on the achievement of certain milestones, all of which are expected to be contemplated in the Corporation's annual business plan. The achievement of these significant milestones is expected to significantly affect the incentive bonus compensation granted to the NEOs of the Corporation.

Security-Based Awards

The objectives of the Conic Metals LTIP are to (i) increase participants' interest in the Corporation's welfare; (ii) provide incentives for participants to continue their services; (iii) reward participants for their performance of services, and (iv) provide a means through which the Corporation may attract and retain people to enter its employment. Upon completion of the Arrangement, greater emphasis may be put on incentive stock option and Conic Metals RSU compensation. The Conic Metals Board and the Conic Metals Compensation Committee is expected to consider the same factors and criteria as described in the paragraph above (in respect of the cash incentive bonuses awarded to the NEOs of the Corporation) in determining the amounts to be awarded to the NEOs as security-based incentive bonus compensation.

To date, the Corporation has not awarded any security-based incentive bonus compensation.

Compensation of Executives and Directors

Executive Officers

As at the date herein, no remuneration or other compensation has been paid or provided by Conic Metals to its executive officer and director for his services.

At or prior to the Effective Time, Conic Metals entered into employment agreements and/or consulting agreements (collectively, the "**Conic Metals Executive Employment Agreements**") with each of its Named Executive Officers, pursuant to which the Named Executive Officers will provide management and administrative services to, and be compensated for those services by, Conic Metals, as more particularly described below in this Item 17 – *Employment, Consulting and Management Agreements* below.

Directors

Prior to the Effective Time, Conic Metals had one (1) director and, following the Effective Time, Conic Metals has five (5) directors. See Item 16 – *Directors and Executive Officers*.

Conic Metals expects to set directors' fees of $36,000 per year. In addition, each of the directors will be entitled to participate in the Conic Metals LTIP as more fully described in Item 12 – *Stock Option Plan - Conic Metals Omnibus Long-Term Incentive Plan*. Directors who are employed by Conic Metals will not be entitled to any additional directors' fees.

Employment, Consulting and Management Agreements

Justin Cochrane

At the Effective Time, the Corporation entered into an employment agreement with Mr. Justin Cochrane whereby the services of Mr. Cochrane as President and CEO of the Corporation will be provided for a base salary of US$216,000 per year. Mr. Cochrane will be eligible for a discretionary annual bonus based on achieving targets and milestones as determined by the Conic Metals Compensation Committee. In addition, Mr. Cochrane will be eligible to participate in the Conic Metals LTIP.

Mr. Cochrane's employment agreement will include a severance clause whereby in the event that his employment is terminated by Conic Metals without cause or within ninety (90) days of a "change of control" (as defined in Mr. Cochrane's employment agreement) of Conic Metals, or Mr. Cochrane elects to terminate his employment by giving written notice to the Corporation within ninety (90) days of becoming aware of such change of control, Conic Metals shall, in lieu of notice and any other remuneration, compensation or benefits (including any severance pay or other termination pay) provide to Mr. Cochrane: (a) an amount equal to two (2) times the base salary of Mr. Cochrane at such time, such payment to be made within thirty (30) days of termination; (b) the bonus, if any, earned in the year preceding the year of termination, to the extent that the bonus has not already been paid; (c) any bonus for the year of termination, determined in accordance with the terms of the relevant plan; in addition, the Corporation shall pay to Mr. Cochrane an amount equal to two (2) times the average bonus percentage granted to Mr. Cochrane for the two (2) most recent annual bonuses approved by the Conic Metals Board for Mr. Cochrane, multiplied by Mr. Cochrane's current base salary immediately prior to termination; (d) all equity or equity-based compensation received by Mr. Cochrane and held immediately prior to termination shall fully vest, if not already vested, and shall be exercisable by Mr. Cochrane following such termination in accordance with their terms; and (e) continuation of benefits for a period of two (2) years following such termination, to the extent permitted by any third party insurer; provided that, if the Corporation cannot continue any particular benefit pursuant to the terms of the relevant plan or policy then the Corporation's obligations shall be to pay to Mr. Cochrane an amount equal to the Corporation's cost of the provision of the benefits for the remaining duration of the two (2) year period if the continuation of benefits had been permitted.

Conor Kearns

At the Effective Time, the Corporation entered into an employment agreement with Mr. Conor Kearns whereby the services of Mr. Kearns as CFO and Corporate Secretary of the Corporation will be provided for a base salary of US$200,000 per year. Mr. Kearns will be eligible for a discretionary annual bonus based on achieving targets and milestones as determined by the Conic Metals Compensation Committee. In addition, Mr. Kearns will be eligible to participate in the Conic Metals LTIP.

Mr. Kearns's employment agreement will include a severance clause whereby in the event that his employment is terminated by Conic Metals without cause or within ninety (90) days of a "change of control" (as defined in Mr. Kearns's employment agreement) of Conic Metals, or Mr. Kearns elects to terminate his employment by giving written notice to the Corporation within ninety (90) days of becoming aware of such change of control, Conic Metals shall, in lieu of notice and any other remuneration, compensation or benefits (including any severance pay or other termination pay)

provide to Mr. Kearns: (a) an amount equal to two (2) times the base salary of Mr. Kearns at such time, such payment to be made within thirty (30) days of termination; (b) the bonus, if any, earned in the year preceding the year of termination, to the extent that the bonus has not already been paid; (c) any bonus for the year of termination, determined in accordance with the terms of the relevant plan; in addition, the Corporation shall pay to Mr. Kearns an amount equal to two (2) times the average bonus percentage granted to Mr. Kearns for the two (2) most recent annual bonuses approved by the Conic Metals Board for Mr. Kearns, multiplied by Mr. Kearns's current base salary immediately prior to termination; (d) all equity or equity-based compensation received by Mr. Kearns and held immediately prior to termination shall fully vest, if not already vested, and shall be exercisable by Mr. Kearns following such termination in accordance with their terms; and (e) continuation of benefits for a period of two (2) years following such termination, to the extent permitted by any third party insurer; provided that, if the Corporation cannot continue any particular benefit pursuant to the terms of the relevant plan or policy then the Corporation's obligations shall be to pay to Mr. Kearns an amount equal to the Corporation's cost of the provision of the benefits for the remaining duration of the two (2) year period if the continuation of benefits had been permitted.

Craig Lennon

At the Effective Time, the Corporation entered into a consulting agreement (the "**Lennon Consulting Agreement**") with Mr. Craig Lennon whereby the services of Mr. Lennon as Head of Asia Pacific of the Corporation will be provided for a base fee of US$200,000 per year. Mr. Lennon will be eligible for a discretionary annual bonus based on achieving targets and milestones as determined by the Conic Metals Compensation Committee and Mr. Lennon will be eligible to participate in the Conic Metals LTIP. In addition, Mr. Lennon will be entitled to a minimum annual bonus and/or equity-based compensation equal to one and a half times Mr. Lennon's base fee.

The Lennon Consulting Agreement will include a severance clause whereby in the event that the Lennon Consulting Agreement is terminated by Conic Metals within ninety (90) days of a "change of control" (as defined in the Lennon Consulting Agreement) of Conic Metals, or Mr. Lennon elects to terminate the Lennon Consulting Agreement by giving written notice to the Corporation within ninety (90) days of becoming aware of such change of control, Conic Metals shall, provide to Mr. Lennon: (a) an amount equal to two (2) times the base fee of Mr. Lennon at such time, such payment to be made within thirty (30) days of termination; (b) the bonus, if any, earned in the year preceding the year of termination to the extent that the bonus has not already been paid; (c) any bonus for the year of termination, determined in accordance with the terms of the relevant plan; in addition, the Corporation shall pay to Mr. Lennon an amount equal to two (2) times the average bonus percentage granted to Mr. Lennon for the two (2) most recent annual bonuses approved by the Conic Metals Board for Mr. Lennon, multiplied by Mr. Lennon's current base fee immediately prior to termination; and (d) all equity or equity-based compensation received by Mr. Lennon and held immediately prior to termination shall fully vest, if not already vested, and shall be exercisable by Mr. Lennon following such termination in accordance with their terms.

Martin Vydra

At the Effective Time, the Corporation entered into a consulting agreement (the "**Vydra Consulting Agreement**") with Mr. Martin Vydra whereby the services of Mr. Vydra as EVP, Head of Strategy of the Corporation will be provided for a base cash fee of US$120,000 per year. Mr. Vydra will be eligible for a discretionary annual bonus based on achieving targets and milestones as determined by the Conic Metals Compensation Committee and Mr. Vydra will be eligible to participate in the Conic Metals LTIP. In addition, Mr. Vydra will be entitled to a minimum annual bonus and/or equity-based compensation equal to one and a half times Mr. Vydra's base fee.

The Vydra Consulting Agreement will include a severance clause whereby in the event that the Vydra Consulting Agreement is terminated by Conic Metals within ninety (90) days of a "change of control" (as defined in the Vydra Consulting Agreement) of Conic Metals, or Mr. Vydra elects to terminate the Vydra Consulting Agreement by giving written notice to the Corporation within ninety (90) days of becoming aware of such change of control, Conic Metals shall, provide to Mr. Vydra: (a) an amount equal to two (2) times the base fee of Mr. Vydra at such time, such payment to be made within thirty (30) days of termination; (b) the bonus, if any, earned in the year preceding the year of termination to the extent that the bonus has not already been paid; (c) any bonus for the year of termination, determined in accordance with the terms of the relevant plan; in addition, the Corporation shall pay to Mr. Vydra an amount equal to two (2) times the average bonus percentage granted to Mr. Vydra for the two (2) most recent annual bonuses approved by the Conic Metals Board for Mr. Vydra, multiplied by Mr. Vydra's current base fee immediately prior to termination; and (d) all equity or equity-based compensation received by Mr. Vydra and held immediately prior to termination shall fully vest, if not already vested, and shall be exercisable by Mr. Vydra following such termination in accordance with their terms.

External Management Companies

Each of Messrs. Vydra and Lennon provide their services as the Non-Executive Chairman of the Corporation through an external management company. See in this Item 17 – *Employment, Consulting and Management Agreements* above.

Equity-Based Compensation Plans

Conic Metals will adopt the Conic Metals LTIP, which was approved and confirmed by the Cobalt 27 Shareholders at the Meeting. See Item 12 – *Stock Option Plan - Conic Metals Omnibus Long-Term Incentive Plan*.

The Conic Metals LTIP is an omnibus long term equity-based incentive plan. At the date hereof, no Conic Metals Options, Conic Metals RSUs or Conic Metals PSUs have been issued by Conic Metals nor have any other rights or securities to purchase Conic Metals Shares been issued by Conic Metals.

The underlying purpose of Conic Metals LTIP is to attract and motivate the directors, officers, employees and consultants of the Corporation and to advance the interests of the Corporation by affording such persons with the opportunity to acquire an equity interest in the Corporation through rights granted under the Conic Metals LTIP.

See Item 12 – *Stock Option Plan - Conic Metals Omnibus Long-Term Incentive Plan* for a summary of the Conic Metals LTIP.

Pension disclosure

The Corporation does not anticipate providing any form of pension to any of its directors or Named Executive Officers.

ITEM 18: INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

As of the date hereof, none of the current or proposed directors or senior officers of the Corporation, nor any associates or affiliates of the current or proposed directors or officers of Conic Metals, is or was indebted to Conic Metals since its incorporation.

ITEM 19: AUDIT COMMITTEE AND CORPORATE GOVERNANCE

Audit Committee

The Audit Committee of the Conic Metals Board (the "**Conic Metals Audit Committee**") will be responsible for monitoring the Corporation's accounting and financial reporting practices and procedures, the adequacy of internal accounting controls and procedures, the quality and integrity of financial statements and for directing the auditors' examination of specific areas. The initial members of the Conic Metals Audit Committee will be Frank Estergaard (Chair), Philip Williams and Nick French. All members of the Conic Metals Audit Committee are independent directors of Conic Metals within the meaning of National Instrument 52-110 – *Audit Committees.* All members of the Conic Metals Audit Committee are financially literate. The charter of the Conic Metals Audit Committee is attached as Appendix I to this Listing Application.

Relevant Education and Experience

The proposed members of the Conic Metals Audit Committee have the following education and experience that is relevant to the performance of his or her responsibilities as an audit committee member:

Frank Estergaard (Chairman). Mr. Estergaard is a CPA, CA and a retired partner of KPMG LLP ("**KPMG**"). Over a 38-year career with KPMG, he provided audit services to clients in a wide range of industries, including mineral exploration and high technology across Canada and internationally. He also served on the firm's Management Committee and Partnership Board. Following his retirement from KPMG, Mr. Estergaard has served as a Director and Chairman of the audit committee for Fission Uranium Corp. (TSX:FCU), Fission 3.0 (TSX-V:FUU) and QHR Technologies Inc. (TSX-V:QHR), CFO for Metalex Ventures Ltd. (TSX-V:MTX) and CFO and/or Director for several private entities, including Rackforce Networks Inc. Mr. Estergaard holds a B.Com from the University of British Columbia and was granted the designation of a Chartered Accountant in British Columbia in 1965 and in Ontario in 1989.

Philip Williams. Mr. Williams is a CFA with over 15 years of experience in the mining sector and finance industry. He was formerly the President & CEO of Uranium Royalty Corp., a private uranium royalty company. Mr. Williams's diverse work experience includes roles in corporate development, as a sell-side research analyst, in fund management and most recently as managing director of investment banking focused on the metals and mining sector.

Nick French. Mr. French has over 35 years of experience in the finance sector. Over a 22-year career with London based trader Wogen Resources Ltd., Mr. French rose from trainee to Managing Director. He has also held position of CEO of CFP Metals Ltd., a creative cobalt specialist trading house, and has operated his own cobalt consultancy firm. Mr. French holds a M.A. in Geography (Economic) from Cambridge University.

Pre-Approval Policies and Procedures

The Conic Metals Audit Committee shall pre-approve all audit and non-audit services not prohibited by law to be provided by the independent auditors of the Corporation.

Corporate Governance

In June 2005, National Policy 58-201 - *Corporate Governance Guidelines* (the "**Governance Guidelines**") and National Instrument 58-101 - *Disclosure of Corporate Governance Practices* (the "**Governance Disclosure Rule**") were adopted by the securities regulatory authorities in Canada. The Governance Guidelines deal with matters such as the constitution and independence of corporate boards, their functions, the effectiveness and education of board members and other items dealing with sound corporate governance practices.

The Conic Metals Board is expected to meet at least once every quarter to review the Corporation's business operations, corporate governance matters, financial results and other items. The frequency of meetings may be increased, and the nature of the agenda items may be changed, depending upon the state of the Corporation's affairs and in light of opportunities or risks which the Corporation faces. The directors are expected to be kept informed of the Corporation's operations at these meetings as well as through reports and discussions with management on matters within their particular areas of expertise.

Board of Directors

Role of the Board

The Conic Metals Board will be expected to supervise the management of the business and affairs of the Corporation and to act with a view towards the best interests of the Corporation. The Conic Metals Board will be responsible for the oversight and review of the development of, among other things, the following matters:

- the strategic planning process of the Corporation;
- an annual strategic plan for the Corporation which takes into consideration, among other things, the risks and opportunities of the Corporation's business;
- identifying the principal risks of the Corporation's business and ensuring the implementation of appropriate systems to manage these risks;
- annual capital and operating budgets which support the Corporation's ability to meet its strategic objectives;
- material acquisitions and divestitures;
- succession planning, including appointing, training and monitoring the development of senior management;
- a communications policy for the Corporation to facilitate communications with investors and other interested parties;
- a reporting system which accurately measures the Corporation's performance against its business plan; and
- the integrity of the Corporation's internal control and management information systems.

Independence of the Board

At the Effective Time, the Conic Metals Board is expected to be comprised of five (5) directors: Anthony Milewski, Justin Cochrane, Nick French, Frank Estergaard and Philip Williams. The Conic Metals Board will facilitate its exercise of independent supervision over management by ensuring sufficient representation by directors independent of management.

The Governance Guidelines suggest that the board of directors of a public corporation should be constituted with a majority of individuals who qualify as "independent" directors. An "independent" director is a director who is independent of management and is free from any interest, business or other relationship which could, or could reasonably be perceived to materially interfere with the director's ability to act with a view to the best interests of the Corporation, other than interests and relationships arising from shareholding. In addition, where a corporation has a significant shareholder, the Governance Guidelines suggests that the board of directors should include a number of directors who do not have interests in either the Corporation or any such significant shareholder. The independent directors would exercise their responsibilities for independent oversight of management and meet independently of management whenever deemed necessary.

Kindly refer to the below independence chart:

Proposed Director	Independent	Reason, if not independent
Anthony Milewski	No	Proposed Non-Executive Chairman of the Corporation
Justin Cochrane	No	Current President and proposed CEO of the Corporation
Nick French	Yes	
Frank Estergaard	Yes	
Philip Williams	Yes	

None of the proposed independent directors has a material relationship with the Corporation which could impact their ability to make independent decisions. To enhance its ability to act independent of management, the Conic Metals Board may in the future meet in the absence of members of management or may excuse such persons from all or a portion of any meeting where an actual or potential conflict of interest arises or where the Conic Metals Board otherwise determines is appropriate.

Participation of Directors in Other Reporting Issuers

All of the directors or proposed directors are currently directors of Cobalt 27; however, upon completion of the Arrangement none of the directors or proposed directors will remain directors of Cobalt 27. In addition, the participation of the directors in other reporting issuers is described in each director profile provided under Item 16 - *Directors and Executive Officers - Director Profiles* above.

Orientation and Continuing Education

Following the completion of the Arrangement, the Conic Metals Corporate Governance Committee is expected to be responsible for the orientation and continuing education of the members of the Conic Metals Board. As new directors join the Conic Metals Board, they are expected to be provided with, among other things, corporate policies, historical information about the Corporation, information on the Corporation's performance and its strategic plan and an outline of the general duties and responsibilities entailed in carrying out their duties.

The Corporation will encourage directors to attend, enroll or participate in courses and/or seminars dealing with financial literacy, corporate governance and related matters. Each director of the Corporation will have the responsibility for ensuring that he or she maintains the skill and knowledge necessary to meet his or her obligations as

a director.

Ethical Business Conduct

The Conic Metals Board will encourage and promote an overall culture of ethical business conduct by promoting compliance with applicable laws, rules and regulations, providing guidance to management to help them recognize and deal with ethical issues, promoting a culture of open communication, honesty and accountability and ensuring awareness of disciplinary action for violations of ethical business conduct.

A director who has a material interest in a matter before the Conic Metals Board or any committee on which he or she serves is required to disclose such interest as soon as the director becomes aware of it. In situations where a director has a material interest in a matter to be considered by the Conic Metals Board or any committee on which he or she serves, such director may be required to abstain from the meeting while discussions and voting with respect to the matter are taking place. Directors will also be required to comply with the relevant provisions of the BCBCA regarding conflicts of interest.

Nomination of Directors

Following the completion of the Arrangement, the Nominating Committee of the Conic Metals Board (the "**Conic Metals Nominating Committee**") will have the responsibility for leading the process for identifying and recruiting potential Conic Metals Board candidates. The Conic Metals Nominating Committee will assess potential board candidates to fill perceived needs on the Conic Metals Board for required skills, expertise, independence and other factors. Members of the Conic Metals Board and representatives of the mining industry will be consulted for possible candidates.

The Corporation's management is expected to be in contact with individuals involved with public sector issuers. From these sources, the proposed management of Conic Metals has made numerous contacts and in the event that the Corporation requires any new directors, such individuals will be brought to the attention of the Conic Metals Nominating Committee. The Corporation will conduct due diligence, reference and background checks on any suitable candidate. New nominees are expected to have a track record in general business management, special expertise in an area of strategic interest to the Corporation, the ability to devote the time required, integrity of character and a willingness to serve.

Compensation of Directors and Officers

Please refer to the comprehensive discussion contained within the Item 17 – *Executive Compensation — Compensation Discussion and Analysis and Oversight of Compensation* section of this Listing Application for information regarding compensation of the Corporation's directors and NEOs.

Other Board Committees

Other than the Conic Metals Audit Committee, the Conic Metals Compensation Committee and the Conic Metals Nominating Committee, it is expected that following the completion of the Arrangement, the Conic Metals Board will also form a corporate governance committee (the "**Conic Metals Corporate Governance Committee**").

The Conic Metals Corporate Governance Committee is expected to, among other things, assess and formulate and make recommendations to the Conic Metals Board in respect of corporate governance. In addition to any other duties and authorities delegated to it by the Conic Metals Board from time to time, the Conic Metals Corporate Governance Committee's mandate will include:

- reviewing and recommending to the Conic Metals Board, on a non-binding basis, changes to its mandate, as considered appropriate from time to time;
- overseeing the preparation of and recommending to the Conic Metals Board any required disclosures of governance practices to be included in any disclosure document of the Corporation, as required;
- developing, for review and approval of the Conic Metals Board, a written position description for the CEO;
- reviewing, annually, the mandates of the Conic Metals Board and its committees and the position descriptions for the Non-Executive Chairman of the Conic Metals Board and the Chair of each committee and recommending to the Conic Metals Board such amendments to those mandates and position descriptions as it believes are necessary or desirable;

- reviewing, on a periodic basis, the Corporation's code of business conduct and ethics, recommending to the Conic Metals Board any changes thereto as considered appropriate from time to time, ensuring that management has established a system to monitor compliance with the code of business conduct and ethics, and reviewing management's monitoring of the Corporation's compliance with the code of business conduct and ethics;
- establishing a process for direct communications with Conic Metals Shareholders and other stakeholders, including through any whistleblower policy;
- reviewing annually the effectiveness of the CEO and, in consultation with the CEO, other senior management and other executive officers, including their contributions, performance and qualifications;
- developing processes to address any conflict of interest and to periodically review such processes; and
- reviewing, on a periodic basis, senior management succession plans.

Board Mandate

The Conic Metals Board has adopted a written mandate (the "**Conic Metals Board Mandate**"), a copy of which is attached as Appendix K to this Listing Application.

Assessments

The Conic Metals Board will consider Conic Metals Board and committee performance, from time to time, as required.

ITEM 20: AGENT, SPONSOR OR ADVISOR

Conic Metals has not retained an Agent, Sponsor or advisor in connection with this Listing Application and there is no financing taking place contemporaneously with the listing.

ITEM 21: RISK FACTORS

There are a number of risks that may have a material and adverse impact on the future operating and financial performance of Conic Metals and could cause the Corporation's operating and financial performance to differ materially from the estimates described in forward-looking statements related to the Corporation. These include widespread risks associated with any form of business and specific risks associated with Conic Metals' business. An investment in the Conic Metals Shares, as well as Conic Metals' prospects, are highly speculative due to the nature of its business and the present stage of its operations. Conic Metals Shareholders may lose their entire investment. Investments in companies involved in commodities, such as Conic Metals, involve a significant degree of risk, and commodities prices are also subject to significant volatility, which affects the economic viability of Conic Metals. Conic Metals has no history of earnings, a limited business history, has not paid dividends, and is unlikely to pay dividends in the immediate or near future. The risks described below are not the only ones facing Conic Metals. Additional risks not currently known to Conic Metals, or that Conic Metals currently deems immaterial, may also impair Conic Metals' business or operations. If any of the following risks actually occur, Conic Metals' business, financial condition, operating results and prospects could be adversely affected.

Anyone investing in Conic Metals must rely on the ability, expertise, judgement, discretion, integrity and good faith of the management of Conic Metals.

Cobalt 27 Shareholders should consult with their professional advisors to assess their investment in Conic Metals. In evaluating Conic Metals and its business, Cobalt 27 Shareholders should carefully consider the following risk factors of Conic Metals. These risk factors may not be a definitive list of all risk factors associated with an investment in Conic Metals or in connection with Conic Metals' business or operations.

General Risk Factors

Liquidity Concerns and Future Financing Requirements

Conic Metals may require additional financing in order to fund its business plan. Management's ability to arrange such financing in the future will depend in part upon prevailing capital market conditions, as well as Conic Metals' business success. There can be no assurance that management will be successful in its efforts to arrange additional financing

on terms satisfactory to management, or at all. If additional financing is raised by the issuance of Conic Metals Shares from treasury, control of Conic Metals may change and Conic Metals' shareholders may suffer additional dilution. If adequate funds are not available, or are not available on acceptable terms, management may not be able to operate the businesses at its maximum potential, to expand, to take advantage of other opportunities, or otherwise remain in business.

Failure to obtain such additional financing could result in delay or indefinite postponement of further business activities and may result in a material and adverse effect on Conic Metals' profitability, results of operation and financial condition. Conic Metals will require new capital to grow its business and there are no assurances that capital will be available when needed, if at all. It is likely that such additional capital will be raised through the issuance of additional equity, which will result in dilution to Conic Metals' shareholders.

Listing of Conic Metals Shares

The Conic Metals Shares are not currently listed on any stock exchange. There is no assurance when, or if, the Conic Metals Shares will be listed on a stock exchange or when, or if, the Nickel Share Shares will trade at C$1.92 per Conic Metals Share. Until the Conic Metals Shares are listed on a stock exchange, shareholders of Conic Metals may not be able to sell their Conic Metals Shares. Even if a listing is obtained, ownership of Conic Metals Shares will involve a high degree of risk.

Volatility of Share Price

Securities markets have a high level of price and volume volatility, and the market price of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. Factors unrelated to the financial performance or prospects of Conic Metals include global macroeconomic developments, and market perceptions of the attractiveness of particular industries. There can be no assurance that continued fluctuations in the price of nickel and cobalt will not occur. As a result of any of these factors, the market price of the Conic Metals Shares at any given point in time may not accurately reflect the long-term value of Conic Metals.

In the past, following periods of volatility in the market price of a company's securities, shareholders have instituted class action securities litigation against those companies. Such litigation, if instituted, could result in substantial cost and diversion of management attention and resources, which could significantly harm profitability and the reputation of Conic Metals.

Prospect of Dividends

Conic Metals currently intends to use its future earnings, if any, and other cash resources for the operation and development of its business and does not currently anticipate paying any dividends on the Conic Metals Shares. Any future determinations to pay dividends on the Conic Metals Shares will be at the sole discretion of the Conic Metals Board after considering a variety of factors and conditions existing from time to time, including current and future commodity prices, production levels, capital expenditure requirements, debt service requirements, operating costs, royalty burdens, and foreign exchange rates. As a result, a holder of Conic Metals Shares may not receive any return on an investment in Conic Metals Shares.

Market for the Conic Metals Shares

There can be no assurance that an active market for the Conic Metals Shares will develop or be sustained. If an active public market for the Conic Metals Shares does not develop, the liquidity of a purchaser's investment may be limited and the share price may decline.

The Forward-Looking Statements May Prove to be Inaccurate

This Listing Application, contains forward-looking statements, including, without limitation, the forward-looking statements listed in "*Cautionary Statement Regarding Forward Looking Statements*". By their nature, forward-looking statements involve numerous assumptions, known and unknown risk and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking statements or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. The factors

discussed in this section and the section entitled *"Cautionary Statement Regarding Forward Looking Statements"* should therefore be weighed carefully and prospective investors should not place undue reliance on the forward-looking statements provided in this Listing Application.

Fluctuating Price of Nickel and Cobalt

Materially adverse fluctuations in the price of nickel or cobalt may adversely affect Conic Metals' financial performance and results of operations.

Commodity prices, including nickel and cobalt, fluctuate on a daily basis and are affected by numerous factors beyond the control of Conic Metals, including levels of supply and demand (including, without limitation, related to the quantity of artisanal mining supply from the DRC, industrial development levels, inflation and the level of interest rates), the strength of the U.S. dollar and geopolitical events in significant nickel or cobalt producing countries (including the DRC). Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments.

All commodities, by their nature, are subject to wide price fluctuations and future material price declines will result in a decrease in the value of the commodity held, and/or revenue or, in the case of severe declines that cause a suspension or termination of production by relevant operators, a complete cessation of revenue from streams, royalties or interests in mineral properties applicable to the relevant commodities. Moreover, the broader nickel and cobalt markets tend to be cyclical, and a general downturn in overall nickel or cobalt prices or a significant strengthening of the Canadian dollar relative to the U.S. dollar could result in a significant decrease in Conic Metals' overall revenue. Any such price decline may result in a material and adverse effect on Conic Metals' profitability, results of operation and financial condition.

Changes in Technology and Future Demand for Nickel and Cobalt

Currently nickel and cobalt are two of the key metals used in batteries for EVs and other devices. However, the technology pertaining to batteries, EVs and energy creation and storage is changing rapidly, and there is no assurance nickel and/or cobalt will continue to be used to the same degree as they are now, or that they will be used at all. Any decline in the use of nickel and/or cobalt in batteries or technologies utilizing nickel and/or cobalt based batteries may result in a material and adverse effect on Conic Metals' profitability, results of operation and financial condition.

No History

While many proposed members of Conic Metals' management team have expertise and comparable operating experience, Conic Metals itself has no history of operations in the nickel industry, and there can be no assurance that Conic Metals' business will be successful or profitable or that the management will be able to successfully execute Conic Metals' business model and growth strategy. If Conic Metals' management is unable to execute on its business model and growth strategy, it may result in a material and adverse effect on Conic Metals' profitability, results of operation and financial condition.

Future Acquisitions

As part of Conic Metals' business strategy, it may seek to grow by acquiring companies and/or assets or establishing joint ventures that Conic Metals' management believes will complement Conic Metals' current or future business. Acquisition transactions involve inherent risks, including but not limited to: accurately assessing the value, strengths, weaknesses, contingent and other liabilities and potential profitability of acquisition candidates; ability to achieve identified and anticipated operating and financial synergies; unanticipated costs; diversion of management attention from existing business; potential loss of Conic Metals' key employees or key employees of any business acquired; unanticipated changes in business, industry or general economic conditions that affect the assumptions underlying the acquisition; and decline in the value of acquired properties, companies or securities. Any one or more of these factors or other risks could cause Conic Metals not to realize the anticipated benefits of an acquisition of properties or companies and could have a material adverse effect on its financial condition. Management of Conic Metals may not effectively select acquisition candidates or negotiate or finance acquisitions or integrate the acquired businesses and their personnel or acquire assets for Conic Metals' business. Management of Conic Metals cannot guarantee that it can complete any acquisition it pursues on favourable terms, or that any acquisitions completed will ultimately benefit Conic Metals' business.

Lack of Liquidity in Public Markets for Nickel or Cobalt

There is, or there may be in the future, a lack of liquidity for the purchase or sale of nickel and/or cobalt. Conic Metals may not be able to purchase or sell the volume of nickel and/or cobalt it desires in a timely manner. The pool of potential purchasers and sellers is limited and each transaction may require the negotiation of specific provisions. Accordingly, a purchase or sale may take several months or longer to complete. In addition, as the supply of nickel and cobalt is limited, Conic Metals may experience difficulties purchasing nickel and/or cobalt if Conic Metals wishes to acquire significant quantities. The inability to purchase and sell on a timely basis in sufficient quantities could have a material adverse effect on the Conic Metals Shares.

Lack of Liquidity in Nickel or Cobalt Project Investments

Some of the nickel and/or cobalt projects in which Conic Metals may invest may be thinly traded and some may have no market at all. There are no restrictions on the investment of Conic Metals' assets in illiquid securities. It is possible that Conic Metals may not be able to sell portions of such positions without facing substantially adverse prices. If Conic Metals is required to transact in such securities before its intended investment horizon, the performance of Conic Metals could suffer.

Expansion of the Business Activities Outside Areas of Expertise

Conic Metals' operations and expertise are currently focused on the acquisition and management of streams, royalties, and direct interests in producing resource projects. In the future, the Corporation may pursue acquisitions outside this area, including acquiring and/or investing in, developing or exploration-stage resource projects. Expansion of Conic Metals' activities into new areas would present challenges and risks. If Conic Metals does not manage these challenges and risks successfully, it may have a material adverse effect on its profitability, results of operation and financial condition.

Market Events and General Economic Conditions May Adversely Affect Conic Metals' Business, Industry and Profitability

Adverse events in global financial markets can have profound impacts on the global economy. Many industries, including the mining industry, are impacted by these market conditions. Some of the key impacts of the financial market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations, high volatility in global equity, commodity, foreign exchange and precious metal markets and a lack of market liquidity. A continued or worsened slowdown in the financial markets or other economic conditions, including but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates and tax rates, may adversely affect Conic Metals' growth and valuation. Specifically, the global credit/liquidity crisis could impact the cost and availability of financing and Conic Metals' overall liquidity; the volatility of nickel, cobalt and other metal prices would impact Conic Metals' revenues, profits, losses and cash flow; continued recessionary pressures could adversely impact demand for Conic Metals' assets; the devaluation and volatility of global stock markets would impact the valuation of Conic Metals' equity and other securities. These factors could have a material adverse effect on Conic Metals' financial condition and operating results.

Foreign Exchange Rates

Nickel is typically purchased in U.S. currency. However, Conic Metals maintains its accounting records, reports its financial position and results, pays certain operating expenses and plans to have its Conic Metals Shares listed on an exchange, in Canadian currency. Fluctuation in the U.S. currency exchange rate relative to the Canadian currency could negatively impact the value of the Conic Metals Shares. Investment in equity securities denominated in a currency other than Canadian currency will be affected by the changes in the value of the Canadian dollar in relation to the value of the currency in which the security is denominated. Because exchange rate fluctuations are beyond Conic Metals' control, there can be no assurance that such fluctuations will not have an adverse effect on Conic Metals' operations or on the trading value of the Conic Metals Shares.

Regulatory Change

Conic Metals may be affected by changes in regulatory requirements, customs, duties or other taxes. Such changes could, depending on their nature, benefit or adversely affect Conic Metals.

Political Instability and Economic Uncertainty in PNG

Conic Metals' interest in the Ramu Project, which is located in PNG, may be affected by varying degrees of social and political instability. These risks and uncertainties include political and labour unrest, fluctuations in currency exchange rates, inflation, hostage taking and expropriation. Any changes in regulations or shifts in political conditions are beyond Conic Metals' control and may adversely affect its business and/or its holdings. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, environmental legislation and safety factors.

Conic Metals' present and future operations in PNG entail governmental, economic, social, medical and other risk factors common to all developing countries. The status of PNG as a developing country may make it more difficult for Conic Metals to obtain any required financing because of the investment risks associated with these countries. Moreover, Conic Metals may experience economic uncertainty from its operations in PNG as there can be no assurance that any governmental action to control inflationary or deflationary situations will be effective in ensuring economic stability, or that future governmental actions will not trigger inflationary or deflationary cycles. Additionally, changes in inflation rates or deflation and governmental actions taken in response to such changes can also affect currency values in such countries, which could have a material adverse effect on Conic Metals' results of operations and financial condition.

Financial turmoil in any important emerging market country may materially and adversely affect prices in stock markets and prices for debt securities of issuers in other emerging market countries as investors move their money to more stable, developed markets. An increase in the perceived risks associated with investing in emerging markets could dampen capital flows to PNG and materially and adversely affect the PNG economy in general. We cannot assure you that investors' interest in PNG will not be materially and adversely affected by events in other emerging markets or the global economy in general.

Other Foreign Operations Risks

Should Conic Metals acquire any streams, royalties or interests in mineral properties containing nickel and/or cobalt from producers, developers or persons holding mineral property interests in politically and civil unstable countries, Conic Metals will be exposed to additional risks associated with carrying on business in such jurisdictions. Some notable risks of investing in such countries include, labour unrest, invalidation of governmental orders and permits, corruption, uncertain political and economic environments, sovereign risk, war (including within or with other countries), civil disturbances and terrorist actions, arbitrary changes in laws or policies, the failure of foreign parties to honour contractual relations with little or no recourse to local courts, challenges to or reviews of legal and contractual rights, reviews of taxation of foreign companies, changing tax and royalty regimes, delays in obtaining or the inability to obtain, or the cancelation of, necessary governmental permits, limitations on foreign ownership, limitations on the repatriation of earnings, limitations on mineral exports, price controls, review of taxes on foreign investment, instability due to economic under-development, inadequate infrastructure and increased financing costs. As a result, if Conic Metals invests in production from, or streams, royalties or mineral properties in such countries, it may be subject to various increased economic, political, operational and other risks, any one or more of which could have a material adverse effect on Conic Metals' business, financial condition, results of operations or prospects.

Litigation

Conic Metals may from time to time be involved in various claims, legal proceedings and disputes arising in the ordinary course of business. If such disputes arise and Conic Metals is unable to resolve these disputes favourably, it may have a material and adverse effect on Conic Metals' profitability or results of operations and financial condition.

Leverage

Conic Metals may use financial leverage by borrowing funds against the assets of Conic Metals. The use of leverage increases the risk to Conic Metals and subjects Conic Metals to higher current expenses. Also, if the value of Conic Metals' assets drops to the loan value or less, Conic Metals Shareholders could sustain a total loss of their investment.

Limited Opportunity to Hedge Nickel

There is limited opportunity for Conic Metals to hedge the downside price risk of nickel. Such limited hedging strategies may have liquidity and tenor constraints.

Conflicts of Interest

Certain of Conic Metals' directors may also serve as directors or officers, or have significant shareholdings in, other companies involved in the metals industry and, to the extent that such other companies may participate in ventures in which Conic Metals may participate in, or in ventures which Conic Metals may seek to participate in, the directors and officers of Conic Metals may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In all cases where directors and officers have an interest in other companies, such other companies may also compete with Conic Metals for the acquisition of metals, royalties, streams or other investments. Such conflicts of the directors and officers may result in a material adverse effect on Conic Metals' profitability, results of operation and financial condition.

Management Experience and Dependence on Key Personnel and Employees

Conic Metals is dependent upon the continued availability and commitment of its key management, whose contributions to immediate and future operations of Conic Metals are of significant importance. The loss of any such members could negatively affect business operations. From time to time, Conic Metals will also need to identify and retain additional skilled management and specialized technical personnel to efficiently operate its business. The number of persons skilled in the acquisition of metals, royalties, streams and interests in the metals industry is limited, and competition for such persons can be intense. Recruiting and retaining qualified personnel is critical to Conic Metals' success and there can be no assurance of such success. If Conic Metals is not successful in attracting and training qualified personnel, Conic Metals' ability to execute its business model and growth strategy could be affected, which could have a material adverse impact on its profitability, results of operations and financial condition. Conic Metals does not intend to maintain "key man" insurance for any members of its management.

Risks Related to the Ramu Agreements

Under the Ramu Master Agreement, RNL has an outstanding loan balance, as of the date hereof of US$114.6 million, owing to MCC Ramu in respect of its 8.56% share of capped development costs plus accumulated interest for funds paid by MCC Ramu to lenders on behalf of RNL up to January 1, 2015. Such borrowings are held in RNL and are non-recourse to any parent entity (including Conic Metals on completion of the Arrangement). Starting in 2015, as a result of the Clarification Agreement, such amounts were repaid by RNL out of its share of operating surpluses of the Ramu Joint Venture, less ongoing capital expenditure requirements, at an agreed rate of 80% of this net distribution. However, the agreement of the parties to the Ramu Master Agreement instituting this repayment methodology ended effective December 31, 2018, and consequently, the original repayment methodology under the Ramu Master Agreement (that currently provides for 100% of RNL's share of operating surpluses from the Ramu Joint Venture being applied to RNL's outstanding loan balance until repayment of US$38.8 million and thereafter at least 65% of RNL's share of operating surpluses from the Ramu Joint Venture being applied to RNL's outstanding loan balance) is in effect, subject to the ability of the parties to the Ramu Master Agreement to agree otherwise in the future. In addition, the Ramu Agreements provide for the payment of certain costs from time to time by the joint venturers in proportion to their shares in the Ramu Joint Venture.

The failure of RNL in the future to repay its outstanding loan balances or any other costs payable to MCC Ramu under the terms of the Ramu Agreements would constitute a default by RNL under the Ramu Agreements, the consequence of which could include, among other things, the acquisition of RNL's interest in the Ramu Joint Venture by the other joint venturers for fair market value less outstanding amounts owing to the Ramu Joint Venture, which could have a material adverse effect on the business, financial condition, results of operations or prospects of Conic Metals.

In addition, under the Ramu Master Agreement, RNL has the option to increase its effective interest in the Ramu Joint Venture by 2.74% to 11.3% by repaying the outstanding loan balance owing to MCC Ramu as described above. MCC Ramu also has the ability under the Ramu Master Agreement to implement a significant expansion to the Ramu Project. In order to either repay the outstanding loan balance owing to MCC Ramu and/or participate in any expansion of the Ramu Project under the terms of the Ramu Master Agreement, Conic Metals would require substantial additional financing and cannot assure that any such financing will be available, given that Conic Metals will have limited and finite financial resources. Accordingly, there can be no assurance that Conic Metals (through its indirect wholly-owned subsidiary RNL) will ever be able to make (or otherwise finance) any payments necessary under the Ramu Master Agreement required to acquire an additional interest in the Ramu Joint Venture; furthermore, in the event that MCC Ramu makes the determination to institute a significant expansion to the Ramu Project on terms and conditions that Conic Metals is unwilling (or unable) to finance or accept, such expansion transaction could, under the terms of the Ramu Agreements, result in a significant dilution of Conic Metals' effective interest in the Ramu Joint Venture. Any of

the foregoing eventualities could have a material adverse effect on the business, financial condition, results of operations or prospects of Conic Metals. See Item 5 – *Description of the Business — Conic Metals' Global Portfolio – The Ramu Nickel-Cobalt Mine (Direct Interest) - Ramu Nickel Project Master Agreement and Ramu Nickel Joint Venture Agreement* above.

Specific Risks Related to Streams and Royalties

Streams and Royalties

While management of Conic Metals believes that the acquisition of streams and royalties in mineral properties containing nickel and other battery-related commodities will deliver attractive risk-adjusted returns regardless of commodity cycles, there can be no assurance that any of Conic Metals' streams and/or royalties will be successful or profitable, or that Conic Metals will be able to acquire any successful or profitable stream and/or royalty investments. If Conic Metals cannot acquire any successful or profitable stream and/or royalty investments, it may result in a material and adverse effect on its profitability, results of operation and financial condition.

Rights of Third Parties

Some stream and royalty interests may be subject to: (i) buy-down right provisions pursuant to which an operator may buy-back all or a portion of the stream or royalty; (ii) pre-emptive rights pursuant to which parties have the right of first refusal or first offer with respect to a proposed sale or assignment of the stream or royalty; or (iii) claw back rights pursuant to which the seller of a stream or royalty has the right to re-acquire the stream or royalty. Holders of these rights may exercise them such that certain stream or royalty interests would not be available for acquisition.

Costs May Influence Return to Stream or Royalty Holder

Net profit royalties, equity interests and similar interests allow the operator to account for the effect of prevailing cost pressures on the project before calculating a royalty. These cost pressures include costs of labour, equipment, electricity, environmental compliance, and numerous other capital, operating and production inputs. Such costs will fluctuate in ways the royalty holder will not be able to predict and will be beyond the control of such holder, and can have a dramatic effect on the revenue payable on these royalties and other interests. Any increase in the costs incurred by the operators on the applicable properties will likely result in a decline in the royalty revenue received by the royalty holder. This, in turn, will affect overall revenue generated by the royalty holder which may have a material adverse effect on its profitability, financial condition, and results of operation.

Dependence on Third Party Property Owners and Operators

Cash flows derived from streams and/or royalties are based on operations by third parties. These third parties will be responsible for determining the manner in which the relevant properties subject to the streams and royalties are exploited, including decisions to expand, continue or reduce production from a property, decisions about the marketing of products extracted from the property and decisions to advance exploration efforts and conduct development of non-producing properties. As a holder of streams, royalties or other interests, Conic Metals will have little or no input on such matters. The interests of third party owners and operators and those of Conic Metals on the relevant properties may not always be aligned. As an example, it will, in almost all cases, be in the interest of Conic Metals to advance development and production on properties as rapidly as possible in order to maximize near-term cash flow, while third party owners and operators may, in many cases, take a more cautious approach to development as they are at risk on the cost of development and operations. The inability of Conic Metals to control the operations for the properties in which it has a stream or royalty or other interest may have a material adverse effect on Conic Metals' profitability, results of operation and financial condition.

Limited Access to Data and Disclosure

As a holder of streams, royalties and other non-operator interests, Conic Metals neither serves as the mine owner or operator, and in almost all cases Conic Metals has no input into how the operations are conducted. As such, Conic Metals has varying access to data on the operations or to the actual properties themselves. This could affect its ability to assess the value of the streams or royalties or enhance their performance. This could also result in delays in cash flow from that anticipated by Conic Metals based on the stage of development of the applicable properties covered by its streams and royalties. Conic Metals' stream and royalty payments may be calculated by the payors in a manner different from Conic Metals' projections and Conic Metals may or may not have rights of audit with respect to such

stream and royalty interests. In addition, some streams and royalties may be subject to confidentiality arrangements which govern the disclosure of information with regard to streams and royalties and as such Conic Metals may not be in a position to publicly disclose non-public information with respect thereto. The limited access to data and disclosure regarding the operations of the properties in which Conic Metals has an interest, may restrict its ability to assess the value or enhance its performance which may have a material adverse effect on Conic Metals' profitability, results of operation and financial condition.

Streams and Royalties May not be Honoured by Operators of a Project

Streams and royalties are largely contractually based. Parties to contracts do not always honour contractual terms and contracts themselves may be subject to interpretation or technical defects. To the extent grantors of streams, royalty and other interests do not abide by their contractual obligations, Conic Metals may be forced to take legal action to enforce its contractual rights. Such litigation may be time consuming and costly, and no guarantee of success can be made. Should any such decision be determined adversely to Conic Metals, it may have a material adverse effect on Conic Metals' profitability, results of operations and financial condition.

ITEM 22: PROMOTERS

There is no person or company that is, or has been, within the two most recently completed financial years or during the current financial year, a promoter of Conic Metals, as such term is defined in the *Securities Act* (British Columbia).

ITEM 23: LEGAL PROCEEDINGS AND REGULATORY ACTIONS

There are no legal proceedings or regulatory actions involving Conic Metals or its properties as at the date hereof, and the Corporation knows of no such proceedings or actions currently contemplated.

ITEM 24: INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Since Conic Metals' incorporation, no director, executive officer, or Conic Metals Shareholder who beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding Conic Metals Shares, or any known associates or affiliates or such persons, has or has had any material interest, direct or indirect, in any transaction or in any proposed transaction that has materially affected or is reasonably expected to materially affect Conic Metals other than Cobalt 27 in connection with Conic Metals' incorporation (see Item 4 – *Corporate Structure*) and the proposed transfer of the Conic Metals Assets to Conic Metals in connection with the Arrangement (see Item 5 – *Description of the Business – Acquisition of Conic Metals Assets*). See also Item 27 – *Material Contracts* below.

All directors and proposed directors and officers of Conic Metals are also currently directors and officers of Cobalt 27.

ITEM 25: INVESTOR RELATIONS ARRANGEMENTS

Conic Metals has not engaged any party to provide promotional or investor relations services to the Corporation.

ITEM 26: AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Corporation are KPMG LLP, Chartered Professional Accountants. The registrar and transfer agent of the Corporation are TSX Trust Company at its principal office in the city of Toronto, Ontario.

ITEM 27: MATERIAL CONTRACTS

The only material contracts entered into by the Corporation, other than in the ordinary course of business, since the date of incorporation of the Corporation or to be entered into in connection with the Arrangement is the Conic Metals Contribution Agreement.

The Conic Metals Contribution Agreement has been filed electronically with regulators by Conic Metals and will be available for public viewing under Conic Metals' profile on SEDAR at www.sedar.com.

ITEM 28: EXPERTS

The technical report entitled "*Ramu Nickel Cobalt Project NI 43-101 Technical Report*" dated effective as of October 25, 2019 pertaining to the Ramu Project that was commissioned by and prepared for Cobalt 27 by Qingping Deng, BS, MS and PhD, CPG AIPG, RM MMSA, Peter D. Ingham, MSc, BSc, FAusIMM, MIMMM, CEng, Roland Nice, BSc FAusIM, Life MCIM, MAIME, MIEAust, Chartered Engineer and Adrian Brett, BSc (Hon), MSc, M Envir. Law, FAusIMM on behalf of Behre Dolbear Australia Pty Ltd, was prepared in compliance with NI 43-101 and is the technical report from which certain technical information relating to the Ramu Project contained in this Listing Application has been derived.

Each of the persons named above is a "Qualified Person" as defined in NI 43-101 and has been responsible for preparing the technical report referred to in this Listing Application.

To the best knowledge of Cobalt 27 and Conic Metals, none of the aforementioned persons hold any securities of Cobalt 27 or of any associate or affiliate of Cobalt 27 or held any such securities when they prepared the report referred to above or following the preparation of such report nor did they receive any direct or indirect interest in any securities of Cobalt 27 or of any associate or affiliate of Cobalt 27 in connection with the preparation of such report.

None of the aforementioned persons has a direct or indirect interest in Cobalt 27, any of its associates or affiliates or in the Ramu Mine or are currently expected to be elected, appointed or employed as a director, officer or employee of Conic Metals or of any associate or affiliate of Conic Metals.

The auditors of the Corporation are KPMG LLP, Chartered Professional Accountants, through its offices at 333 Bay Street; Suite 4600, Toronto, Ontario M5H 2S5. KPMG LLP have confirmed that they are independent with respect to the Corporation within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation.

As of the date hereof, PricewaterhouseCoopers (the auditors of Highlands Pacific Limited) have reported that they are independent of Highlands Pacific Limited in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants.

Certain legal matters relating to the Arrangement are to be passed upon by Stikeman Elliott LLP on behalf of Conic Metals. Based on security holdings as of the date hereof, the partners and associates of Stikeman Elliott LLP will hold less than 1% of the Conic Metals Shares on the Effective Date.

Other than as described above, none of the aforementioned persons or companies, nor any director, officer or employee of any of the aforementioned persons or companies, is or is expected to be elected, appointed or employed as a director, officer or employee of Conic Metals or of any associate or affiliate of Conic Metals.

ITEM 29: OTHER MATERIAL FACTS

There are no other material facts in respect of the securities to be listed that are not disclosed in this Listing Application, or the documents incorporated herein by reference.

ITEM 30: ADDITIONAL INFORMATION – MINING OR OIL AND GAS APPLICANTS

Other than disclosed under Item 5 – *Description of the Business - Ramu Project Mining and Technical Information*, there is no additional information to be included under this Item.

ITEM 31: EXEMPTIONS

No discretionary exemption from a securities regulator or securities regulatory authority has been applied for or received by Conic Metals within the 12 months preceding the date of this Listing Application.

ITEM 32: FINANCIAL STATEMENT DISCLOSURE FOR ISSUERS

Financial Statements

Included as Appendix B to this Listing Application is audited financial statements of Conic Metals for the period commencing on the date of its incorporation, June 25, 2019, and ending on September 30, 2019 and the auditors' report thereon, comprising of a statement of financial position, statement of shareholder's equity, statement of loss and comprehensive loss, statement of cash flows and notes to such statements.

Included as:

- Appendix C to this Listing Application is the audited carve out financial statements of Conic Metals for the twelve-month period ended December 31, 2018 and eight-months period ended December 31, 2017 and the auditors' report thereon; and

- Appendix D to this Listing Application is the unaudited interim carve out financial statements of Conic Metals for the three-month period ended June 30, 2019;

each comprised of a statement of financial position, statement of net and comprehensive income (loss), statement of cash flows, statement of changes in owners' net investment, and notes to such statements.

Included as Appendix E to this Listing Application are (i) the audited financial statements of Highlands Pacific Limited for the twelve month periods ended December 31, 2016, December 31, 2017 and December 31, 2018 and the auditors' report thereon, and (ii) the unaudited interim financial statements of Highlands Pacific Limited for the three month period ended March 31, 2019, comprised of statements of financial position, statements of comprehensive income, statements of changes in equity, and statements of cash flows and notes to such statements (the "**Highlands Pacific Financial Statements**").

Included as Appendix F to this Listing Application are the unaudited pro forma financial statements of Conic Metals after giving effect to the Arrangement and the acquisition by Conic Metals of the Conic Metals Assets and the Conic Metals Liabilities for the twelve month period ended December 31, 2018 and the six month period ended June 30, 2019, comprised of a pro forma statement of financial position and pro forma statement of comprehensive income (loss) (the "**Pro Forma Financial Statements**").

Selected Unaudited Pro Forma Financial Information

The following tables set out selected unaudited pro forma financial information for Conic Metals as at June 30, 2019, assuming the Arrangement occurred on June 30, 2019, all of which is qualified by the more detailed information contained in the unaudited pro forma financial statements of Conic Metals included as Appendix F to this Listing Application.

Conic Metals
Selected Pro Forma Financial Statement Information
as at June 30, 2019

(unaudited – expressed in '000 of US$)

Assets	
Current Assets	
Cash	5,000
Receivables	4,788
Total Current Assets	**9,788**
Non-Current Assets	
Investments in Ramu Nickel Mine	188,172
Royalty contracts	26,188
Other Investments	700

Property, plant and equipment	78
Total Non-Current Assets	**215,138**
Total Assets	**224,926**
Liabilities and Shareholders' Equity	
Total Current Liabilities	10,781
Total Non-Current Liabilities	111,251
Total Equity	102,894
Total Liabilities and Shareholders' Equity	**224,926**

Conic Metals
Selected Pro Forma Consolidated Statement of Comprehensive Income (Loss)
for the six months ended June 30, 2019

(unaudited – expressed in '000 of US$)

Finance income	14
Expenses	
Consulting and salaries	4,463
Depreciation	7
Directors' fees	182
Exploration costs	158
General and admin	876
Marketing and promotion	654
Professional fees	301
Regulatory fees	101
Share based compensation	3,220
	9,962
Other Expenses (Income)	
Equity gain from Ramu Nickel Mine	(1,750)
Financing costs	2,997
Foreign exchange loss	123
	1,370
Income (Loss) Before Taxes	**(11,318)**
Deferred Tax Recovery (Expense)	0
Net Income (Loss)	**(11,318)**
Other Comprehensive Items	0
Comprehensive Income (Loss)	**(11,318)**

ITEM 33: SIGNIFICANT ACQUISITIONS

Other than the transactions to be completed pursuant to the Arrangement, Conic Metals has made no significant acquisitions.

ITEM 34: CERTIFICATES

34.1 Certificate of Conic Metals Corp.

Each of the undersigned hereby certifies that the foregoing constitutes full, true and plain disclosure of all information required to be disclosed under each item of this Listing Application and of any material fact not otherwise required to be disclosed under an item of this Listing Application.

Dated November 4, 2019.

(signed) *"Justin Cochrane"*	(signed) *"Conor Kearns"*
Justin Cochrane	Conor Kearns
President & Chief Executive Officer, Director	Chief Financial Officer

On Behalf of the Board of Directors of Conic Metals Corp.

Dated November 4, 2019.

(signed) *"Philip Williams"*	(signed) *"Nick French"*
Philip Williams	Nick French
Lead Director	Director

34.3 Acknowledgement – Personal Information

"Personal Information" means any information about an identifiable individual.

The Corporation hereby represents and warrants that it has obtained all consents required under applicable law for the collection, use and disclosure by the Exchange of the Personal Information contained in or submitted pursuant to this Listing Application for the purposes described in Appendix "A" to this Listing Application.

Dated November 4, 2019.

(signed) *"Justin Cochrane"*
Justin Cochrane
President & Chief Executive Officer, Director

APPENDIX A
FORM 2B PERSONAL INFORMATION COLLECTION POLICY

Collection, Use and Disclosure

TSX Venture Exchange Inc. and its affiliates, authorized agents, subsidiaries and divisions, including TSX Venture Exchange and Toronto Stock Exchange, (collectively referred to as the "Exchange") collect the information contained in or submitted pursuant to Form 2B (which may include personal, confidential, non-public or other information) and use it for the following purposes:

- to conduct background checks,
- to verify the Personal Information that has been provided about each individual,
- to consider the suitability of the individual to act as an officer, director, insider, promoter, investor relations provider or, as applicable, an employee or consultant, of the Applicant,
- to consider the eligibility of the Applicant to list on the Exchange,
- to provide disclosure to market participants as to the security holdings of directors, officers, other insiders and promoters of the Applicant, or its associates or affiliates, including information as to such individuals' involvement with any other reporting issuers
- to detect and prevent fraud, and
- to perform other investigations as required by and to ensure compliance with all applicable rules, policies, rulings and regulations of the Exchange, securities legislation and other legal and regulatory requirements governing the conduct and protection of the capital markets in Canada.

Personal Information the Exchange collects may also be disclosed:

(a) to securities regulators and regulatory authorities in Canada or elsewhere, investigative, law enforcement or self-regulatory organizations, and each of their subsidiaries, affiliates, regulators and authorized agents, for the purposes described above, and these agencies and organizations may use the information in their own investigations;
(b) on the Exchange's website or through printed materials published by or pursuant to the directions of the Exchange for the purposes described above; and
(c) as otherwise permitted or required by law.

The Exchange may from time to time use third parties to process information or provide other administrative services. In this regard, the Exchange may share the information with such third-party service providers for the purposes described above.

Questions

If you have any questions or enquiries regarding the policy outlined above or about our privacy practices, please send a written request to: Chief Privacy Officer, TMX Group, The Exchange Tower, 130 King Street West, Toronto, Ontario, M5X 1J2.

APPENDIX B
Audited Financial Statements of Conic Metals for the Period of June 25, 2019 – September 30, 2019

See attached.

Conic Metals Corp.

Audited Financial Statements
For the Period June 25, 2019 – September 30, 2019

(in United States Dollars)

KPMG LLP
Bay Adelaide Centre
333 Bay Street, Suite 4600
Toronto, ON M5H 2S5
Canada
Tel 416-777-8500
Fax 416-777-8818

INDEPENDENT AUDITORS' REPORT

To the Shareholder of Conic Metals Corp.

Opinion

We have audited the financial statements of Conic Metals Corp. (the Entity), which comprise:

- the statement of financial position as at September 30, 2019
- the statement of loss and comprehensive loss for the period ended September 30, 2019
- the statement of changes in shareholder's equity for the period ended September 30, 2019
- the statement of cash flows for the period ended September 30, 2019
- and notes to the financial statements, including a summary of significant accounting policies.

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at September 30, 2019, and its financial performance and cash flows for the period ended September 30, 2019 in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"Auditors' Responsibilities for the Audit of the Financial Statements"** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is Pieter Fourie

Toronto, Canada
October 29, 2019

Conic Metals Corp.
Statement of Financial Position

(Expressed in United States Dollars)

	As at September 30, 2019
Asset	
Cash	$ **1**
Shareholders' Equity	
Share capital (note 3)	$ **1**

The accompanying notes are an integral part of these financial statements.

Subsequent Event (Note 5)

Approved on behalf of the Board:

"Justin Cochrane", Director

Conic Metals Corp.
Statement of Shareholder's Equity

(Expressed in United States Dollars)

	Share Capital	
	Number	**Amount**
Balance, June 25, 2019	0	**$ 0**
Issuance of common share for cash	1	**1**
Balance, September 30, 2019	1	**$ 1**

The accompanying notes are an integral part of these financial statements.

Conic Metals Corp.
Statement of Loss and Comprehensive Loss

(Expressed in United States Dollars)

For the period from June 25, 2019 to September 30, 2019		
Operating expenses	$	-
General and administrative		-
Loss and comprehensive loss	$	-

The accompanying notes are an integral part of these financial statements.

Conic Metals Corp.
Statement of Cash Flows

(Expressed in United States Dollars)

For the period from June 25, 2019 to September 30, 2019		
Cash provided by:		
Financing activities:		
Proceeds on issuance of share capital	$	1
Net change in cash	$	1
Cash, beginning of period		-
Cash, end of period	$	1

The accompanying notes are an integral part of these financial statements.

1 Nature of Operations

Conic Metals Corp. (the "Company") was incorporated pursuant to the *Business Corporations Act* (British Columbia) on June 25, 2019. The place and address of the registered office of the Company is 666 Burrard Street, Suite 1700, Vancouver, British Columbia V6C 2X8, Canada. The Company was incorporated for the sole purpose of participating in the arrangement (the "Arrangement") announced June 18, 2019 involving the Company, Cobalt 27 Capital Corp. ("Cobalt 27"), Pala Investments Limited ("Pala") and 1212771 B.C. Ltd. (the "Purchaser"). The Company has not carried on any active business other than in connection with the Arrangement and related matters.

Under the Arrangement, the Purchaser will acquire all of the common shares of Cobalt 27 (excluding the common shares held by Pala and the Purchaser). Pursuant to the Arrangement, Cobalt 27 shareholders (other than Pala and the Purchaser) will receive for each Cobalt 27 common share: Cdn$4.00 in cash; and one common share in the Company. Pursuant to the Arrangement, Cobalt 27 will transfer to the Company and the Company will hold as assets all of the ordinary shares of Highlands Pacific Limited (8.56% joint venture interest in the Ramu Nickel-Cobalt Project), royalties relating to the Dumont, Turnagain, Flemington, Nyngan, Triangle, Rusty Lake, Professor & Waldman, North Canol and Sunset properties, certain equity stakes, including approximately 7.4% of Giga Metals Corporation and $5 million of cash to provide for initial working capital. Upon completion of the Arrangement, Cobalt 27's existing shareholders will own 100% of the Company shares outstanding.

The Arrangement will be completed by way of statutory plan of arrangement under the *Business Corporations Act* (British Columbia). The closing of the Arrangement is subject to the receipt of all court, stock exchange and other regulatory approvals, receipt of the requisite Cobalt 27 shareholder approval, no material adverse change having occurred in Cobalt 27 and other matters customary to transactions of this nature.

2 Statement of Compliance

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and the interpretations issued by the IFRS Interpretations Committee.

The financial statements are presented in United States dollars, the Company's functional currency and have been prepared on a historical cost basis.

3 Share Capital

Authorized:	Unlimited number of common shares
Issued:	1 common share

Common share was issued to Cobalt 27 Capital Corp.

4 Board Approval

The financial statements were authorized for issue by the Board of Directors on October 25, 2019.

5 Subsequent Event

On October 11, 2019, the Arrangement, as described in Note 1, was approved by the Shareholders of Cobalt 27 Capital Corp. and the Arrangement closed on October 25, 2019.

APPENDIX C
Audited Carve Out Financial Statements of Conic Metals for the Twelve-Month Period Ended December 31, 2018 and Eight Month Period Ended December 31, 2017

See attached.

CARVE OUT FINANCIAL STATEMENTS OF THE NICKEL 28 PORTFOLIO

AS AT DECEMBER 31, 2018 AND 2017

FOR THE YEAR ENDED DECEMBER 31, 2018 AND EIGHT MONTHS ENDED DECEMBER 31, 2017

(Expressed in United States dollars)

KPMG LLP
Bay Adelaide Centre
333 Bay Street, Suite 4600
Toronto, ON M5H 2S5
Canada
Tel 416-777-8500
Fax 416-777-8818

INDEPENDENT AUDITORS' REPORT

To the Directors of Cobalt 27 Capital Corp.

Opinion

We have audited the carve-out financial statements of the Nickel 28 Portfolio (the Entity), which comprise:

- the carve-out statements of financial position as at December 31, 2018 and December 31, 2017
- the carve-out statements of net and comprehensive loss for the year ended December 31, 2018 and the eight-month period ended December 31, 2017
- the carve-out statements of changes in owner's net investment for the year ended December 31, 2018 and the eight-month period ended December 31, 2017
- the carve-out statements of cash flows for the year ended December 31, 2018 and the eight-month period ended December 31, 2017
- and notes to the carve-out financial statements, including a summary of significant accounting policies and other explanatory information.

(Hereinafter referred to as the "carve-out financial statements").

In our opinion, the accompanying carve-out financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018 and December 31, 2017, and its financial performance and its cash flows for the year ended December 31, 2018 and the eight-month period ended December 31, 2017 in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"Auditors' Responsibilities for the Audit of the Financial Statements"** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the carve-out financial statements which indicates that the Entity has prepared the carve-out financial statements on a going concern basis. The Entity has incurred continuing net losses, has a working capital deficiency, and is dependent on successfully funding its future operations through additional financing and/or generating sufficient cash flows from operations.

As stated in Note 2 in the carve-out financial statements, these events or conditions, along with other matters as set forth in Note 2 in the carve-out financial statements, indicate that material uncertainties exists that cast significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Emphasis of Matter – Basis of Preparation

We draw attention to Note 2 to the carve-out financial statements which describes the basis of preparation used in these carve-out financial statements. The carve-out financial statements have been prepared for inclusion in a Management Information Circular of Cobalt 27 Capital Corp.

Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. Other information comprises the information included in carve-out Management's Discussion and Analysis included in the information circular.

Our opinion on the carve-out financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the carve-out financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in carve-out Management's Discussion and Analysis included in the information circular as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the carve-out financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of carve-out financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the carve-out financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the carve–out financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the carve-out financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the carve-out financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is Pieter Fourie.

Toronto, Canada

August 12, 2019

THE NICKEL 28 PORTFOLIO

Carve-Out Statements of Financial Position
(Expressed in United States Dollars, unless otherwise indicated)

	As at December 31, 2018	As at December 31, 2017
Assets		
Current Assets		
Amounts receivable and other assets	**$ 306,959**	$ 340,354
	306,959	340,354
Non-Current Assets		
Investments (Note 5)	**7,532,561**	188,915
Royalty contracts (Note 6)	**23,272,574**	647,225
Total Assets	**$ 31,112,094**	$ 1,176,494
Liabilities and Net Investment		
Current Liabilities		
Accounts payable and accrued liabilities (Notes 7 and 9)	**$ 2,016,968**	$ 1,314,672
Total Liabilities	**2,016,968**	1,314,672
Net Investment		
Owner's net investment	**32,987,437**	(138,178)
Accumulated other comprehensive loss	**(3,892,311)**	-
Total Net Investment	**29,095,126**	(138,178)
Total Liabilities and Net Investment	**$ 31,112,094**	$ 1,176,494

Basis of Presentation and Going Concern (Note 2)
Subsequent Events (Note 13)

Approved on behalf of the Board:

"Frank Estergaard", Director

"Anthony Milewski", Director

The accompanying notes are an integral part of these carve-out financial statements.

THE NICKEL 28 PORTFOLIO

Carve-Out Statements of Net and Comprehensive Loss
(Expressed in United States Dollars, unless otherwise indicated)

	Year Ended December 31, 2018	Eight Months Ended December 31, 2017
Operating Expenses		
Consulting fees and salaries (Note 9)	**$ 2,718,394**	$ 1,510,335
Directors fees (Note 9)	**197,293**	113,746
General and administrative	**572,077**	112,970
Marketing and promotion fees	**1,035,811**	276,171
Professional fees	**1,440,268**	335,818
Project evaluation costs	**1,206,434**	-
Regulatory fees	**171,712**	52,291
Share based compensation (Note 9)	**3,129,999**	3,967,690
Foreign exchange loss	**133,265**	210,718
Net Loss for the period	**(10,605,253)**	(6,579,739)
Other Comprehensive (Loss) Income		
Items that will not be reclassified subsequently:		
Unrealized loss on equity investment (Note 5)	**(3,892,311)**	-
Comprehensive Loss for the period	**$ (14,497,564)**	$ (6,579,739)

The accompanying notes are an integral part of these carve-out financial statements.

THE NICKEL 28 PORTFOLIO

Carve-Out Statements of Cash Flows
(Expressed in United States Dollars, unless otherwise indicated)

	Year Ended December 31, 2018	Eight Months Ended December 31, 2017
Operating Activities		
Net loss for the period	**$ (10,605,253)**	$ (6,579,739)
Adjustments for:		
Share based compensation	**3,129,999**	3,967,690
Non-cash working capital items:		
Amounts receivable and other assets	**(30,360)**	(322,037)
Accounts payable and accrued liabilities	**(333,064)**	1,237,649
Net cash used in Operating Activities	**(7,838,678)**	(1,696,437)
Investing Activities		
Purchase of royalty contracts	**(10,965,542)**	-
Purchase of investments	**(11,235,957)**	(188,915)
Net cash used in Investing Activities	**(22,201,499)**	(188,915)
Financing Activity		
Owner's contributions	**30,040,177**	1,885,352
Net cash provided by Financing Activity	**30,040,177**	1,885,352
Net increase in Cash	**-**	-
Cash Beginning of period	**-**	-
Cash, End of period	**$ -**	$ -

The accompanying notes are an integral part of these carve-out financial statements.

THE NICKEL 28 PORTFOLIO

Carve-Out Statements of Changes in Owners' Net Investment
(Expressed in United States Dollars, unless otherwise indicated)

	Owner's Net Investment	Accumulated Other Comprehensive Loss	Total
Balance, April 30, 2017	**$ 90,162**	**$ -**	**$ 90,162**
Contributions	6,351,399	-	6,351,399
Net loss for the period	(6,579,739)	-	(6,579,739)
Balance, December 31, 2017	**(138,178)**	**-**	**(138,178)**
Contributions	43,730,868	-	43,730,868
Unrealized loss on equity investments	-	(3,892,311)	(3,892,311)
Net loss for the year	(10,605,253)	-	(10,605,253)
Balance, December 31, 2018	**$ 32,987,437**	**$ (3,892,311)**	**$ 29,095,126**

The accompanying notes are an integral part of these carve-out financial statements.

1. Nature of Operations

On June 18, 2019, Cobalt 27 Capital Corp. ("Cobalt 27") and Pala Investments Limited ("Pala") entered into an agreement (the "Arrangement Agreement") pursuant to which Pala will acquire all of the Cobalt 27 issued and outstanding common shares other than any Cobalt 27 common shares already owned by Pala for cash and shares of a newly listed company to be named Nickel 28 Capital Corp. ("Nickel 28") (collectively, the "Consideration").

Pursuant to the Arrangement Agreement, certain assets of Cobalt 27 will be transferred to Nickel 28, the shares of which will be distributed to Cobalt 27 shareholders as part of the Consideration. The following assets, together "the Nickel 28 Portfolio" are to be held by Nickel 28:

- Cobalt 27's 100% interest in Highlands Pacific Limited ("HPL") (after taking into account the effect of the acquisition of the remaining shares of HPL subsequent to December 31, 2018) (note 13). HPL holds an 8.56% joint venture interest in the producing Ramu mine;
- Cobalt 27's eleven (11) royalties (after taking into account the effect of the acquisition of the Flemington Royalty and Nyngan Royalty subsequent to December 31, 2018) (note 13);
- Cobalt 27's investments in Minerva Intelligence Inc. (note 5) and Giga Metals Corporation (after taking into account the effect of the acquisition subsequent to December 31, 2018) (note 13); and
- US$5 million of cash.

2. Basis of presentation

These carve-out financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These carve-out financial statements include the operations of the Nickel 28 Portfolio and present the historical financial position, financial performance, and cash flows of the Nickel 28 Portfolio and Cobalt 27's net investment on a carve-out basis as if it had operated as a standalone entity subject to Cobalt 27's control. Assets, liabilities, income and expenses of Cobalt 27 that are not related to the Nickel 28 Portfolio or operations of the Nickel 28 Portfolio have been excluded from these financial statements. These carve-out financial statements have been prepared using the accrual basis of accounting, except for cash flow information which has been prepared on a cash basis of accounting.

The carve-out financial statements have been extracted from the historical financial statements and accounting records of Cobalt 27. Certain financial statement items were maintained by Cobalt 27 on a corporate basis, rather than on an asset by asset basis and accordingly, it was necessary to make allocations of certain amounts recorded in Cobalt 27 in order to prepare these carve-out financial statements as follows:

- The carve-out statement of financial position reflects the assets and liabilities recorded by Cobalt 27 which have been assigned to the Nickel 28 Portfolio, other than cash, on the basis that they are specifically identifiable and attributable to the Nickel 28 Portfolio;
- The assets, liabilities and associated expenses of Cobalt 27 that are directly attributable to the retained operations of Cobalt 27, being the physical cobalt, the credit facility and the Voisey's Bay cobalt stream, are not reflected in the carve-out financial statements. All expenses not directly related to the retained operations of Cobalt 27; including consulting fees and salaries, directors fees, general and administrative, marketing and promotion, professional fees, project evaluation costs, regulatory fees and share based compensation are reflected in the carve-out statements of net and comprehensive loss as these expenses are considered reflective of the expenses for the continuing operations of Nickel 28 Portfolio;
- As these financial statements have been prepared on a carve-out basis, it is not meaningful to show share capital or provide an analysis of reserves. Therefore, amounts which reflect the carrying value of the investment by Cobalt 27 in the Nickel 28 Portfolio are disclosed as "Owner's net investment", which comprises contributions by Cobalt 27 and the accumulated losses of the Nickel 28 Portfolio. In addition, as the Nickel 28 Portfolio has no historical capital structure and was not an existing legal entity during the periods presented, earnings per share as required by IAS 33, *Earnings per Share* have not been presented.

2. Basis of presentation (Continued)

- The carve-out financial statements include 100% of the employee related costs including share based compensation for the Cobalt 27's management team on the assumption that Nickel 28 Portfolio would require a similar management team to manage its business.

As the determination of certain assets, liabilities, and expenses is dependent upon future events, the preparation of these carve-out financial statements requires the use of estimates and assumptions which have been made using careful judgment. In the opinion of management, these carve-out financial statements have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies.

Due to the inherent limitations of carving out the assets, liabilities, operations and cash flows from larger entities, these financial statements may not necessarily reflect the financial position, results of operations and cash flows that would have been realized had the Nickel 28 Portfolio been a standalone entity during the periods presented.

These carve-out financial statements of Nickel 28 Portfolio were approved and authorized for issue by the Board of Directors on July 31, 2019.

At December 31, 2018, management considers the Nickel 28 Portfolio to have one reportable segment.

Functional and presentation currency

These carve-out financial statements have been prepared and presented in United States Dollars ("USD"). Foreign currency transactions are translated into the functional currency using exchange rates in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate in effect at the period end. Non-monetary assets and liabilities denominated in foreign currencies are translated using the historical exchange rate or the exchange rate in effect at the measurement date for items recognized at fair value through profit and loss. Gains and losses arising from foreign exchange are included in the statements of net and comprehensive loss.

Cobalt 27 operates in a mix of currencies and the determination of functional currency involves certain judgments to determine the primary economic environment. It is not practicable to independently assess the functional currency of the Nickel 28 Portfolio and accordingly these carve-out financial statements have been prepared using the functional and presentation currency of Cobalt 27 being the US Dollar.

Going Concern

The carve-out financial statements have been prepared on a going concern basis, on a historical cost basis, except for certain financial instruments that are measured at fair value.

The Nickel 28 Portfolio reported a net loss of $6,579,739 for the eight months ended December 31, 2017 and $10,605,253 for the year ended December 31, 2018. Additionally the Nickel 28 Portfolio has a working capital deficiency of $1,710,009 at December 31, 2018 (2017 - $974,318). The Nickel 28 Portfolio's ability to continue as a going concern is dependent upon obtaining additional financing and eventually achieving profitable operations. Management is currently evaluating various options in order to address its financing needs. These circumstances cast significant doubt about the Nickel 28 Portfolio's ability to continue as a going concern and, accordingly, the ultimate use of accounting principles applicable to a going concern. There can be no assurance that the Nickel 28 Portfolio's financing activities will continue to be successful or sufficient.

These carve-out financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets, liabilities and reported expenses should the Nickel 28 Portfolio be unable to continue as a going concern. These adjustments could be material.

3. Significant Accounting Policies

(a) Royalty contracts

Royalty contracts consist of acquired royalty interests. These interests are recorded at cost and are capitalized as tangible assets with finite lives. They are subsequently measured at cost less accumulated depletion and accumulated impairment losses, if any. Project evaluation costs that are not related to a specific agreement are expensed in the period incurred.

Producing royalty and other interests are depleted using the units-of-production method over the life of the property to which the interests relate, which are estimated using available information of proven and probable reserves and the portion of resources expected to be classified as mineral reserves at the mine corresponding to the specific agreement.

b) Impairment of tangible assets

All tangible assets are reviewed for impairment indicators at each reporting period. If an impairment exists, then management must determine its recoverable amount. The recoverable amount is the higher of fair value less cost of disposal and value in use, which is the present value of future cash flows expected to be derived from the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately as an impairment loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized.

(c) Financial Instruments

IFRS 9, *Financial Instruments* has been applied in accounting for financial instruments.

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provision of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Financial assets are classified and measured at initial recognition based on the business model in which they are held and the characteristics of their contractual cash flows. The primary measurement categories for financial assets are: measured at amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit and loss ("FVTPL").

Financial assets

Financial assets are classified as either financial assets at FVTPL, amortized cost, or FVTOCI.

- Financial assets recorded at FVTOCI

Financial assets are classified as FVTOCI if both of the following criteria are met and the financial assets are not designated as at fair value through profit and loss: 1) the objective of the business model for these financial assets is to both collect contractual cash flows and sell the financial assets; and 2) the financial asset’s contractual cash flows represent "solely payments of principal and interest".

- Amortized cost

Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at fair value through profit and loss: 1) the objective of the business model for these financial assets is to collect their contractual cash flows; and 2) the asset’s contractual cash flows represent "solely payments of principal and interest".

3. Significant Accounting Policies (Continued)

(c) Financial Instruments (continued)

- Financial assets recorded at FVTPL

Financial assets are classified as FVTPL if they do not meet the criteria of amortized cost or FVTOCI. Gains or losses on these items are recognized in profit or loss.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or at amortized cost. The entity determines the classification of its financial liabilities at initial recognition.

- Amortized cost

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below market interest rate, or contingent consideration recognized by an acquirer in a business combination.

Accounts payable and accrued liabilities do not fall into any of the exemptions and are therefore classified as measured at amortized cost.

Transaction costs

Transaction costs associated with financial instruments carried at FVTPL, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

Below is a summary showing the classification and measurement bases of our financial instruments:

Classification	IFRS 9
Amounts receivable	Amortized cost
Investments	FVTOCI
Accounts payable and accrued liabilities	Amortized cost

Subsequent measurement

Instruments classified at FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss. Instruments classified at amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVTOCI are measured at fair value with unrealized gains and losses recognized in other comprehensive income.

When an instrument at FVTOCI is sold, the accumulated gains or losses are reclassified from accumulated other comprehensive income (loss) directly to deficit.

Derecognition

Financial liabilities are only derecognized when the obligations under the financial liabilities are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred, or liabilities assumed, is recognized in profit or loss.

3. Significant Accounting Policies (Continued)

(d) Share based compensation

Stock options and RSU's were granted to officers, employees, directors, advisors and consultants under the Cobalt 27 stock option plan and restricted share unit plan. The obligation to settle these awards lies with Cobalt 27 while it was assumed that the services were received by the Nickel 28 Portfolio in these carve-out financial statements. As a result of these awards being settled by equity instruments of Cobalt 27 and Nickel 28 Portfolio not having the obligation to settle them the Stock options and RSUs were classified as equity settled in these carve-out financial statements.

The issuance of stock options and restricted share units ("RSU") granted to officers, employees, directors, advisors and consultants have been accounted for at grant date fair value. The grant date fair value of stock options is determined by the Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, volatility of the expected market price of the common shares and the expected life of the options. The number of stock option awards expected to vest are estimated using a forfeiture rate based on historical experience and future expectations. The grant date fair value of the RSUs is determined by the quoted market price of the common shares at the date of grant. Share based compensation is amortized to profit or loss over the vesting period of the related option or RSU.

The grant date fair value of the stock options and RSUs are recognized as a share based compensation expense with a corresponding increase in owners net investment, over the vesting period.

Option-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the estimated fair value.

(e) Revenue from Contracts with Customers ("IFRS 15")

Revenue may be generated from contracts with customers under each of its royalty interests. Management has determined that each unit of a commodity that is delivered to a customer under a royalty arrangement is a performance obligation for the delivery of a good that is separate from each other unit of the commodity to be delivered under the same arrangement.

- Royalty Arrangements

  The Nickel 28 Portfolio has eight exploration stage and one development stage royalty arrangements (two additional royalties were acquired after December 31, 2018). Revenue will be recorded when the commodities received under such arrangements are sold and control over those commodities transfers to the ultimate customer. Control will transfer on the date the commodity under the agreement is credited to the customer account. Revenue from royalty arrangements will be measured at the transaction price agreed with the ultimate customer.

(f) Income taxes

The Nickel 28 Portfolio is not a separate legal entity and is therefore not liable for income taxes. Accordingly, income taxes are not levied on the Nickel 28 Portfolio, but rather are levied on Cobalt 27, which owns the assets in the Nickel 28 Portfolio. Although the Nickel 28 Portfolio is not liable for income taxes, it was necessary to consider the impact of income tax expense (recovery) in order to prepare these carve-out financial statements.

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

3. Significant Accounting Policies (Continued)

(f) Income taxes (continued)

Deferred taxes provide for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Management has estimated the tax bases applicable to the assets in the Nickel 28 Portfolio to be equal to the historical cost which is equal to the carrying amount, except for certain financial instruments at FVTPL or FVTOCI. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates that are expected to apply in the year of realization or settlement, which has been enacted or substantively enacted at the financial position reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets and liabilities are offset where they relate to income taxes levied by the same taxation authority and the Nickel 28 Portfolio has the legal right and intent to offset. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Recent accounting pronouncements

Certain pronouncements issued by the IASB or the IFRIC are mandatory for future accounting periods. Those that are not applicable or do not have a significant impact to the Nickel 28 Portfolio have been excluded. The following recent accounting pronouncement has not yet been adopted in these carve-out financial statements.

(i) Leases ("IFRS 16")

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

Other areas of the lease accounting model have been impacted, including the definition of a lease. The Nickel 28 Portfolio does not expect adoption of this standard will have a material impact on the financial statements.

(ii) Uncertainty over Income Tax Treatments ("IFRIC 23")

IFRIC 23 requires an entity to assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings and to exercise judgment in determining whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision should be based on which approach provides better predictions of the resolution of the uncertainty. An entity also has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, assuming that the taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so. The interpretation has been applied on a modified retrospective basis without restatement of comparative information. The Nickel 28 Portfolio does not expect adoption of IFRIC 23 will have a material impact on the financial statements.

(iii) Business Combinations ("IFRS 3")

In October 2018, the IASB issued an amendment to IFRS 3, effective for annual periods beginning on or after January 1, 2020 with early adoption permitted. The amendment clarifies that a business must include, at minimum, an input and a substantive process that together contribute to the ability to create outputs, and assists companies in determining whether an acquisition is a business combination or an acquisition of a group of assets by providing supplemental guidance for assessing whether an acquired process is substantive. The Nickel 28 Portfolio does not expect adoption of IFRS 3 will have a material impact on the financial statements.

4. Key Sources of Estimation Uncertainty and Critical Accounting Judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The judgments that management has applied in the application of accounting policies and related estimates that have the most significant effect on the amounts recognized in these financial statements are discussed below:

- Share based compensation

  The Black-Scholes Option Pricing Model requires certain inputs including an estimate of share price volatility, expected life and risk-free interest rates in the calculation of the fair value for share based payments. These estimates are based on previous experience and may change throughout the life of an incentive plan. Such changes could impact profit or loss.

- Accounting for royalty interests

  The Nickel 28 Portfolio from time to time will acquire additional royalty interests. Each royalty interest agreement has its own unique terms and significant judgment is required to assess the appropriate accounting treatment.

- Significant influence

  Management determines its ability to exercise significant influence over an investment in shares of other entities by looking at its percentage interest and other qualitative factors including but not limited to its voting rights, representation on the board of directors, participation in policymaking processes, material transactions between the Nickel 28 Portfolio and the associate, interchange of managerial personnel, provision of essential technical information and operating involvement.

5. Investments

In September 2017, Cobalt 27 purchased 200,000 common shares of Minerva Intelligence Inc. ("Minerva"), a privately-held company, for $1.00 per common share for a total cost of $200,000. The investment in Minerva was initially recorded at cost, being the fair value at the time of acquisition, which was determined from a recently completed equity financing by Minerva. As at December 31, 2018, carrying value of Minerva was $188,915 (December 31, 2017 - $188,915).

In June 2018, Cobalt 27 purchased 142,530,500 common shares representing an approximate 13% interest of Highlands Pacific Limited ("Highlands") for AUD$0.105 per common share for a total cost of $11,235,957 (AUD$14,965,703). The entity was provided with anti-dilution rights with respect to the investment in Highlands. In addition, Cobalt 27 earned the right to appoint a member to Highlands' board of directors, and accordingly, concurrent with the close of the investment in Highlands, Anthony Milewski, Chairman and CEO of Cobalt 27, was appointed to the board of directors of Highlands. The Nickel 28 Portfolio determined that it did not have significant influence over Highlands and accounted for its investment in Highlands at FVTOCI, refer note 4 for critical judgements applied.

As at December 31, 2018, the investment in Highlands was valued at $7,343,646 (AUD $10,404,712) based on the applicable closing share price. During the year ended December 31, 2018, the Nickel 28 Portfolio recorded an unrealized loss on equity investment in Highlands of $3,892,311 which was recorded in other comprehensive loss. Subsequent to year end, the remaining shares in Highlands were acquired. (See Note 13(i)).

6. Royalty Contracts

As of December 31, 2017 and December 31, 2018, the Nickel 28 Portfolio's Royalty Contracts consisted of the following:

Royalty Name	Owner	Property Location	Stage	Primary Metal(s)	Royalty Type and %	Carrying value
Triangle Property	New Found Gold Corp. (formerly Palisade Resources Corp.)	Ontario	Exploration	Co-Ag	2% Co NSR	$190,362
Rusty Lake Property	New Found Gold Corp. (formerly Palisade Resources Corp.)	Ontario	Exploration	Co-Ag	2% Co NSR	$190,362
Professor & Waldman Properties[(1)]	New Found Gold Corp. (formerly Palisade Resources Corp.)	Ontario	Exploration	Co-Ag	2% Co NSR	$190,357
North Canol Properties[(1)]	Golden Ridge Resources Ltd.	Yukon	Exploration	Ag-Pb-Zn-Co	2% Co NSR	$38,072
Sunset Mineral Corp.	Three Individuals	British Columbia	Exploration	Cu-Zn-Co	2% Co NSR	$38,072
Total Royalty Contracts as at December 31, 2017						**$647,225**
Dumont Project	8248567 Canada Limited	Québec	Development	Ni-Co	1.75% NSR	$15,263,086
Turnagain	Giga Metals	British	Exploration	Ni-Co	2% NSR	$7,362,263
Total Royalty Contracts as at December 31, 2018						**$23,272,574**

(1) Two separate mineral properties to which a Co NSR applies.

7. Accounts payable and accrued liabilities

	As at December 31, 2018	As at December 31, 2017
Accounts payable	**$ 623,043**	$ 45,916
Accrued liabilities	**541,776**	48,186
Amounts due to related parties	**852,149**	1,220,570
	$ 2,016,968	$ 1,314,672

8. Share Based Payments

100% of the share based compensation expense has been allocated to the carve-out financial statements of Nickel 28 Portfolio, refer to note 2.

(i) Stock Options

Cobalt 27 has a stock option plan in place under which it is authorized to grant options of up to 10% of its outstanding shares to officers, employees, directors, advisors and consultants. The exercise price is determined by the Board of Directors provided the minimum exercise price is set at the closing share price on the day before the grant date. The options can be granted for a maximum term of ten years and vesting terms are determined by the Board of Directors at the date of grant.

The following table reflects the continuity of stock options for the periods ended December 31, 2018 and December 31, 2017:

	Number of stock options	Weighted average exercise price (CAD$)
Balance, April 30, 2017	**158,867**	**4.33**
Granted (i)	510,000	9.00
Exercised	(5,117)	4.33
Balance, December 31, 2017	**663,750**	**7.92**
Granted (ii)	485,000	11.80
Balance, December 31, 2018	**1,148,750**	**9.56**

(i) On August 7, 2017, Cobalt 27 granted a total of 510,000 stock options to certain directors, officers, advisors and consultants of Cobalt 27 pursuant to Cobalt 27's stock option plan. The stock options are exercisable at a price of CAD$9.00 per share, expire on August 7, 2022 and vested immediately. The fair value of the stock options was estimated to be $1,086,949 using the Black-Scholes option pricing model on the following assumptions: exercise price of $9.00, risk free interest rate of 1.53%, an expected life of 2.5 years inclusive of an assumed forfeiture rate and an expected volatility of 50% (volatility is based on similar companies in the same industry). During the eight months ended December 31, 2017, share based compensation of $1,086,949 was recorded in the consolidated statements of net and comprehensive loss.

(ii) On January 10, 2018, Cobalt 27 granted a total of 485,000 stock options to certain directors, officers, advisors and consultants of Cobalt 27 pursuant to Cobalt 27's stock option plan. The stock options are exercisable at a price of CAD$11.80 per share, expire on January 10, 2023 and vested immediately. The fair value of the stock options was estimated to be $1,413,306 using the Black-Scholes option pricing model on the following assumptions: exercise price of CAD$11.80, risk free interest rate of 1.95%, an expected life of 2.5 years inclusive of an assumed forfeiture rate and an expected volatility of 50% (volatility is based on similar companies in the same industry). During the year ended December 31, 2018, share based compensation of $1,413,306 was recorded in the consolidated statements of net and comprehensive loss.

8. Share Based Payments (Continued)

The following table reflects Cobalt 27's stock options outstanding and exercisable as at December 31, 2018:

Options outstanding and exercisable	Grant date fair value ($)	Weighted average exercise price (CAD$)	Weighted average remaining contractual life (years)	Expiry date
153,750	388,818	4.33	3.25	March 31, 2022
510,000	1,086,949	9.00	3.60	August 7, 2022
485,000	1,413,306	11.80	4.03	January 10, 2023
1,148,750	**2,889,073**	**9.56**	**3.74**	

(ii) Restricted share units ("RSU")

On August 6, 2017, Cobalt 27 adopted a Restricted Share Unit Plan (the “RSU Plan”). The maximum aggregate number of shares reserved for issuance under the RSU Plan, together with Cobalt 27’s existing Stock Option Plan (as approved by its shareholders on May 18, 2017), shall not exceed a combined total of 10% of Cobalt 27’s issued and outstanding shares. In addition, the RSU Plan sets out certain other restrictions in respect of grants to certain participants under the RSU Plan in accordance with the rules of the TSX-V. Cobalt 27 granted RSU's before the Plan was approved by the shareholders and TSX-V and these RSUs were valued at the stock price at the end of each reporting period. When the Plan was approved in August, 2018, the expense related to the RSU's then granted was adjusted to the fair value per share as of August 14, 2018.

The grant date fair value of the RSUs equals the fair market value of the corresponding shares at the grant date. The grant date fair value of the awards is recognized as compensation expense over the period that related services are rendered with a corresponding increase in owner's net investment. The total amount expensed is recognized over the vesting period, which is the period over which all the specified vesting conditions should be satisfied.

During the year ended December 31, 2018, Cobalt 27 granted 175,000 RSUs to certain officers and a director, which vested immediately. On August 7, 2017, Cobalt 27 granted 700,000 RSUs to certain officers which vest over three years on a monthly basis from the date of issuance. For the year ended December 31, 2018, the Nickel 28 Portfolio recorded compensation expense of $681,333 (eight months ended December 31, 2017 - $2,880,741). At year end, the Nickel 28 Portfolio accrued incentive bonuses which were settled through the issuance of 318,000 RSUs on January 11, 2019, a total of $1,035,360 was included in the share based compensation expense.

During the year ended December 31, 2018, 493,069 RSUs (eight months ended December 31, 2017 - nil) were converted into common shares and 15,278 were settled for cash proceeds of $63,755. As at December 31, 2018, there were 366,653 RSUs outstanding (December 31, 2017 - 700,000). The weighted average fair value of RSU's granted during the year ended December 31, 2018 was CAD$3.30 per share (December 31, 2017 - CAD$12.30).

9. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions are recorded at the exchange amount, being the amount agreed to between the related parties.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of Nickel 28 Portfolio directly or indirectly. Key management personnel for Nickel 28 Portfolio was considered to be the same as those for Cobalt 27 and include Cobalt 27's executive officers and members of the Board of Directors.

Remuneration of key management personnel of Nickel 28 was as follows:

	Year Ended December 31, 2018	Eight Months Ended December 31, 2017
Consulting fees and salaries [1][2]	**$ 2,118,911**	$ 1,484,366
Directors fees[2]	**197,293**	113,746
Share based compensation	**2,555,824**	3,637,343
	$ 4,872,028	$ 5,235,455

[1] Consulting fees and salaries paid to the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer for their services.

[2] Included in accounts payable and accrued liabilities are fees owing to officers and directors of $852,149 as at December 31, 2018 (December 31, 2017 - $1,220,570).

[3] Included in amounts receivable and other assets is an amount of $199,140 owed by an officer as at December 31, 2018 (December 31, 2017 - $nil).

10. Financial Instruments

Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value, by reference to the reliability of the inputs used to estimate the fair values.

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the company can access at the measurement date;

Level 2: Valuations based on directly or indirectly observable inputs for the asset or liability, other than quoted Level 1 prices, such as quoted interest rates or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not observable, such as discounted cash flow methodologies based on internal cash flow forecasts.

As of December 31, 2018, the Nickel 28 Portfolio's financial instruments consist of amounts receivable, investments and accounts payable and accrued liabilities. The investment in Highlands is stated at fair value and classified within Level 1 and the investment in Minerva is stated at fair value and classified within Level 3. The fair values of amounts receivable and accounts payable and accrued liabilities approximate their carrying values because of the short term nature of these instruments.

11. Financial Risks

The Nickel 28 Portfolio's risk exposures and the impact on the Nickel 28 Portfolio's financial instruments are summarized below:

Credit Risk

Credit risk is the risk of loss due to a counter-party's inability to meet its obligations under a financial instrument or contractual agreement that will result in a financial loss to the Nickel 28 Portfolio. As at December 31, 2018, the Nickel 28 Portfolio has no credit risk exposure.

Liquidity risk

Financial liquidity represents the Nickel 28 Portfolio's ability to fund future operating activities. Although the Nickel 28 Portfolio may enter into commitments to purchase additional royalties, streams and direct interests in mineral properties those commitments are normally funded by use of the Nickel 28 Portfolio's available cash or are contingent on its ability to raise funds, refer to going concern disclosures in note 2.

Market risk

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk is not considered to be material.

(ii) Foreign currency risk

Foreign currency risk arises from transactions and recognized assets and liabilities denominated in a currency that is not the Nickel 28 Portfolio's functional currency. The Nickel 28 Portfolio's functional currency is United States dollars. The Nickel 28 Portfolio incurs expenses in Canadian dollars and Australian dollars. Foreign currency risk is considered minimal.

(iii) Price risk

The Nickel 28 Portfolio is exposed to price risk with respect to the share prices of its investments. The value of the Nickel 28 Portfolio's investment in Highlands and Minerva may be adversely affected by a decline in their share prices.

As at December 31, 2018, the Nickel 28 Portfolio estimated that a 5% decrease or increase in the share price of Highlands and Minerva, all other variables remaining constant, would result in a corresponding decrease or increase in income before taxes of $392,182.

12. Income Taxes

The income tax expense differs from the amount resulting from the application of the combined Canadian statutory income tax rate as follows:

	Year Ended December 31, 2018	Eight Months Ended December 31, 2017
Loss before income taxes	**$ (10,605,253)**	$ (6,579,739)
Statutory tax rate	**27.00 %**	26.00 %
Expected income tax (recovery) expense based on statutory rate	**(2,863,418)**	(1,710,732)
Adjustment to expected income tax benefit/expense:		
Current items not benefitted	**2,018,318**	677,692
Permanent and other differences	**845,100**	1,033,040
Total income tax (recovery) expense	**$ -**	**$ -**

Historic tax losses are generated and available to apply against future taxable income at a Cobalt 27 level and these tax attributes are not going to be transferred to the Nickel 28 Portfolio as part of the Arrangement Agreement.

13. Subsequent Events

(i) Subsequent to December 31, 2018, Cobalt 27 acquired an additional 75,696,500 common shares of Highlands at a cost of $5,615,828, which increased Cobalt 27's total ownership 19.99%.

(ii) On January 11, 2019, Cobalt 27 granted a total of 760,000 stock options to certain directors, officers, advisors and consultants of Cobalt 27 pursuant to the stock option plan. The stock options are exercisable at a price of CAD$4.44 per share and expire on January 11, 2024. These stock options will vest as follows: 1/3 immediately and 1/3 annually over 2 years. In addition, Cobalt 27 also granted a total of 913,000 RSUs to certain employees and officers. These RSUs will vest as follow: 318,000 RSUs immediately, 120,000 RSUs monthly over 1 year and 475,000 RSUs 1/3 annually over 3 years.

(iii) On January 18, 2019, Cobalt 27 closed the acquisition of a 1.5% Gross Revenue Royalty ("GRR") on the Flemington Cobalt-Scandium-Nickel project ("Flemington Royalty") located west of Sydney, in New South Wales, Australia held under option by Australian Mines Ltd. and a 1.7% GRR on the Nyngan Scandium project ("Nyngan Royalty") located in Sydney and owned by Scandium International Mining Corp.

The Flemington Royalty and Nyngan Royalty were acquired from Jervois Mining Limited for total consideration of $2.9 million, comprised of $1.5 million in cash and 422,856 common shares of Cobalt 27 with such shares subject to a four month hold period from the date of issuance in accordance with applicable Canadian securities laws.

(iv) In April 2019, Cobalt 27 acquired 3,980,000 common shares of Giga Metals Corp. for $745,988.

(v) On January 1, 2019, Cobalt 27 entered into a definitive scheme implementation agreement with Highlands, pursuant to which Cobalt 27 will acquire all of the issued ordinary shares of Highlands that it does not own by means of a scheme of arrangement (the "Scheme") under Part XVI of the PNG Companies Act in Papua New Guinea.

On May 17, 2019, Cobalt 27 acquired all the issued ordinary shares of Highlands, that it did not already own. Cobalt 27 acquired all the Scheme Shares for an all-cash offer price of AUD$0.105 per share. The total purchase price for all the Scheme Shares amounted to approximately $71 million, which included transaction costs of $3 million and contingent consideration of $6 million.

13. Subsequent Events (continued)

On May 17, 2019, in connection with the completion of the Scheme, Cobalt 27 and PanAust also completed the PanAust Buy-Back Agreement. PanAust transferred to Cobalt 27 legal and beneficial ownership of 128,865,980 Highlands ordinary shares held by PanAust and cancelled any outstanding liabilities owed by Highlands to PanAust, in return for Cobalt 27 transferring to PanAust all of the interest in the Frieda project and $130,000 in cash.

As of July 19, 2019, the LME official closing cash settlement price for nickel was above US$13,220 per tonne for a period of 5 consecutive trading days which triggered the payment of the scheme contingent consideration of AUD$0.01 per share to Highlands shareholders. The Company had previously funded an escrow account on closing of the Scheme on May 17, 2019 and funds from that escrow account will be utilized to fund the contingent scheme consideration.

APPENDIX D
Unaudited Carve Out Financial Statements of Conic Metals for the Three and Six-Month Period Ended June 30, 2019

See attached.

CONDENSED INTERIM CARVE OUT FINANCIAL STATEMENTS OF THE CONIC METALS PORTFOLIO (previously the Nickel 28 Portfolio)

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2019 AND 2018

(Expressed in United States dollars)

(Unaudited)

THE CONIC METALS PORTFOLIO (previously the Nickel 28 Portfolio)

Condensed Interim Carve-Out Statements of Financial Position
(Expressed in United States Dollars, unless otherwise indicated)
(Unaudited)

	As at June 30, 2019	As at December 31, 2018
Assets		
Current Assets		
Amounts receivable and other assets (Note 5)	**$ 4,978,334**	$ 306,959
	4,978,334	306,959
Non-Current Assets		
Investment in Ramu Nickel Mine (Note 9)	**188,172,287**	-
Royalty contracts (Note 10)	**26,187,845**	23,272,574
Other investments (Note 6)	**699,733**	188,915
Property, plant and equipment	**78,102**	-
Investment in Highland Pacific Limited (Note 7)	**-**	7,343,646
Total Assets	**$ 220,116,301**	$ 31,112,094
Liabilities and Net Investment		
Current Liabilities		
Accounts payable and accrued liabilities (Note 11)	**$ 1,367,599**	$ 2,016,968
Non-recourse debt (Note 12)	**9,413,000**	-
	10,780,599	2,016,968
Non-Current Liabilities		
Non-recourse debt (Note 12)	**111,251,503**	-
Total Liabilities	**122,032,102**	2,016,968
Net Investment		
Owner's net investment	**98,287,621**	32,987,437
Accumulated other comprehensive income	**(203,422)**	(3,892,311)
Total Net Investment	**98,084,199**	29,095,126
Total Liabilities and Net Investment	**$ 220,116,301**	$ 31,112,094

Basis of Presentation and Going Concern (Note 2)
Subsequent Events (Note 18)

THE CONIC METALS PORTFOLIO (previously the Nickel 28 Portfolio)

Condensed Interim Carve-Out Statements of Net and Comprehensive Income (Loss)
(Expressed in United States Dollars, unless otherwise indicated)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	**2018**	**2019**	**2018**
Operating Expenses				
Consulting fees and salaries (Note 14)	**381,642**	53,609	**$ 818,128**	$ 209,395
Directors fees (Note 14)	**102,489**	41,864	**181,591**	88,185
Exploration costs	**82,222**	-	**82,222**	-
General and administrative	**419,079**	138,703	**534,473**	276,580
Marketing and promotion	**353,972**	150,995	**653,665**	242,773
Professional fees	**242,547**	587,659	**300,571**	821,443
Project evaluation costs	**-**	601,799	**-**	601,799
Regulatory fees	**59,897**	43,727	**100,960**	86,462
Share based compensation (Note 13)	**2,412,970**	(1,449,784)	**3,219,868**	2,906,956
	4,054,818	168,572	**5,891,478**	5,233,593
Operating Loss	**(4,054,818)**	(168,572)	**(5,891,478)**	(5,233,593)
Equity loss from Highland Pacific Limited (Note 7)	**(877,452)**	-	**(1,451,629)**	-
Equity income from Ramu Nickel Mine (Note 9)	**2,663,470**	-	**2,663,470**	-
Financing costs	**(752,661)**	-	**(752,661)**	-
Foreign exchange gain (loss)	**(195,220)**	165,626	**(74,750)**	-
Loss before taxes	**(3,216,681)**	(2,946)	**(5,507,048)**	(5,233,593)
Deferred tax recovery (expense)	**(31,748)**	-	**314,113**	-
Net Loss for the period	**(3,248,429)**	(2,946)	**(5,192,935)**	(5,233,593)
Other Comprehensive (Loss) Income				
Items that will not be reclassified subsequently:				
Unrealized gain (loss) on equity investment, net of tax	**(203,422)**	2,496,028	**2,012,652**	2,496,028
Comprehensive Income (Loss) for the period	**$ (3,451,851)**	$ 2,493,082	**$ (3,180,283)**	$ (2,737,565)

The accompanying notes are an integral part of these carve out unaudited condensed interim financial statements.

THE CONIC METALS PORTFOLIO (previously the Nickel 28 Portfolio)
Condensed Interim Carve-Out Statements of Cash Flows
(Expressed in United States Dollars, unless otherwise indicated)
(Unaudited)

	Six Months Ended June 30, 2019	2018
Operating Activities		
Net loss for the period	**$ (5,192,935)**	$ (5,233,593)
Adjustments for:		
Equity loss from Highlands Pacific Limited	**1,451,629**	-
Equity income from Ramu Nickel Mine	**(2,663,470)**	-
Foreign exchange gain	**(244,336)**	-
Share based compensation	**3,270,146**	2,906,956
Accrued interest expense	**759,210**	-
Deferred tax (recovery)	**(314,113)**	-
Other	**3,669**	-
Non-cash working capital items:		
Amounts receivable and other assets	**(278,072)**	(906,604)
Accounts payable and accrued liabilities	**(985,238)**	(430,639)
Net cash used in Operating Activities	**(4,193,510)**	(3,663,880)
Investing Activities		
Purchase of royalty contract	**(1,500,000)**	(9,844,672)
Purchase of investment in Highland Pacific Limited (Note 7)	**(5,615,828)**	(11,235,957)
Purchase of shares of Highland Pacific Limited	**(65,778,654)**	**-**
Cash acquired from Highland Pacific Limited (Note 8)	**10,524,382**	-
Purchase of investment	**(745,988)**	-
Net cash used in Investing Activities	**(63,116,088)**	(21,080,629)
Financing Activities		
Owners' contributions	**67,309,598**	24,744,509
Net cash provided by Financing Activities	**67,309,598**	24,744,509
Net change in Cash and Cash Equivalents	**-**	-
Cash and Cash Equivalents, Beginning of period	**-**	-
Cash and Cash Equivalents, End of period	**$ -**	$ -

The accompanying notes are an integral part of these carve out unaudited condensed interim financial statements.

THE CONIC METALS PORTFOLIO (previously the Nickel 28 Portfolio)

Condensed Interim Carve-Out Statements of Changes in Owners' Net Investment
(Expressed in United States Dollars, unless otherwise indicated)
(Unaudited)

	Owner's Net Investment	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2017	**$ (138,178)**	**$ -**	**$ (138,178)**
Contributions	33,069,880	-	33,069,880
Unrealized gain on equity investments	-	2,496,028	2,496,028
Net loss for the period	(5,233,593)	-	(5,233,593)
Balance, June 30, 2018	**$ 27,698,109**	**$ 2,496,028**	**$ 30,194,137**
Balance, December 31, 2018	**$ 32,987,437**	**$ (3,892,311)**	**$ 29,095,126**
Contributions	72,169,356	-	72,169,356
Unrealized gain on equity investments, net of tax	-	2,012,652	2,012,652
Transfer of accumulated other income	(1,676,237)	1,676,237	-
Net loss for the period	(5,192,935)	-	(5,192,935)
Balance, June 30, 2019	**$ 98,287,621**	**$ (203,422)**	**$ 98,084,199**

The accompanying notes are an integral part of these carve out unaudited condensed interim financial statements.

1. Nature of Operations

On June 18, 2019, Cobalt 27 Capital Corp. ("Cobalt 27") and Pala Investments Limited ("Pala") entered into an agreement (the "Arrangement Agreement") pursuant to which Pala will acquire all of the Cobalt 27 issued and outstanding common shares other than any Cobalt 27 common shares already owned by Pala for cash and shares of a newly listed company to be named Conic Metals Corp. ("Conic Metals") (collectively, the "Consideration"). (See note 18(ii)and (iii)).

Pursuant to the Arrangement Agreement, certain assets of Cobalt 27 will be transferred to Conic Metals, the shares of which will be distributed to Cobalt 27 shareholders as part of the Consideration. The following assets, together "the Conic Metals Portfolio" are to be held by Conic Metals:

- Cobalt 27's 100% interest in Highlands Pacific Limited ("HPL"). HPL holds an 8.56% joint venture interest in the producing Ramu mine;
- Cobalt 27's eleven (11) royalties;
- Cobalt 27's investments in Minerva Intelligence Inc. and Giga Metals Corporation (note 6); and
- US$5 million of cash.

2. Basis of presentation

These condensed interim carve-out interim financial statements ("interim financial statements") of the Conic Metals Portfolio have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"). These interim financial statements do not contain all of the required annual disclosures and should be read in conjunction with the Nickel 28 Portfolio December 31, 2018 audited carve-out financial statements.

These condensed interim carve-out financial statements include the operations of the Conic Metals Portfolio and present the historical financial position, financial performance, and cash flows of the Conic Metals Portfolio and Cobalt 27's net investment on a carve-out basis as if it had operated as a standalone entity subject to Cobalt 27's control. Assets, liabilities, income and expenses of Cobalt 27 that are not related to the Conic Metals Portfolio or operations of the Conic Metals Portfolio have been excluded from these financial statements. These condensed interim carve-out financial statements have been prepared using the accrual basis of accounting, except for cash flow information which has been prepared on a cash basis of accounting.

The condensed interim carve-out financial statements have been extracted from the historical financial statements and accounting records of Cobalt 27. Certain financial statement items were maintained by Cobalt 27 on a corporate basis, rather than on an asset by asset basis and accordingly, it was necessary to make allocations of certain amounts recorded in Cobalt 27 in order to prepare these condensed interim carve-out financial statements as follows:

- The condensed interim carve-out statement of financial position reflects the assets and liabilities recorded by Cobalt 27 which have been assigned to the Conic Metals Portfolio, other than cash, on the basis that they are specifically identifiable and attributable to the Conic Metals Portfolio;
- The assets, liabilities and associated expenses of Cobalt 27 that are directly attributable to the retained operations of Cobalt 27, being the physical cobalt, the credit facility, the Voisey's Bay cobalt stream and costs related to the Arrangement Agreement, are not reflected in the carve-out financial statements. All expenses not directly related to the retained operations of Cobalt 27; including consulting fees and salaries, directors fees, general and administrative, marketing and promotion, professional fees, project evaluation costs, regulatory fees and share based compensation are reflected in the condensed interim carve-out statements of net and comprehensive loss as these expenses are considered reflective of the expenses for the continuing operations of Conic Metals Portfolio;

2. Basis of presentation (Continued)

- As these financial statements have been prepared on a carve-out basis, it is not meaningful to show share capital or provide an analysis of reserves. Therefore, amounts which reflect the carrying value of the investment by Cobalt 27 in the Conic Metals Portfolio are disclosed as "Owner's net investment", which comprises contributions by Cobalt 27 and the accumulated losses of the Conic Metals Portfolio. In addition, as the Conic Metals Portfolio has no historical capital structure and was not an existing legal entity during the periods presented, earnings per share as required by IAS 33, Earnings per Share have not been presented.
- The condensed interim carve-out financial statements include 100% of the employee related costs including share based compensation for the Cobalt 27's management team on the assumption that Conic Metals Portfolio would require a similar management team to manage its business.

As the determination of certain assets, liabilities, and expenses is dependent upon future events, the preparation of these condensed interim carve-out financial statements requires the use of estimates and assumptions which have been made using careful judgment. In the opinion of management, these condensed interim carve-out financial statements have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies.

Due to the inherent limitations of carving out the assets, liabilities, operations and cash flows from larger entities, these financial statements may not necessarily reflect the financial position, results of operations and cash flows that would have been realized had the Conic Metals Portfolio been a standalone entity during the periods presented.

These condensed interim carve-out financial statements of Conic Metals Portfolio were approved and authorized for issue by the Board of Directors on October 31, 2019.

Functional and presentation currency

These condensed interim carve-out financial statements have been prepared and presented in United States Dollars ("USD"). Foreign currency transactions are translated into the functional currency using exchange rates in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate in effect at the period date. Non-monetary assets and liabilities denominated in foreign currencies are translated using the historical exchange rate or the exchange rate in effect at the measurement date for items recognized at fair value through profit and loss. Gains and losses arising from foreign exchange are included in the statements of net and comprehensive income (loss).

Cobalt 27 operates in a mix of currencies and the determination of functional currency involves certain judgments to determine the primary economic environment. It is not practicable to independently assess the functional currency of the Conic Metals Portfolio and accordingly these condensed interim carve-out financial statements have been prepared using the functional and presentation currency of Cobalt 27 being the US Dollar.

Going Concern

The condensed interim carve-out financial statements have been prepared on a going concern basis, on a historical cost basis, except for certain financial instruments that are measured at fair value.

The Conic Metals Portfolio reported a net loss of $5,192,935 for the six months ended June 30, 2019 (six months ended June 30, 2018 - net loss of $5,233,593). Additionally the Conic Metals Portfolio has a working capital deficiency of $5,802,265 at June 30, 2019 (December 31, 2018 - working capital deficiency of $1,710,009). The Conic Metals Portfolio's ability to continue as a going concern is dependent upon obtaining additional financing and eventually achieving profitable operations. Management is currently evaluating various options in order to address its financing needs. These circumstances cast significant doubt about the Conic Metals Portfolio's ability to continue as a going concern and, accordingly, the ultimate use of accounting principles applicable to a going concern. There can be no assurance that Conic Metals Portfolio's financing activities will continue to be successful or sufficient.

2. Basis of presentation (Continued)

Going Concern (continued)

These condensed interim carve-out financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets, liabilities and reported expenses should the Conic Metals Portfolio be unable to continue as a going concern. These adjustments could be material.

3. Significant Accounting Policies

These condensed interim carve-out financial statements have been prepared using accounting policies consistent with those used in the Nickel 28 Portfolio carve-out financial statements as at and for the year ended December 31, 2018 except for those new policies adopted in the period as described below.

New accounting policies

(i) Interest in associates

Associates are entities, including unincorporated entities such as partnerships, over which the Conic Metals Portfolio has significant influence and that are neither subsidiaries nor interests in joint arrangements. Significant influence is the ability to participate in the financial and operating policy decisions of the investee without having control or joint control over those policies. In general, significant influence is presumed to exist when the Conic Metals Portfolio has between 20% and 50% of voting power. Significant influence may also be evidenced by factors such as the Conic Metals Portfolio's representation on the board of directors, participation in policy-making of the investee, material transactions with the investee, interchange of managerial personnel, or the provision of essential technical information. Associates are equity accounted for from the effective date of commencement of significant influence to the date that the Conic Metals Portfolio ceases to have significant influence.

Results of associates are equity accounted for using the results of their most recent annual financial statements or interim financial statements, as applicable. Losses from associates are recognized in the consolidated financial statements until the interest in the associate is written down to nil. Thereafter, losses are recognized only to the extent that the Conic Metals Portfolio is committed to providing financial support to such associates.

The carrying value of the investment in an associate represents the cost of the investment, a share of the post-acquisition retained earnings and losses and any impairment losses. At the end of each reporting period, the Conic Metals Portfolio assesses whether there is any objective evidence that its investments in associates are impaired.

Upon obtaining control of an existing associate that does not meet the definition of a business, the Conic Metals Portfolio does not remeasure its existing interest in the associate and accounts for its existing interest at cost.

(ii) Leases ("IFRS 16")

The Conic Metals Portfolio adopted IFRS 16, which replaced IAS 17, Leases. IFRS 16 eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and a lease liability in the statement of financial position for all leases, with exemptions permitted for short-term leases and leases of low value assets. In addition, IFRS 16 changes the definition of a lease; sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and option periods; changes the accounting for sale and leaseback arrangements; and introduces new disclosure requirements.

The Conic Metals Portfolio adopted IFRS 16 on January 1, 2019 using the modified retrospective approach without restatement of comparative amounts, electing to measure the right-of-use asset at an amount equal to the lease liability. The modified retrospective approach offers the option, on a lease by lease basis, to either measure the right-of-use asset retrospectively using the discount rate as at the date of initial application or to measure the right-of-use asset at an amount equal to the lease liability.

3. Significant Accounting Policies (Continued)

New accounting policies (continued)

(ii) Leases ("IFRS 16") (continued)

An assessment was made and there was no impact to the Conic Metals Portfolio's financial statements as at January 1, 2019. Certain contracts qualified as short-term or low value leases and met the scope exemption for disclosure. As a result of applying this scope exemption, the Conic Metals Portfolio recognizes the lease payments associated with these short-term or low value leases as an expense on a straight-line basis over the lease term. No other significant differences have been identified in relation to the adoption of IFRS 16.

Accounting policy

As a result of adopting this standard, the Conic Metals Portfolio's accounting policy for leases is stated below. At inception of a contract, the Conic Metals Portfolio assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Conic Metals Portfolio assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.
- the Conic Metals Portfolio has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- the Conic Metals Portfolio has the right to direct the use of the asset. The Conic Metals Portfolio has this right when it has the decision- making rights that are most relevant to changing how and for what purpose the asset is used.

The Conic Metals Portfolio recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain re-measurements of the lease liability. The cost of the right of use asset includes the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs; and if applicable, an estimate of costs to be incurred by the Conic Metals Portfolio in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Conic Metals Portfolio's incremental borrowing rate. The incremental borrowing rate reflects the rate of interest that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Generally, the Conic Metals Portfolio uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

3. Significant Accounting Policies (Continued)

New accounting policies (continued)

(ii) Leases ("IFRS 16") (continued)

The Conic Metals Portfolio does not recognize right-of-use assets and lease liabilities for leases of low-value assets and leases with lease terms that are less than 12 months. Lease payments associated with these leases are instead recognized as an expense over the lease term on either a straight-line basis, or another systematic basis if more representative of the pattern of benefit.

The Conic Metals Portfolio has applied judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Conic Metals Portfolio is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

(iii) Uncertainty over Income Tax Treatments ("IFRIC 23")

The Conic Metals Portfolio adopted IFRIC 23 on January 1, 2019. The interpretation requires an entity to assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings and to exercise judgment in determining whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision should be based on which approach provides better predictions of the resolution of the uncertainty. An entity also has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, assuming that the taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so. The interpretation has been applied on a modified retrospective basis without restatement of comparative information. The adoption of IFRIC 23 had no material impact on the Conic Metals Portfolio's carve-out financial statements.

(iv) Business Combinations ("IFRS 3")

In October 2018, the IASB issued an amendment to IFRS 3, effective for annual periods beginning on or after January 1, 2020 with early adoption permitted. The amendment clarifies that a business must include, at minimum, an input and a substantive process that together contribute to the ability to create outputs, and assists companies in determining whether an acquisition is a business combination or an acquisition of a group of assets by providing supplemental guidance for assessing whether an acquired process is substantive. The Conic Metals Portfolio has decided to early adopt the amendments to IFRS 3 effective January 1, 2019 and shall apply the amended standard in assessing business combinations on a prospective basis. For acquisitions that are determined to be acquisitions of assets as opposed to business combinations, the Conic Metals Portfolio allocates the transaction price to the individual identifiable assets acquired and liabilities assumed based on their relative fair values, and no goodwill is recognized. Acquisitions that continue to meet the definition of a business combination are accounted for under the acquisition method, without any changes to the Conic Metals Portfolio's accounting policy. The updated policy was applied in the Conic Metals Portfolio's accounting for its acquisition of HPL (note 8).

(v) Debt

Debt is initially recognised at fair value, net of transaction cost incurred. Debt is subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit and loss over the period of the borrowings using the effective interest method.

4. Key Sources of Estimation Uncertainty and Critical Accounting Judgments

The preparation of the Conic Metals Portfolio's condensed interim carve-out financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The significant judgments made by management in applying Conic Metals Portfolio's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Nickel 28 Portfolio carve-out financial statements as at and for the year ended December 31, 2018, in addition to the significant judgment discussed below:

Business combinations

Determination of whether a set of assets acquired and liabilities assumed constitute the acquisition of a business or an asset may require the Conic Metals Portfolio to make certain judgments as to whether or not the assets acquired and liabilities assumed include the inputs, processes and outputs necessary to constitute a business as defined in IFRS 3 – Business Combinations. Based on an assessment of the relevant facts and circumstances, the Conic Metals Portfolio concluded that the acquisition of Highlands on May 17, 2019 did not meet the definition of a business and the transaction has been accounted for as an asset acquisition (note 8).

5. Amounts receivable and other assets

	As at June 30, 2019	As at December 31, 2018
Amount receivable from MCC Ramu NiCo Limited [1]	**$ 4,273,719**	$ -
Harmonized sales tax receivable	**398,748**	53,779
Prepaid expenses	**103,570**	54,040
Other receivables	**202,297**	199,140
	$ 4,978,334	$ 306,959

[1] This receivable will ultimately be offset against the non-recourse debt.

6. Other Investments

The Conic Metals Portfolio holds 1,000,000 common shares of Minerva Intelligence Inc. ("Minerva"), which were acquired at a cost of $188,915. As at June 30, 2019, the investment Minerva was valued at $137,457 based on the applicable closing share price (December 31, 2018 - $188,915).

In April 2019, Cobalt 27 acquired 3,980,000 common shares of Giga Metals Corp. ("Giga") for $745,988. As at June 30, 2019, the investment Giga was valued at $562,276 based on the applicable closing share price.

7. Investment in Highlands Pacific Limited

In June 2018, Cobalt 27 purchased 142,530,500 ordinary shares representing an approximate 13% interest of Highlands Pacific Limited ("Highlands") for AUD$0.105 per ordinary share for a total cost of $11,235,957 (AUD$14,965,703). In addition, Cobalt 27 earned the right to appoint a member to Highlands' board of directors, and accordingly, concurrent with the close of the investment in Highlands, Anthony Milewski, Chairman and CEO of Cobalt 27, was appointed to the board of directors of Highlands.

Between January 2, 2019 and January 11, 2019, Cobalt 27 acquired an additional 75,969,500 ordinary shares of Highlands for a cost of $5,615,827. As a result, Cobalt 27's ownership increased to 19.9%.

On January 2, 2019, Cobalt 27 recorded a mark to market gain on the equity investment in Highlands of $2,216,075 (net of tax) which was recorded in other comprehensive income. As at January 2, 2019, the date Cobalt 27 gained significant influence, the original 142,530,500 ordinary shares were valued at $9,905,582 based on the share price on that date. The accumulated other comprehensive income balance of $1,676,237 (net of tax) was transferred to deficit on January 2, 2019.

Acquisition of 142,530,500 Highlands ordinary shares	$ 11,235,957
Fair value adjustment	(3,892,311)
Balance, December 31, 2018	7,343,646
January 2, 2019 gain through other comprehensive income	2,561,936
Balance, January 2, 2019	9,905,582
Acquisition of 75,969,500 Highlands ordinary shares	5,615,827
Equity loss for the period	(1,451,629)
Carrying value of 19.9% accounted for in acquisition (note 8)	(14,069,780)
Balance, June 30, 2019	$ -

8. Acquisition of Highlands Pacific Limited

On May 17, 2019, Cobalt 27 acquired all the issued ordinary shares of Highlands, that it did not already own by means of a scheme of arrangement (the "Scheme"), entered into on January 1, 2019, under Part XVI of the Papua New Guinea Companies Act.

Cobalt 27 acquired all of the issued ordinary shares of Highlands that it did not already own (the "Scheme Shares") for an all-cash offer price of AUD$0.105 per share. In addition, if before December 31, 2019 the LME official closing cash settlement price for nickel is US$13,220 per tonne or higher for a period of 5 consecutive trading days, Highlands' Scheme shareholders received contingent consideration of AUD$0.010 per Scheme Share payable in cash (note 18(i)).

On May 17, 2019, in connection with the completion of the Scheme, Cobalt 27 and PanAust Limited ("PanAust") also completed the PanAust Buy-Back Agreement. PanAust transferred to Cobalt 27 legal and beneficial ownership of 128,865,980 Highlands ordinary shares held by PanAust and cancelled approximately $6.8 million owed by Highlands to PanAust, in return for Cobalt 27 transferring to PanAust all of the interest in the Freida project and $130,000 in cash.

Based on management's judgment, the acquisition did not meet the IFRS definition of a business combination as the primary asset acquired, which is the investment in Ramu Nickel Mine, is an investment in an associate of which Highlands is not the mine operator. Consequently, the transaction was recorded as an asset acquisition.

A purchase price allocation of the assets acquired and the liabilities assumed based on the total consideration transferred at the closing date of the acquisition is as follows:

Assets acquired and liabilities assumed	
Cash and cash equivalents	$ 10,524,382
Amounts receivable	4,577,262
Property, plant and equipment	81,771
Freida River asset [(1)]	16,335,208
Investment in Ramu Nickel Mine	185,251,128
Trade and other payables	(680,816)
Debt - Ramu Nickel Mine	(119,905,293)
Debt - PanAust [(1)]	(6,887,532)
	$ 89,296,110

Consideration transferred	
Carrying value of 19.9% interest in Highlands (note 7)	$ 14,069,780
Cash consideration 68.1% interest in Highlands [(2)]	55,105,776
Consideration for PanAust Buy-Back Agreement [(1)]	9,447,676
Contingent consideration in escrow (note 18(i)) [(3)]	6,147,948
Transaction costs	4,524,930
	$ 89,296,110

[(1)] The Company's share of the Freida River asset as well as the PanAust Debt and any outstanding contingencies were transferred to PanAust as consideration for the PanAust's shares in Highlands in accordance with the PanAust BuyBack Agreement.

[(2)] The cash consideration for 68.1% interest in Highlands represents the cash paid by the Company for 745,367,856 Highlands shares at a price of A$0.105 per share at an exchange rate of A$0.70765:$1.

[(3)] The contingent consideration represents the cash held in escrow for 745,367,856 Highlands shares at a price of A$0.010 per share at an exchange rate of A$0.70765:$1 (note 18(i)).

9. Investment in Ramu Nickel Mine

The investment in the Ramu Nickel Mine ("Ramu") consists of a 8.56% joint venture interest in the producing Ramu mine and refinery located near Madang on the north coast of Papua New Guinea. Ramu was financed, constructed and commissioned in 2012, by majority-owner and operator Metallurgical Corporation of China Limited ("MCC").

(i) Summarized financial information for Ramu Nickel Mine as at

	June 30, 2019
Current assets	$ 243,059,114
Non-current assets	1,533,022,041
Current liabilities	(68,764,674)
Non-current liabilities	(30,458,566)
Net assets	**$ 1,676,857,915**
Company's share of net assets	$ 143,601,711
Fair value adjustment on acquisition	44,570,576
Investment at carrying amount	**$ 188,172,287**

(ii) Interest in Ramu Nickel Mine for the period from May 17, 2019 to June 30, 2019

Revenue	$ 7,239,786
Share of production costs and depreciation	(3,950,671)
Other costs	(625,645)
Equity income from Ramu Nickel Mine	**$ 2,663,470**

(iii) Non-recourse debt (see note 12)

Opening balance	$ 119,905,293
Interest accrued	759,210
	$ 120,664,503

On initial acquisition, Highlands recognized a loan balance owing to MCC Ramu NiCo Limited for its 8.56% share of capped development costs plus accumulated interest for monies paid by MCC Ramu NiCo Limited to lenders on behalf of the Highlands Group up to January 1, 2015. This debt is non-recourse to Highlands and are to be repaid by Ramu Nickel Limited out of its share of operating surpluses less ongoing capital expenditure requirements.

10. Royalty Contracts

As of June 30, 2019 and December 31, 2018, the Conic Metals Portfolio's Royalty Contracts consisted of the following:

Royalty Name	Owner	Property Location	Stage	Primary Metal(s)	Royalty Type and %	Carrying value
Dumont Project	8248567 Canada Limited	Québec	Development	Ni-Co	1.75% NSR	$15,263,086
Turnagain Project	Giga Metals Corporation	British Columbia	Exploration	Ni-Co	2% NSR	$7,362,263
Triangle Property	New Found Gold Corp. (formerly Palisade Resources Corp.)	Ontario	Exploration	Co-Ag	2% Co NSR	$190,362
Rusty Lake Property	New Found Gold Corp. (formerly Palisade Resources Corp.)	Ontario	Exploration	Co-Ag	2% Co NSR	$190,362
Professor & Waldman Properties[(1)]	New Found Gold Corp. (formerly Palisade Resources Corp.)	Ontario	Exploration	Co-Ag	2% Co NSR	$190,357
North Canol Properties[(1)]	Golden Ridge Resources Ltd.	Yukon	Exploration	Ag-Pb-Zn-Co	2% Co NSR	$38,072
Sunset Mineral Corp.	Three Individuals	British Columbia	Exploration	Cu-Zn-Co	2% Co NSR	$38,072
Total Royalty Contracts as at December 31, 2018						**$23,272,574**
Flemington Project	Australian Mines Ltd.	Australia	Exploration	Ni-Co-Sc	1.5% GRR	$1,943,514
Nyngan Project	Scandium International Mining Corp.	Australia	Development	Sc- Ni-Co	1.7% GRR	$971,757
Total Royalty Contracts as at June 30, 2019						**$26,187,845**

(1) Two separate mineral properties to which a Co NSR applies.

11. Accounts payable and accrued liabilities

	As at June 30, 2019	As at December 31, 2018
Accounts payable	**$ 787,013**	$ 623,043
Accrued liabilities	**527,376**	541,776
Amounts due to related parties	**53,210**	852,149
	$ 1,367,599	$ 2,016,968

12. Non-recourse debt

	As at June 30, 2019	As at December 31, 2018
Loan from MCC Ramu NiCo Limited - current	**$ 9,413,000**	$ -
Loan from MCC Ramu NiCo Limited - non-current	**111,251,503**	-
	$ 120,664,503	$ -

These loans relate to Cobalt 27's interest (held in the wholly owned subsidiary Ramu Nickel Limited) in the Ramu Nickel operation and are owing to MCC Ramu NiCo Limited. As part of the Joint Venture Agreement with MCC Ramu NiCo Limited, MCC Ramu NiCo Limited was responsible for development and financing of the mine. These loans represent Cobalt 27's 8.56% share of principal repayments (capped to a specified development threshold) and interest repayments made by MCC Ramu NiCo Limited to third party lenders on behalf of Cobalt 27, plus any accumulated interest charged by MCC Ramu NiCo Limited. The loans are held in Cobalt 27's wholly owned subsidiary Ramu Nickel Limited and are non-recourse to the rest of Cobalt 27 or its wholly owned subsidiaries. (See note 9(iii)).

The loans bear interest of 5.05% and are to be repaid out of Highlands' share of operating surpluses (sales revenue less operating costs and on-going capital expenditure).

13. Share Based Payments

100% of the share based compensation expense has been allocated to the condensed interim carve-out financial statement of Conic Metals Portfolio, refer to note 2.

(i) Stock Options

Cobalt 27 has a stock option plan in place under which it is authorized to grant options of up to 10% of its outstanding shares to officers, employees, directors, advisors and consultants. The exercise price is determined by the Board of Directors provided the minimum exercise price is set at the Company's closing share price on the day before the grant date. The options can be granted for a maximum term of ten years and vesting terms are determined by the Board of Directors at the date of grant.

The following table reflects the continuity of stock options for the six-month periods ended June 30, 2018 and June 30, 2019:

	Number of stock options	Weighted average exercise price (CAD$)
Balance, December 31, 2017	**663,750**	**7.92**
Granted [(1)]	485,000	11.80
Balance, June 30, 2018	**1,148,750**	**9.56**
Balance, December 31, 2018	**1,148,750**	**9.56**
Granted [(2)]	760,000	4.44
Balance, June 30, 2019	**1,908,750**	**7.52**

13. Share Based Payments (Continued)

(i) Stock Options (continued)

(1) On January 10, 2018, Cobalt 27 granted a total of 485,000 stock options to certain directors, officers, advisors and consultants of Cobalt 27 pursuant to Cobalt 27's stock option plan. The stock options are exercisable at a price of CAD$11.80 per share, expire on January 10, 2023 and vested immediately. The fair value of the stock options was estimated to be $1,413,306 using the Black-Scholes option pricing model on the following assumptions: exercise price of CAD$11.80, risk free interest rate of 1.95%, an expected life of 2.5 years inclusive of an assumed forfeiture rate and an expected volatility of 50%. During the three and six months ended June 30, 2018, share based compensation of $nil and $1,413,306, respectively was recorded in the carve-out statements of net and comprehensive income (loss).

(2) On January 11, 2019, Cobalt 27 granted a total of 760,000 stock options to certain directors, officers, advisors and consultants of Cobalt 27 pursuant to Cobalt 27's stock option plan. The stock options are exercisable at a price of CAD$4.44 per share and expire on January 11, 2024. These stock options vest as follows: 1/3 immediately and 1/3 annually over 2 years. The fair value of the stock options was estimated to be $1,140,939 using the Black-Scholes option pricing model on the following assumptions: exercise price of CAD$4.44, risk free interest rate of 1.89%, an expected life of 5 years inclusive of an assumed forfeiture rate and an expected volatility of 50%. During the three and six months ended June 30, 2019, share based compensation of $174,620 and $782,674, respectively was recorded in the carve-out statements of net and comprehensive income (loss).

The following table reflects Cobalt 27's stock options outstanding and exercisable as at June 30, 2019:

Options outstanding	Options exercisable	Grant date fair value ($)	Weighted average exercise price (CAD$)	Weighted average remaining contractual life (years)	Expiry date
153,750	153,750	388,818	4.33	2.75	March 31, 2022
510,000	510,000	1,086,949	9.00	3.11	August 7, 2022
485,000	485,000	1,413,306	11.80	3.53	January 10, 2023
760,000	316,667	1,140,939	4.44	4.54	January 11, 2024
1,908,750	**1,465,417**	**4,030,012**	**7.52**	**3.76**	

ii) Restricted share units ("RSU")

On August 6, 2017, Cobalt 27 adopted a Restricted Share Unit Plan (the “RSU Plan”). The maximum aggregate number of shares reserved for issuance under the RSU Plan, together with Cobalt 27’s existing Stock Option Plan (as approved by its shareholders on May 18, 2017), shall not exceed a combined total of 10% of Cobalt 27’s issued and outstanding shares. In addition, the RSU Plan sets out certain other restrictions in respect of grants to certain participants under the RSU Plan in accordance with the rules of the TSX-V. Cobalt 27 granted RSU's before the Plan was approved by the shareholders and TSX-V and these RSUs were valued at the stock price at the end of each reporting period. When the Plan was approved in August, 2018, the expense related to the RSU's then granted was adjusted to the fair value per share as of August 14, 2018.

The grant date fair value of the RSUs equals the fair market value of the corresponding shares at the grant date. The grant date fair value of the awards is recognized as compensation expense over the period that related services are rendered with a corresponding increase in owner's net investment. The total amount expensed is recognized over the vesting period, which is the period over which all the specified vesting conditions should be satisfied.

13. Share Based Payments (Continued)

ii) Restricted share units ("RSU") (continued)

On January 11, 2019, 913,000 RSUs were granted to certain employees and officers, which vested as follows: 318,000 immediately, 120,000 monthly over 1 year and 475,000 1/3 annually over 3 years. On January 10, 2018, 175,000 RSUs were granted to certain officers and a director, which vested immediately. On August 7, 2017, 700,000 RSUs were granted to certain officers which vest over three years on a monthly basis from the date of issuance. For the three and six months ended June 30, 2019, the Conic Metals Portfolio recorded compensation expense of $2,238,350 and $2,437,194, respectively (three and six months ended June 30, 2018 - $(1,449,784) and $1,493,650, respectively).

During the six months ended June 30, 2019, 178,680 RSUs were converted into common shares and 306,456 were settled for cash proceeds of $1,001,719. As at June 30, 2019, there were 794,517 RSUs outstanding (December 31, 2018 - 366,653). The weighted average fair value of RSU's granted during the six months ended June 30, 2019 was CAD$4.44 per share (December 31, 2018 - CAD$3.30).

14. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions are recorded at the exchange amount, being the amount agreed to between the related parties.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of Conic Metals Portfolio directly or indirectly. Key management personnel for Conic Metals Portfolio was considered to be the same as those for Cobalt 27 and include Cobalt 27's executive officers and members of the Board of Directors.

Remuneration of key management personnel of Conic Metals was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	**2018**	**2019**	**2018**
Consulting fees and salaries [1][2]	**$ 217,894**	$ 104,697	**$ 438,252**	$ 209,395
Directors fees[2]	**102,489**	41,864	**181,591**	88,185
Share based compensation	**1,516,448**	(1,449,784)	**2,371,223**	2,528,132
	$ 1,836,831	$ (1,303,223)	**$ 2,991,066**	$ 2,825,712

[1] Consulting fees and salaries paid to the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer for their services.

[2] Included in accounts payable and accrued liabilities are fees owing to officers and directors of $53,210 as at June 30, 2019 (December 31, 2018 - $852,149).

[3] Included in amounts receivable and other assets is an amount of $189,698 owed by an officer as at June 30, 2019 (December 31, 2018 - $199,140).

15. Financial Instruments

Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value, by reference to the reliability of the inputs used to estimate the fair values.

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date;

Level 2: Valuations based on directly or indirectly observable inputs for the asset or liability, other than quoted Level 1 prices, such as quoted interest rates or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not observable, such as discounted cash flow methodologies based on internal cash flow forecasts.

As of June 30, 2019, the Conic Metals Portfolio's financial instruments consist of amounts receivable, investments, accounts payable and accrued liabilities and non-recourse debt. Investments are stated at fair value and classified within Level 1. The fair values of amounts receivable and accounts payable and accrued liabilities approximate their carrying values because of the short-term nature of these instruments. The non-recourse debt is stated at amortized cost.

16. Financial Risks

The Conic Metals Portfolio's risk exposures and the impact on the Conic Metals Portfolio's financial instruments are summarized below:

Credit Risk

Credit risk is the risk of loss due to a counter-party’s inability to meet its obligations under a financial instrument or contractual agreement that will result in a financial loss to the Conic Metals Portfolio. The Conic Metals Portfolio’s credit risk exposure includes the carrying amounts of amounts receivable. The Conic Metals Portfolio believes no impairment is necessary in respect of amounts receivable from MCC Ramu NiCo Limited and other receivables as balances are monitored on a regular basis with the result that exposure to bad debt is insignificant.

Liquidity risk

Financial liquidity represents the Conic Metals Portfolio's ability to fund future operating activities. Although the Conic Metals Portfolio may enter into commitments to purchase additional royalties, streams and direct interests in mineral properties those commitments are normally funded by use of the Conic Metals Portfolio's available cash or are contingent on its ability to raise funds, refer to going concern disclosures in note 2. The accounts payable and accrued liabilities are due within the next 12 months. The non-recourse debt is due as follows: $9,413,000 within the next 12 months and $111,251,503 after 12 months, however this loan is repayable from the Conic Metals Portfolio's share of operating surplus.

16. Financial Risks (Continued)

Market risk

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate fluctuations as a result of its borrowings. As at June 30, 2019, the Company has estimated that a 1% decrease or increase in the interest rate, all other variables remaining constant, the result would be a decrease or increase in net income before taxes of $603,000.

(ii) Foreign currency risk

Foreign currency risk arises from transactions and recognized assets and liabilities denominated in a currency that is not the Conic Metals Portfolio's functional currency. The Conic Metals Portfolio's functional currency is United States dollars. The Conic Metals Portfolio incurs expenses in Canadian dollars and Australian dollars. As at June 30, 2019, the Conic Metals Portfolio had approximately CAD$495,000 of net assets and AUD$162,000 of net liabilities. As at June 30, 2019, the Company has estimated that a 5% decrease or increase in the value of the Canadian and Australian dollars, all other variables remaining constant, the result would be a decrease or increase in net income before taxes of $13,000.

(iii) Price risk

The Conic Metals Portfolio is exposed to price risk with respect to share prices. The value of the Conic Metals Portfolio's investments in Minerva and Giga may be adversely affected by a decline in share price of Minerva and Giga.

As at June 30, 2019, the Conic Metals Portfolio estimated that a 5% decrease or increase in the share price of Minerva and Giga, all other variables remaining constant, would result in a corresponding decrease or increase in income before taxes of $35,000.

17. Segmented Information

The Conic Metals Portfolio operates in three (2018 - one) reportable operating segments, being the royalties, Ramu Nickel Mine and corporate activities. Operating segment information is as follows:

Three Months Ended June 30, 2019	Royalties	Ramu Nickel Mine	Corporate	Total
Equity loss from Highlands Pacific Limited	$ -	$ -	$ (877,452)	$ (877,452)
Equity income from Ramu Nickel Mine	-	2,663,470	-	2,663,470
Operating expenses	-	-	(4,054,818)	(4,054,818)
Financing costs	-	(759,210)	6,549	(752,661)
Foreign exchange loss	-	-	(195,220)	(195,220)
Deferred tax expense	-	-	(31,748)	(31,748)
Net income (loss)	**$ -**	**$ 1,904,260**	**$ (5,152,689)**	**$ (3,248,429)**

17. Segmented Information (Continued)

Six Months Ended June 30, 2019	Royalties	Ramu Nickel Mine	Corporate	Total
Equity loss from Highlands Pacific Limited	$ -	$ -	$ (1,451,629)	$ (1,451,629)
Equity income from Ramu Nickel Mine	-	2,663,470	-	2,663,470
Operating expenses	-	-	(5,891,478)	(5,891,478)
Financing costs	-	(759,210)	6,549	(752,661)
Foreign exchange loss	-	-	(74,750)	(74,750)
Deferred tax recovery	-	-	314,113	314,113
Net income (loss)	**$ -**	**$ 1,904,260**	**$ (7,097,195)**	**$ (5,192,935)**
Assets	**$ 26,187,845**	**$188,172,287**	**$ 5,756,169**	**$ 220,116,301**

Three Months Ended June 30, 2018	Royalties	Corporate	Total
Operating expenses	$ -	$ (168,572)	$ (168,572)
Foreign exchange gain	-	165,626	165,626
Net loss	**$ -**	**$ (2,946)**	**$ (2,946)**

Six Months Ended June 30, 2018	Royalties	Corporate	Total
Operating expenses	$ -	$ (5,233,593)	$ (5,233,593)
Net loss	**$ -**	**$ (5,233,593)**	**$ (5,233,593)**
Assets	**$ 15,910,311**	**$ 15,167,858**	**$ 31,078,169**

The Conic Metals Portfolio has an administrative office in Canada and the Ramu Nickel Mine in Papua New Guinea. Geographical information is as follows:

As at June 30, 2019	Canada	Papua New Guinea	Australia	Total
Current assets	$ 704,615	$ -	$ 4,273,719	$ 4,978,334
Non-current assets	23,972,307	188,172,287	2,993,373	215,137,967
Total assets	**$ 24,676,922**	**188,172,287**	**$ 7,267,092**	**$220,116,301**

As at December 31, 2018	Canada	Papua New Guinea	Australia	Total
Current assets	$ 306,959	-	$ -	$ 306,959
Non-current assets	23,461,489	-	7,343,646	30,805,135
Total assets	**$ 23,768,448**	**-**	**$ 7,343,646**	**$ 31,112,094**

18. Subsequent Events

(i) As of July 19, 2019, the LME official closing cash settlement price for nickel was above US$13,220 per tonne for a period of 5 consecutive trading days which triggered the payment of the scheme contingent consideration of AUD$0.01 per share to Highlands shareholders. The Company had previously funded an escrow account on closing of the Scheme on May 17, 2019 and funds from that escrow account were released to satisfy the contingent scheme consideration due to Highlands shareholders.

(ii) On October 1, 2019, the Arrangement Agreement was amended to increase cash consideration to $4.00 per share from $3.57 per share, representing an additional $30 million of cash consideration to Cobalt 27 shareholders. In addition, the amendment reduced the change of control payments for management; reduced the termination fee payable to Pala in the event of a superior proposal; and increased Pala's interest in Conic Metals from 4.9% to 9.9%.

(iii) The Arrangement Agreement was approved by Cobalt 27’s shareholders at an annual general and special meeting held on October 11, 2019, and the Supreme Court of British Columbia on October 16, 2019. The Arrangement Agreement was closed on October 25, 2019.

APPENDIX E
Highlands Pacific Financial Statements

See attached.

FINANCIALS

20 Statements of Comprehensive Income

21 Statements of Changes in Equity

22 Statements of Financial Position

23 Statements of Cash Flows

24 Notes to the Financial Statements

52 Directors' Declaration

53 Independent Auditor's Report to the Members

STATEMENTS OF COMPREHENSIVE INCOME

For the Year Ended 31 December 2016

		Consolidated		Holding Company	
		2016	2015	2016	2015
	Notes	US$000	US$000	US$000	US$000
Finance Income		90	72	-	-
Other income		5	8	-	-
Total Income	2	**95**	**80**	**-**	**-**
Restructure and redundancy costs		1,031	-	-	-
General and administrative costs		3,006	4,067	-	-
Exploration and development costs		-	-	-	-
Depreciation and amortisation		66	73	-	-
Net foreign exchange loss		194	174	-	-
Total Operating Costs	3	**4,297**	**4,314**	**-**	**-**
Net operating costs		**(4,202)**	**(4,234)**	**-**	**-**
Interest expense	10	(6,265)	(5,663)	-	-
Reversal of provision of exploration costs	9	576	20,328	-	-
Impairment of subsidiary advances	12	-	-	(310)	(38,858)
Impairment of non-current assets	10	(390)	(73,856)	-	(7,856)
Reversal of impairment of non-current assets	10	-	666	-	-
Share of operating loss of equity accounted investment	10	(5,554)	(5,253)	-	-
Profit (Loss) from operation before income tax		**(15,835)**	**(68,012)**	**(310)**	**(46,714)**
Income tax expense	4	-	-	-	-
Profit (Loss) for the period		**(15,835)**	**(68,012)**	**(310)**	**(46,714)**
Other comprehensive income for the period		**-**	**-**	**-**	**-**
Total comprehensive income for the period		**(15,835)**	**(68,012)**	**(310)**	**(46,714)**
Basic earnings per share	5	US($0.017)	US($0.074)		
Diluted earnings per share	5	US($0.017)	US($0.074)		

These Statements of Comprehensive Income are to be read in conjunction with the accompanying notes.

STATEMENTS OF CHANGES IN EQUITY

For the Year Ended 31 December 2016

	Notes	Share Capital US$000	Reserves US$000	Retained Earnings US$000	Total US$000
CONSOLIDATED					
Year Ended 31 December 2016					
Balance as at 1 January 2016		303,913	(5,149)	(289,973)	8,791
(Loss) for the period		-	-	(15,835)	(15,835)
Transactions with owners in their capacity as owners					
Share based payments	25	-	767	-	767
Issue of share capital	16	(2)	-	-	(2)
Balance as at 31 December 2016		**303,911**	**(4,382)**	**(305,808)**	**(6,279)**
Year Ended 31 December 2015					
Balance as at 1 January 2015		303,914	(5,588)	(221,961)	76,365
(Loss) for the period		-	-	(68,012)	(68,012)
Transactions with owners in their capacity as owners					
Share based payments	25	-	439	-	439
Issue of share capital	16	(1)	-	-	(1)
Balance as at 31 December 2015		**303,913**	**(5,149)**	**(289,973)**	**8,791**
HOLDING COMPANY					
Year Ended 31 December 2016					
Balance as at 1 January 2016		303,913	(1,667)	(272,025)	30,221
(Loss) for the period		-	-	(310)	(310)
Transactions with owners in their capacity as owners					
Share based payments	25	-	767	-	767
Issue of share capital	16	(2)	-	-	(2)
Balance as at 31 December 2016		**303,911**	**(900)**	**(272,335)**	**30,676**
Year Ended 31 December 2015					
Balance as at 1 January 2015		303,914	(2,106)	(225,311)	76,497
(Loss) for the period		-	-	(46,714)	(46,714)
Transactions with owners in their capacity as owners					
Share based payments	25	-	439	-	439
Issue of share capital	16	(1)	-	-	(1)
Balance as at 31 December 2015		**303,913**	**(1,667)**	**(272,025)**	**30,221**

These Statements of Changes in Equity are to be read in conjunction with the accompanying notes.

STATEMENTS OF FINANCIAL POSITION

For the Year Ended 31 December 2016

		Consolidated		Holding Company	
		2016	2015	2016	2015
CURRENT ASSETS	**Notes**	**US$000**	**US$000**	**US$000**	**US$000**
Cash and cash equivalents	6	10,526	8,990	-	-
Receivables	7	1,444	6,656	-	-
		11,970	**15,646**	**-**	**-**
NON-CURRENT ASSETS					
Property, plant and equipment	8	184	234	-	-
Exploration & evaluation expenditure	9	37,100	36,487	-	-
Investment in Ramu Nickel mine	10	82,000	85,000	-	-
Investment in subsidiaries	11	-	-	9,545	9,545
Advances to subsidiaries	12	-	-	21,134	20,679
		119,284	**121,721**	**30,679**	**30,224**
TOTAL ASSETS		**131,254**	**137,367**	**30,679**	**30,224**
CURRENT LIABILITIES					
Trade and other payables	13	2,005	2,472	-	-
Borrowings	14	4,381	2,000	-	-
Provisions	15	122	289	-	-
		6,508	**4,761**	**-**	**-**
NON-CURRENT LIABILITIES					
Advances from subsidiaries	12	-	-	3	3
Borrowings	14	131,001	123,796	-	-
Provisions	15	24	19	-	-
		131,025	**123,815**	**3**	**3**
TOTAL LIABILITIES		**137,533**	**128,576**	**3**	**3**
NET ASSETS/LIABILITIES		**(6,279)**	**8,791**	**30,676**	**30,221**
SHAREHOLDERS' EQUITY					
Contributed equity	16	303,911	303,913	303,911	303,913
Reserves	17	(4,382)	(5,149)	(900)	(1,667)
Retained losses		(305,808)	(289,973)	(272,335)	(272,025)
TOTAL SHAREHOLDERS' EQUITY		**(6,279)**	**8,791**	**30,676**	**30,221**

For, and on behalf of, the Board

Ken MacDonald
Chairman

28 March 2017

Craig Lennon
Managing Director

These Statements of Financial Position are to be read in conjunction with the accompanying notes.

STATEMENTS OF CASH FLOWS

For the Year Ended 31 December 2016

		Consolidated		Holding Company	
		2016	2015	2016	2015
CASH FLOW FROM OPERATING ACTIVITIES	**Notes**	**US$000**	**US$000**	**US$000**	**US$000**
Receipt from other operations		5	8	-	-
Interest from investments		84	77	-	-
Income tax refund (paid)		3	(2)	-	-
Payments to suppliers and employees		(4,214)	(4,662)	-	-
Net cash used in operating activities	22	**(4,122)**	**(4,579)**	-	-
CASH FLOW FROM INVESTING ACTIVITIES					
Advance from (to) subsidiaries		-	-	2	1
Receipt from recovery of exploration costs		5,615	5,709	-	-
Contribution from joint venture partners		9,316	9,292	-	-
Purchase of property, plant and equipment	8	(16)	(12)	-	-
Exploration, evaluation and development		(9,061)	(8,351)	-	-
Net cash used in investing activities		**5,854**	**6,638**	**2**	**1**
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from issue of ordinary shares	16	-	-	-	-
Costs associated with issue	16	(2)	(1)	(2)	(1)
Net cash from financing activities		**(2)**	**(1)**	**(2)**	**(1)**
NET INCREASE (DECREASE) IN CASH AND					
CASH EQUIVALENTS		**1,730**	**2,058**	**-**	**-**
Add cash brought forward		8,990	7,106	-	-
Effect of exchange rate change on cash and cash equivalents		(194)	(174)	-	-
CASH AND CASH EQUIVALENTS CARRIED FORWARD		**10,526**	**8,990**	-	-
CASH COMPRISES					
Cash and cash equivalents	6	**10,526**	**8,990**	**-**	**-**

These Statements of Cash Flows are to be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Highlands Pacific Limited (the Company or the Holding Company) and its subsidiaries (together the Group) invest in and carry out exploration, evaluation and development activities in the resource industry. All the Group's current activities are carried out in Papua New Guinea, where the Company is incorporated and domiciled. The registered office is in Port Moresby, Papua New Guinea.

The Company is listed on both the Australian Stock Exchange and the Port Moresby Stock Exchange.

The consolidated financial statements were authorised for issue by the Board of Directors on 28 March 2017. The Company has the power to amend and revise the financial report.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements are presented in accordance with the Papua New Guinea Companies Act 1997, and comply with International Financial Reporting Standards ("IFRS") and other generally accepted accounting practice in PNG. These financial statements have been prepared on an historical cost basis. The methods used to measure fair value are discussed further in accounting policy note 1(j).

The preparation of financial statements in accordance with IFRSs requires a use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in policy note 1(s).

The Group has a total operating cash outflow of US$4.1 million for the year ended 31 December 2016 (2015: US$4.5 million) and a net asset position of negative US$6.3 million (2015: positive US$8.8 million) as a result of the impairment in the Ramu Nickel mine and the loan which is non recourse to the Group.

Cash held at bank as at 31 December 2016 was US$10.5 million (2015: US$9.0 million). In February 2016, the Group received the second tranche of US$5 million from Anglo American for the acquisition of its initial interest in the Star Mountain project. Refer notes 7 and 9.

The Group holds interests in three mining projects at various stages ranging from appraisal to production.

The Group's share of the Star Mountain project's exploration expenditure is the responsibility of Anglo American up to the date of completion of a definitive feasibility study. Refer note 9.

Frieda River Limited, (a wholly owned subsidiary of PanAust Limited, which is in turn a wholly owned subsidiary of Guangdong Rising Assets Management Co Ltd) (from hereon, collectively referred to as "GRAM") is responsible for the completion of a feasibility study and 100% of the costs to maintain the Frieda River project site, assets and community relations programs up to the date of lodgement of the Special Mining Lease ("SML") application accompanied by the requisite completed feasibility study.

PanAust Limited, on behalf of the Frieda River Joint Venture, submitted a SML application to the PNG Mineral Resources Authority on 24 June 2016. This lodgement satisfied a condition of the key Exploration License (EL58) that an application for a SML in respect of the Frieda River project be made on or before 30 June 2016.

A peer review of the feasibility study completed by GRAM in May 2016 was conducted by international minerals industry consulting group, Behre Dolbear Australia ("BDA") to determine if, in their view it complied with the Joint Venture Agreement ("EDMOA"). BDA in their January 2017 report also considered information subsequently provided by GRAM in November 2016 which covers various aspects of the proposed development and dealing with deficiencies identified by BDA. GRAM have since the January 2017 report provided further information to BDA in February 2017 which is referred to as Frieda River Study Addendum. Reference is made to our ASX Announcement dated 19 January 2017 and 3 March 2017.

The Group remains of the view that the feasibility study requires further work to achieve the required standard obligated by the EDMOA, in particular, in relation to the Integrated Storage Facility ("ISF"). Refer note 9.

The Group's borrowings of US$135 million include US$129 million for the Group's interest in the Ramu Nickel mine and are owing to MCC Ramu NiCo Limited. These borrowings are held in the Group's wholly owned subsidiary Ramu Nickel Limited and are non-recourse to the Group or Parent entity Highlands Pacific Limited and are to be repaid out of the Group's share of operating surpluses from the Ramu Nickel mine (sales revenue less operating costs and on-going capital expenditure) rather than operating or financing cashflows generated by the remainder of the Group. The Group's borrowings in the Frieda River Limited project of US$6 million relate to the Carried Funding Loan. Refer note 14.

At this time, the Directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial statements as at 31 December 2016. No adjustments have been made to the financial statements relating to the recoverability and classification of the asset carrying amounts or the classification of liabilities that might be necessary should the Group not continue as a going concern. Accordingly, not withstanding the net liability position at 31 December 2016 the directors have prepared the financial report on a going concern basis.

Early adoption of standards

The Group did not elect to apply any new or amended standards before their operative date in the annual reporting period beginning 1 January 2016.

New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2016.

The following new standards, amendments and interpretations are mandatory for the first time for the financial year beginning 1 January 2016, but did not have a significant impact on the entity:

- Amendments to IAS 27 'Separate financial statements' on the equity method. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

- Annual improvements 2014 makes minor changes to IFRS 5, IFRS 7, IAS 19 and IAS 34
- Amendments to IAS 1 'Presentation of Financial Statements' form a part of the IASB's Disclosure Initiative and clarify guidance in IAS 1

(b) Principles of consolidation

i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Highlands Pacific Limited as at 31 December 2016 and the results of all subsidiaries for the year then ended. Highlands Pacific Limited and its subsidiaries together are referred to in this financial report as the Group or the Consolidated Entity.

Subsidiaries are all those entities (including Special Purpose Entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Highlands Pacific Limited (less impairment if any).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

ii) Joint Ventures

The Group has interests in various joint ventures. The Group does not have joint control in relation to the Ramu, Frieda River and Star Mountain projects and accordingly these are not joint operations or joint ventures as defined by IFRS 11 Joint Arrangements. The interests in the projects are accounted for at cost less impairment with interests being equity accounted for once the project reaches production.

iii) Associates

Associates are all entities or ventures over which the group has significant influence but not control or joint control.

Investments in associates are accounted for using the equity method of accounting (see (iv) below) after initially being recognised at cost.

iv) Equity Method of Accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity. Unrealised gains on transactions are eliminated to the extent of the interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Company.

(c) Segment reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. The Group operates predominately in the exploration, evaluation and development industry in Papua New Guinea.

(d) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in US dollars, which is the Group's functional and presentation currency. The Board has determined that the primary economic environment in which the Group operates is determined by the US dollar, as the Group's investment process is based on US dollars and the majority of its likely future revenue streams are in US dollars or currencies related to US dollars.

Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised in the statement of comprehensive income.

(e) Revenue recognition

Interest income is recognised on a time proportion basis using the effective interest rate method.

(f) Income tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

(g) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (refer note 23). Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

(h) Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts.

(i) Receivables

Other receivables are recognised at original amount receivable less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

(j) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques.

The carrying value less impairment provisions of other receivables and payables are assumed to approximate their fair values due to their short-term nature.

(k) Property, Plant and Equipment

The cost of purchased property, plant and equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service.

An asset's carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit. Where re-valued assets are sold, the amounts included in fair value and other reserves are transferred to retained earnings.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

The depreciation on property, plant and equipment relating to general operations is calculated on a straight line basis to write off the cost or re-valued amount of each asset to their residual value over their estimated useful lives as follows:

Buildings	20 – 50 years
Plant and Equipment	5 – 10 years
Motor Vehicles	3 – 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

(l) Exploration and evaluation expenditure

Cumulative exploration, evaluation and development expenditure incurred by or on behalf of the Group is carried forward as an asset when it is incurred in relation to separate areas of interest for which rights of tenure are current. Cost includes the cost of acquisition, exploration, evaluation and development, and an allocation of overhead costs associated with these functions.

Cumulative exploration and evaluation expenditure for each area of interest is provided against unless the expenditure is expected to be recouped through successful development and exploration, or alternatively, sale of the area. Exploration expenditure in the areas of interest which have not reached a stage which permits a reasonable assessment of economically recoverable mineral reserves are fully provided for.

When an area of interest is abandoned, any expenditure carried forward in respect to that area is written off, firstly against any existing provision for that expenditure with any remaining balance being charged to earnings. Upon commencement of development, accumulated expenditure is transferred from exploration and evaluation expenditure and is carried forward with development expenditure until the commencement of mining operations, at which time the expenditure is transferred to mining properties and property, plant and equipment.

(m) Impairment of long life assets

Property, plant and equipment and other non-current assets, including investments in mine development and exploration are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or a previous impairment needs to be reversed. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount and an impairment reversal is recognised for the amount by which the carrying amount of the assets is below the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts disclosed as current liabilities are unsecured and are usually paid within 60 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(o) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(p) Employee benefits

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' service up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Accumulated sick leave is not accrued and not payable on cessation of employment.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting date regardless of when the actual settlement is expected to occur.

Retirement benefit obligations

The Group contributes to a number of defined contribution plans for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods. For defined contribution plans, the Group pays contributions to a privately administered pension plan on a mandatory basis. Once the contributions have been paid, the Group has no further payment obligations. The regular contributions constitute net periodic costs for the year in which they are due and as such are included in staff costs.

Share-based payments

Share–based compensation benefits are provided to employees via the Executive Option Scheme and the Performance Rights Plan. Information relating to these are set out in note 25.

The fair value of the options and rights granted are recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options and rights.

The fair value at grant date is independently determined using a Black-Scholes option pricing model or Monte Carlo simulations that takes into account the exercise price, the term of the option / right, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option / right, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option and right.

The fair value of the options and rights granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options and rights that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options and rights that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

(q) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(r) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Group, excluding the costs of servicing equity holders other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(s) Critical accounting judgements, estimates and assumptions

Judgements, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances. The Group makes judgements, estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below

Carrying value of exploration, evaluation and development expenditure and mine property

The Group, on each reporting date, tests whether the carrying value of long life assets, such as investments in exploration and evaluation expenditure, development expenditure, and property, plant and equipment, have suffered any impairment. The assessment of the carrying amount often requires estimates and assumptions such as discount rates, exchange rates, commodity prices, operating costs, capital costs and production rates. The impairment testing for the current year for the Group's interest in the Ramu Nickel mine, has been based on a real discount rate of 11.57%, proved and probable reserves, long term nickel prices of US$8.27/lb and cobalt prices of US$13.41/lb, and operating costs consistent with operator plans and historical data.

(t) New accounting standards

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2016 period. The Consolidated Entity's assessment of the impact of these new standards and interpretations on the financial report is set out below.

- Amendments to IAS 7 'Statement of Cash Flows' on disclosure initiative (effective 1 January 2017). These amendments to IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.
- Amendments to IFRS 2 'Share based payments' on clarifying how to account for certain types of share-based payment transactions (effective 1 January 2018). This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.
- IFRS 9 "Financial Instruments" (effective 1 January 2018) replaces the guidance in IAS 39 with a standard that is less complex and principles based. The new standard addresses the classification, measurement and de-recognition of financial assets and financial liabilities.
- IFRS 16, "Leases" (effective 1 January 2019) replaces the guidance in IAS 17 and will have a significant impact on accounting by lessees. The previous distinction under IAS 17 between finance leases and operating leases for lessees has been removed and IFRS 16 will require a lessee to recognise a lease liability representing future lease payments and a 'right-of-use asset' for virtually all lease contracts. There is an optional exemption for certain short-term leases and leases of low-value assets. For lessees who previously entered into operating leases, one of the main impacts will be an increase in debt on the balance sheet.

The Group will adopt the new standards and amendments as and when they become effective. The Group has conducted initial investigations and does not consider that standards that are not yet effective will have a material impact on the entity in the current or future reporting periods and on foreseeable transactions.

(u) Rounding

The financial statements have been rounded to the nearest thousand dollars.

2. REVENUE

	Consolidated		Holding Company	
	2016	2015	2016	2015
	US$000	US$000	US$000	US$000
Finance Income				
Interest income	90	72	-	-
Other Income				
Rental income	5	8	-	-

3. EXPENSES

		Consolidated		Holding Company	
		2016	2015	2016	2015
	Notes	US$000	US$000	US$000	US$000
Total operating costs		4,297	4,314	-	-
Operating costs are stated after charging / (crediting):					
Restructure and redundancy costs		1,031	-	-	-
General and administrative costs					
- salaries and employee benefits		1,709	2,265	-	-
- office costs		644	791	-	-
- consultants costs		122	160	-	-
- non-executive Director fees and benefits		219	250	-	-
- corporate affairs and public relations costs		38	174	-	-
- company secretarial and public listing costs		104	117	-	-
- travel and accomodation costs		32	149	-	-
- audit		103	99	-	-
- other services		35	63	-	-
		3,006	4,067	-	-
Depreciation					
- land and buildings	8	17	17	-	-
- plant and equipment	8	49	56	-	-
		66	73	-	-
Net foreign exchange (gains) losses		194	174	-	-

4. INCOME TAX

	Consolidated		Holding Company	
	2016	2015	2016	2015
Reconciliation of income tax expense to prima facie tax expense	**US$000**	**US$000**	**US$000**	**US$000**
Profit / (loss) before income tax expense for the year	(15,835)	(68,012)	(310)	(46,714)
Income tax (benefit) on the loss for the year at an average of 30% (2015: 30%)	(4,751)	(20,404)	(93)	(14,014)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Impairment of susidiary advances	-	-	93	14,014
Non-deductible interest	1,880	-	-	-
Utilisation of prior year losses not previously brought to account	(811)	(3,510)	-	-
Unrealised foreign exchange gains/losses	46	76	-	-
Sundry non-deductible items	275	(11)	-	-
	(3,361)	**(23,849)**	**-**	**-**
Deferred tax asset not brought to account	3,361	23,849	-	-
Income tax expense	**-**	**-**	**-**	**-**
Tax Losses				
Unused tax losses for which no deferred tax asset has been recognised	1,256	6,456	-	-
Potential tax benefit @ 30% - not recognised	**377**	**1,937**	**-**	**-**
Other deferred tax assets not recognised				
Amounts recognised in profit and loss				
Exploration costs and impairment	137,699	175,313	-	-
Unrealised foreign exchange gains (losses)	9	44	-	-
Provision for employee entitlements	302	567	-	-
	138,010	**175,924**	**-**	**-**
Set off against deferred tax liabilites (below)	(28)	(51)	-	-
Net deferred tax assets not recognised	**137,982**	**175,873**	**-**	**-**
Potential tax benefit @ 30% - not recognised	**41,395**	**52,762**	**-**	**-**
Total deferred tax benefit not recognised	**41,772**	**54,699**	**-**	**-**
Deferred tax liabilities				
Amounts recognised in profit and loss				
Unrealised foreign exchange gains (losses)	(2)	(34)	-	-
Sundry items	(26)	(17)	-	-
	(28)	**(51)**	**-**	**-**
Set-off deferred tax assets associated with carried forward losses and other deferred tax assets not recognised	28	51	**-**	**-**
Net deferred tax liability	**-**	**-**	**-**	**-**

The benefits for tax losses will only be obtained if:

- assessable income of a nature and of an amount sufficient to enable the benefit to be realised is derived,
- conditions of deductibility imposed by law continue to be complied with, and
- no changes in tax legislation adversely affect the ability in realising the benefit.

The tax losses are available to be carried forward for a maximum of 20 years.

There are no income tax impacts relating to other comprehensive income.

5. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares on issue during the year. The diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Basic earnings per share	**2016**	**2015**
Weighted average number of ordinary shares on issue (000)	927,089	920,433
(Loss) / Profit attributable to ordinary equity holders of the company used to calculate basic earnings per share (US$000's)	(15,835)	(68,012)
Basic earnings per share (US$)	(0.0171)	(0.0739)
Diluted earnings per share		
Weighted average number of ordinary shares on issue (000)	927,089	920,433
Adjustments for calculation of diluted earnings per share		
- Options / Performance rights	-	-
Weighted average number of ordinary shares for diluted earnings per share on issue (000)	927,089	920,433
(Loss) attributable to ordinary equity holders of the company used to calculate diluted earnings per share (US$000's)	(15,835)	(68,012)
Diluted earnings per share (US$)	(0.0171)	(0.0739)

Options and rights granted to employees are considered to be potential ordinary shares and included to the extent they are dilutive in the determination of diluted earnings per share. The options and rights have not been included in the determination of basic earnings per share. Details relating to options and rights are set out in note 16.

6. CASH AND CASH EQUIVALENTS

	Consolidated		**Holding Company**	
	2016	**2015**	**2016**	**2015**
	US$000	**US$000**	**US$000**	**US$000**
Cash at bank and in hand	4,408	3,297	-	
Short-term bank deposits	6,118	5,693	-	-
	10,526	**8,990**	**-**	**-**

(a) Reconciliation to cash at the end of the year

The above figures reconcile to cash at the end of the financial year as shown in the statements of cash flows.

(b) Interest rate risk exposure

The Group's and the parent entity's exposure to interest rate risk is discussed in note 24.

(c) Contingent Liability

The Group has given a bank guarantee of US$46,265 (AU$63,937) for the leasing of property at 167 Eagle Street, Brisbane, Australia and US$94,500 (PGK300,000) as a foreign currency dealing.

7. RECEIVABLES

	Consolidated		Holding Company	
	2016	2015	2016	2015
Current	**US$000**	**US$000**	**US$000**	**US$000**
Sundry receivables	58	50	-	-
Receivable from joint venturers*	1,386	1,606	-	-
Other receivable**	-	5,000	-	-
	1,444	**6,656**	**-**	**-**

*Represents an amount owing by MCC Ramu NiCo Limited relating to Highlands' share of the MHP sales of the Ramu Nickel mine. In 2015, this also includes an amount owing by Anglo American plc ("Anglo American") for cash calls relating to Highlands' management of the Star Mountains project.

**In 2015, this represents the second payment from Anglo American for the acquisition of its initial interest in the Star Mountains project. Refer note 9.

8. PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings	Plant & Equip't	Total
CONSOLIDATED - 2016	**US$000**	**US$000**	**US$000**
Cost			
Cost brought forward	232	571	803
Additions	9	7	16
Disposals	-	-	-
Write-off Historical Plant and Equipment	-	(7)	(7)
Cost carried forward	**241**	**571**	**812**
Depreciation			
Brought forward	130	439	569
Charge for the year	17	49	66
Disposals	-	-	-
Write-off Historical Plant and Equipment	**-**	**(7)**	**(7)**
Depreciation carried forward	**147**	**481**	**628**
Net book value at 31 December 2016	**94**	**90**	**184**

CONSOLIDATED - 2015			
Cost			
Cost brought forward	232	559	791
Additions	-	12	12
Disposals	-	-	-
Cost carried forward	**232**	**571**	**803**
Depreciation			
Brought forward	113	383	496
Charge for the year	17	56	73
Disposals	-	-	-
Depreciation carried forward	**130**	**439**	**569**
Net book value at 31 December 2015	**102**	**132**	**234**

There is no property, plant and equipment held by the Company.

9. EXPLORATION & EVALUATION EXPENDITURE

	Frieda	Other	Total
	US$000	US$000	US$000
Balance 1 January 2016	26,887	9,600	36,487
Capitalised during the year:			
- Direct holding cost	455	39	494
- Interest on Frieda carried funding loan	158	-	158
Management fee (reduction of previous exploration expenditure provision)	-	(615)	(615)
Reversal of Provision for exploration costs	-	576	576
Balance 31 December 2016	**27,500**	**9,600**	**37,100**
Balance 1 January 2015	26,500	-	26,500
Capitalised during the year:			
- Direct holding cost	252	(19)	233
- Interest on Frieda carried funding loan	135	-	135
Sale consideration (reduction of previous exploration expenditure provision)	-	(10,000)	(10,000)
Management fee (reduction of previous exploration expenditure provision)	-	(709)	(709)
Reversal of Provision for exploration costs	-	20,328	20,328
Balance 31 December 2015	**26,887**	**9,600**	**36,487**

Frieda

The carrying value of the Group's interest in the Frieda River project is US$27.5 million (2015 US$26.9 million) at the end of the year. The US$0.6 million increase represents Highlands' direct holding costs in overseeing its interest in the Frieda River project and the capitalization of interest on the Carried Funding Loan owed to Frieda River Limited ("FRL").

In assessing the carrying value of the Group's interest in the Frieda River project the Directors have adopted a fair value less cost to sell valuation methodology. The valuation has been based on the transaction between PanAust and Glencore plc previously announced to the market, together with the additional activities and expenditure undertaken by Guangdong Rising Assets Management Co Ltd ("GRAM").

FRL, (a wholly owned subsidiary of PanAust Limited, which is in turn a wholly owned subsidiary of GRAM) is responsible for the completion of a feasibility study and 100% of the costs to maintain the Frieda River project site, assets and community relations programs up to the date of lodgement of the Special Mining Lease ("SML") application accompanied by the requisite completed feasibility study.

PanAust Limited, on behalf of the Frieda River Joint Venture, submitted a SML application to the PNG Mineral Resources Authority on 24 June 2016. This lodgement satisfied a condition of the key Exploration License (EL58) that an application for a SML in respect of the Frieda River project be made on or before 30 June 2016.

A peer review of the feasibility study completed by GRAM in May 2016 was conducted by international minerals industry consulting group, Behre Dolbear Australia ("BDA") to determine if, in their view it complied with the Joint Venture Agreement ("EDMOA"). BDA in their January 2017 report also considered information subsequently provided by GRAM in November 2016 which covers various aspects of the proposed development and dealing with deficiencies identified by BDA. GRAM have since the January 2017 report provided further information to BDA in February 2017 which is referred to as Frieda River Study Addendum. Reference is made to our ASX Announcement dated 19 January 2017 and 3 March 2017.

Highlands remains of the view that the feasibility study requires further work to achieve the required standard obligated by the EDMOA, in particular, in relation to the Integrated Storage Facility ("ISF").

The Group's expenditure to date on the Frieda River project is US$46.6 million.

Other

This represents the Star Mountains project and the Sewa Bay project.

On 11 February 2015, the Group executed Joint Venture and Farm-in agreements for the Star Mountains project with a wholly owned subsidiary of Anglo American. The agreements resulted in Highlands receiving a total of US$10 million from Anglo American, in two tranches of US$5 million each, with Anglo American obtaining an undivided 51% interest in the project and associated property including tenements. As a result of the transaction with Anglo American a carrying value of US$9.6 million was recognised during the 2015 year. The exploration programs managed by the Group on the Star Mountains project and the Sewa Bay project result in the Group receiving

fees, which are applied to previous exploration expenditure, giving a reversal of prior provisions for exploration costs.

The Groups' expenditure to 31 December 2016 on the Star Mountains project, net of receipt of management fees and payments from Anglo American, is US$17.4 million.

10. INVESTMENT IN RAMU NICKEL MINE

	31 Dec 2016	31 Dec 2015
	US$000	US$000
(i) Summarised financial information for Ramu Nickel Mine		
Current Assets	151,884	165,336
Non-current Assets	1,764,717	1,806,680
Current Liabilities	61,343	90,605
Non-current Liabilities	29,952	25,612
Net Assets	1,825,306	1,855,799
Group's share of net assets	156,246	158,856
Provisions for impairment	(74,246)	(73,856)
Investment at recoverable amount	82,000	85,000
Reconciliation to carrying amounts:		
Opening net assets	85,000	160,738
Share of associated entity's production costs	(15,796)	(15,550)
Share of associated entity's other comprehensive income/(loss)	(5,978)	(7,352)
Share of additional contribution	19,164	21,020
Provision for impairment	(390)	(73,856)
Closing net asset	**82,000**	**85,000**
(ii) Interest in Ramu Nickel Mine		
Revenue	17,806	18,882
Other indirect costs	(1,419)	(708)
Share of associated entity's production costs	(15,796)	(15,550)
Share of associated entity's other comprehensive income/(loss)	(5,978)	(7,352)
Direct holding costs	(167)	(525)
Share of associated entity's total comprehensive income/(loss)	**(5,554)**	**(5,253)**
(iii) Sale of MHP Product		
Share of associated entity's MHP Products (Wet Metric Tonnes)	14,221	12,477
Revenue from sales of MHP products	17,804	18,865
Other revenue	2	17
(iv) Loan to MCC Ramu Nico Limited		
Opening balance	119,533	108,100
Further funding for cash calls	2,059	6,993
Sales commission payable to MCC Ramu Nico Limited	702	-
Interest accrued	6,265	5,663
Loan Repayment	-	(1,223)
Additional drawdown	403	-
Closing balance	**128,962**	**119,533**

On 1 January 2015 the Group nominated into the Ramu Nickel mine. From this point the Group commenced receiving its pro-rata share of operating surpluses and will contribute to its share of operating deficits and its share of on-going capital expenditure requirements.

On nomination the Group recognised a loan balance owing by the Group to MCC Ramu NiCo Limited for its 8.56% share of capped development costs plus accumulated interest for monies paid by MCC Ramu NiCo Limited to lenders on behalf of the Group up to 1 January 2015. These borrowings are non-recourse to the Company and the Group (excluding Ramu Nickel Limited) and will be repaid by Ramu Nickel Limited out of its share of operating surpluses ongoing capital expenditure requirements at the current agreed rate of 80% of this net distribution. This repayment methodology is due for re-negotiation prior to 31 December 2017.

The ramp up to nameplate capacity is continuing, for the 2016 year the operation achieved an annualized average production rate of 68%. This was down on target rate of 92% due to a fatality at the Basamuk Process Plant which caused the mine to shut down from 12 April until 21 July 2016. On resumption, the operation achieved a throughput rate of 100% in the December quarter and has continued at this rate into 2017.

The carrying value of the Group's interest in the Ramu Nickel mine has been reduced to US$82 million, this is a result of decline in commodity prices in the short to medium term. In assessing the carrying value of its interest in the Ramu Nickel mine, the Directors have adopted a value in use (VIU) methodology in reference to the present value of the expected future cash flows before financing from 2017 through to 2030. The calculations use cash flow projections based on financial budgets covering the period from 2017 to 2030.

Key assumptions

The key assumptions and estimates used in determining the VIU are related to commodity prices, discount rates, operating costs, exchange rates and capital expenditures.

The following key assumptions were used in impairment and fair value testing:

Assumptions	**2016**	**2015**
Nickel Price	US$5.07 – US$8.27	US$4.90 – US$9.39
Cobalt Price (US/Lb)	US$13.41 – US$14.03	US$12.58 – US$13.70
LOM years	14 years	15 years
Production Rate	100%	90% - 100%
After tax discount rate (Real)	11.57%	10.29%

(Nb. Prices above are nominal.)

Sensitivities

Management performed a sensitivity analysis on commodity price of nickel, which is the key assumption that impacts impairment calculations. While holding all other assumptions constant, a positive 10% movement in the price assumptions range for nickel results in a movement in the present value of future cash flows of approximately US$9 million, while a negative 10% movement results in a reduction of US$8 million.

Holding all other assumption constant, a change in WACC to 11% would result in an increase in the present value of future cashflows of US$3 million and change in WACC to 12% would result in a decrease of US$2 million.

Due to the nature of the assumptions and their significance to the assessment of the recoverable amount of the asset relatively modest changes in one or more assumptions could require a material adjustment (negative or positive) to the carrying value of the related non-current asset within the next reporting period. The inter-relationships of the significant assumptions upon which estimated future cashflows are based are such that it is impracticable to disclose the extent of the possible effects of changes in all key assumptions in isolation.

11. INVESTMENTS IN SUBSIDIARIES

	% Shareholding *	Class of Share	Country of Incorp
Ramu Nickel Limited	100	Ordinary	PNG
Highlands Frieda Limited	100	Ordinary	PNG
Highlands Pacific Resources Limited	100	Ordinary	PNG
Highlands Pacific Australia Pty Limited	100	Ordinary	Australia
Highlands Pacific Services Limited	100	Ordinary	PNG

*No change from the 2015 year.

	Holding Company	
	2016	2015
INVESTMENTS AT COST	**US$000**	**US$000**
Investments in subsidiaries - at cost	130,186	130,186
Less: provision for diminution*	(120,641)	(120,641)
	9,545	**9,545**

*At 31 December 2015, the US$17.4m investment in Ramu Nickel Limited is fully impaired.

12. SUBSIDIARY ADVANCES

	Consolidated		Holding Company	
	2016	2015	2016	2015
	US$000	US$000	US$000	US$000
Advances to subsidiaries				
Advances	-	-	176,071	175,306
Less provision for write-off	-	-	(154,937)	(154,627)
	-	**-**	**21,134**	**20,679**
Advances from subsidiaries				
Advances	-	-	3	3

The advances within the Group are interest free with no set repayment terms, but not expected to be repaid within the next 12 months.

13. TRADE AND OTHER PAYABLES

	Consolidated		Holding Company	
	2016	2015	2016	2015
	US$000	US$000	US$000	US$000
Trade creditors	377	206	-	-
Accruals and other creditors*	1,628	2,266	-	-
	2,005	**2,472**	-	-

*Other creditors include accruals for annual leave. The entire obligation is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave within the next 12 months. Current leave obligations expected to be settled after 12 months are US$37,573 (2015: US$168,000).

14. BORROWINGS

	Consolidated	
	2016	2015
	US$000	US$000
Current		
Loan from MCC Ramu NiCo Limited**	4,381	2,000
Closing Balance	**4,381**	**2,000**

	Consolidated	
	2015	2015
Non-Current	US$000	US$000
Loan from FRL*	6,420	6,263
Loan from MCC Ramu NiCo Limited**	124,581	117,533
	131,001	**123,796**

*The Carried Funding Loan represents the amount owing to FRL (a wholly owned subsidiary of PanAust Limited, which is in turn a wholly owned subsidiary of GRAM) as at 31 December 2016. This loan is as a result of FRL carrying the Group's share of expenditure on the Frieda project from 23 January 2012 up until 25 August 2014, the date on which former joint venture partner Glencore divested its interest. The Carried Funding Loan has been classified as a financial liability in accordance with IAS32 Financial Instruments - Presentation and measured at amortised cost. Interest on the loan of US$157,363 has been accrued and capitalised into the exploration and evaluation expenditure balance, in accordance with IAS 23 Borrowing Costs. This loan balance will continue to accrue interest at a rate of "US$ one month LIBOR" plus 2% and is repayable by Highlands out of production cash flows.

**These borrowings relate to the Group's interest, held in the wholly owned subsidiary Ramu Nickel Limited, in the Ramu Nickel mine and are owing to MCC Ramu NiCo Limited. As part of the Joint Venture Agreement with MCC Ramu NiCo Limited, MCC Ramu NiCo Limited was responsible for development and financing of the mine. These borrowings represent the Group's 8.56% share of principal repayments (capped to a specified development threshold) and interest repayments made by MCC Ramu NiCo Limited to third party lenders on behalf of the Group, plus any accumulated interest charged by MCC Ramu Nico Limited. The borrowings are held in the Group's wholly owned subsidiary Ramu Nickel Limited and are non-recourse to the rest of the Group or Parent entity Highlands Pacific Limited. The borrowings are to be repaid out of the Group's share of operating surpluses (sales revenue less operating costs and on-going capital expenditure) rather than operating and financing cashflows generated by the group. Refer note 10.

15. PROVISIONS

	Consolidated	
	Employee Entitlements	Employee Entitlements
	2016	2015
	US$000	US$000
Opening Balance - long service leave	308	305
Charged for the year	(162)	3
Closing Balance - long service leave	**146**	**308**

	2016	2015
Analysis of total provisions:	US$000	US$000
Current	122	289
Non-Current	24	19
	146	**308**

Employee entitlements for annual leave are classified as "Other Creditors" in accordance with the requirements of International Financial Reporting Standards.

16. CONTRIBUTED EQUITY

(a) Paid Up Capital – Consolidated and Holding Company

	2016 US$000	2015 US$000	2016 Shares 000's	2015 Shares 000's
Balance 1 January	303,913	303,914	920,578	918,695
Issued during the year	-	-	7,200	1,883
Less costs associated with issue	(2)	(1)	-	-
Balance 31 December	**303,911**	**303,913**	**927,778**	**920,578**

The total number of shares issued as at 31 December 2016 was 927,777,086 (2015: 920,577,086). In accordance with the Papua New Guinea Companies Act 1997 the Company's shares are fully paid, have no par value and there is no authorised capital level.

(b) Movement in paid up capital

Date	Details	Notes	No. of Shares	Issue Price AU$	US$000
1 January 2016	Opening balance		920,577,086		303,913
4 February 2016	Exercising of zero priced employee performance rights	(i)	7,200,000	0.000	-
	Transaction costs arising on share issue above				(2)
31 December 2016	Balance		927,777,086		303,911

(i) Exercising of performance rights issued to employees when exercised convert into one ordinary share.

(c) Performance Rights

The number of unissued ordinary shares under performance rights at 31 December 2016 is 30,065,000 (2015: 37,265,000).

Performance Rights issued under the Highlands Pacific Performance Rights Plan

	No. of performance rights issued	Vesting date / Expiry Date	Exercised during current and previous years	Expired during current and previous years
Tranche 1	7,330,000	31 December 2015	7,200,000	130,000
Tranche 1	12,740,000	31 December 2016	-	-
Tranche 1, 2	17,325,000	31 December 2017	-	-

The performance rights issued under the Performance Rights Plan are exercisable after the completion of certain performance hurdles by certain dates. Performance rights are granted under the plan for no consideration and have a nil exercise price.

All performance rights granted carry no dividend or voting rights. Each performance right, when exercised, is converted into one ordinary share.

On 4 February 2016, 7,200,000 performance rights from Tranche 1 vested and shares issued, with the balance lapsing unexercised due to performance hurdles not being met.

The rights granted during the 2014 year vest subject to completion of performance hurdles and expired on 31 December 2016. On 3 January 2017, 5,508,750 and on 6 February 2017, 2,630,000 performance rights from Tranche 1 vested and shares were issued, with the balance lapsing unexercised due to performance hurdles not being met.

Information relating to the Highlands Pacific Performance Rights Plan, including details of performance rights issued, exercised or lapsed during the financial year and performance rights outstanding at the end of the financial year, is further set out in note 25.

17. RESERVES

	Consolidated		Holding Company	
	2016	2015	2016	2015
	US$000	US$000	US$000	US$000
Foreign Currency Translation Reserve				
Balance brought forward	(9,750)	(9,750)	(6,268)	(6,268)
Movement for the year	-	-	-	-
Balance carried forward	**(9,750)**	**(9,750)**	**(6,268)**	**(6,268)**
Share-based Payments Reserve				
Balance brought forward	4,601	4,162	4,601	4,162
Fair value of options and performance rights expensed	767	439	767	439
Balance carried forward	**5,368**	**4,601**	**5,368**	**4,601**
Total Reserves	**(4,382)**	**(5,149)**	**(900)**	**(1,667)**

Nature and purpose of reserves

Foreign Currency Translation Reserve

The foreign currency translation reserve relates to exchange differences which arose on the previous change in the Group's functional currency from Papua New Guinean Kina to US Dollar.

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency (US Dollar) are translated on consolidation and any exchange differences arising from the translation of any net investment in foreign entities are taken to the foreign currency translation reserve. There were no exchange differences in 2016 as no entity has a different functional currency; US Dollar is the functional and presentation currency of all the Group entities.

Share-based Payments Reserve

The share-based payments reserve is used to recognise the fair value of performance rights issued.

18. REMUNERATION OF EMPLOYEES

The number of employees (not including Directors), whose remuneration and benefits exceeded PGK100, 000 falls within the following bands:

		Group No. of Employees	
US$	**PGK**	**2016**	**2015**
35,299 - 38,508	110,000 - 119,999	1	-
38,508 - 41,717	120,000 - 129,999	-	1
41,717 - 44,926	130,000 - 130,999	-	1
44,926 - 48,135	140,000 - 149,999	2	2
67,389 - 70,598	210,000 - 219,999	1	-
70,598 - 73,807	220,000 - 229,999	1	-
73,807 - 77,016	230,000 - 239,999	-	1
96,270 - 99,479	300,000 - 309,999	-	1
102,688 - 105,897	320,000 - 329,999	1	-
112,315 - 115,524	350,000 - 359,999	-	1
125,151 - 128,360	390,000 - 399,999	1	-
134,778 - 137,987	420,000 - 429,999	1	-
141,196 - 144,405	440,000 - 449,999	1	-
179,704 - 182,913	560,000 - 569,999	-	1
198,958 - 202,167	620,000 - 629,999	1	-
202,167 - 205,376	630,000 - 639,999	-	1
256,720 - 259,929	800,000 - 809,999	1	1
259,929 - 263,138	810,000 - 819,999	-	1
292,019 - 295,228	910,000 - 919,999	-	1
317,691 - 320,900	990,000 - 999,999	1	-
349,781 - 352,990	1,090,000 - 1,099,999	1	-
423,588 - 426,797	1,320,000 - 1,329,999	-	1
667,472 - 670,681	2,080,000 - 2,089,999	-	1
Total		**13**	**14**

The remuneration includes costs to the Group of superannuation and other like benefits provided to employees.

The 2016 comparatives have been converted at the current year exchange rates to arrive at the equivalent US Dollar bands.

PGK1.00 = US$0.3209.

19. INTERESTS IN OTHER ENTITIES

At 31 December 2016

	Interest	Nature of interest	Activity
Ramu joint venture (Note 1 below)	8.56%	Associate	Production
Frieda River joint venture (Notes 2 & 4 below)	20%	Cost	Exploration & Evaluation
Nong River joint venture (Notes 3 & 4 below)	49%	Cost	Exploration & Evaluation

1. Ramu: the Group's 8.56% interest increases to 11.30% at no cost to the Group after the debt for the financing of the project has been repaid. At this time the Group also has the option to purchase an additional 9.25% interest at market value, which if exercised would take the Group's interest to 20.55%. Refer note 10.
2. Frieda River: GRAM has an 80% interest in the Frieda River Joint Venture with Highlands having the remaining 20%. Refer note 9.
3. Star Mountains: on 11 February 2015 the Group executed Joint Venture and Farm-in agreements for the Star Mountains project with a wholly owned subsidiary of Anglo American. The agreements result in Highlands receiving a total of US$10 million from Anglo American in two tranches of US$5 million. The first tranche was received upon signing of the agreements on 11 February 2015, with the second US$5 million being received on 11 February 2016. Anglo American can earn an 80% interest in the joint venture – 51% by spending US$25 million on exploration over four years and declaring a 43-101/JORC compliant inferred resource of 3 million tonnes of contained copper-equivalent by 11 February 2020 and a further 29% by completing and funding a Bankable Feasibility Study ("BFS") by 11 February 2030. Anglo American will also provide Highlands with up to US$150 million in project development funding as a deferred free-carry following the completion of the BFS. Refer note 9.
4. The joint ventures as stated are subject to the right of the Independent State of Papua New Guinea to acquire a 30% equity interest in any major mining development in that country.

20. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Parent entity

The parent entity within the Group is Highlands Pacific Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 11.

(c) Key management personnel

Other than the directors who are included as key management personnel, those that also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the year are as follows:

Name	Position
C Lennon	Chief Financial Officer (until 30 November 2016)
S Moser	Chief Financial Officer (appointed on 1 December 2016)
L Queen	Chief Geologist (ceased employment from 1 October 2016)
P Jolly	General Manager Projects (ceased employment from 1 October 2016)
L Nand	General Manager Exploration
R Gawi	General Manager Port Moresby

(d) Key management personnel compensation

	Consolidated		Holding Company	
	2016	2015	2016	2015
	US$000	US$000	US$000	US$000
Short-term employee benefits*	2,495	2,545	-	-
Share based payments	706	398	-	-
	3,201	**2,943**	**-**	**-**

*Key management personnel includes director's remuneration.

Details of the Directors' remuneration paid or provided for during the year, including the value of benefits and the fair value of options charged during the year, was as follows:

2016 Year Name & Position	Cash Remuneration & Fees US$000	Short-term Incentives US$000	Non-monetary Benefits US$000	Superannuation US$000	Share-based Payments (Long-term Incentives) US$000	Total US$000
K MacDonald, Chairman	78	-	-	7	-	85
J Gooding, Managing Director*	971	-	-	39	328	1,338
C Lennon, Managing Director*	31	-	-	-	-	31
D Wood, Non-Executive Director	39	-	-	4	-	43
M Carroll, Non-Executive Director	39	-	-	4	-	43
B Philemon, Non-Executive Director	39	-	-	4	-	43
Total	**1,197**	**-**	**-**	**58**	**328**	**1,583**

2015 Year Name & Position	Cash Remuneration & Fees US$000	Short-term Incentives US$000	Non-monetary Benefits US$000	Superannuation US$000	Share-based Payments (Long-term Incentives) US$000	Total US$000
K MacDonald, Chairman	91	-	-	9	-	100
J Gooding, Managing Director	451	284	-	27	156	918
D Wood, Non-Executive Director	46	-	-	4	-	50
M Carroll, Non-Executive Director	46	-	-	4	-	50
B Philemon, Non-Executive Director	46	-	-	4	-	50
Total	**680**	**284**	**-**	**48**	**156**	**1,168**

*John Gooding ceased employment on 30 November 2016 (his 2016 cash remuneration includes US$555,000 in termination payment and US$328,000 in share-based payments) and Craig Lennon was appointed as Managing Director from 1 December 2016.

(e) Equity instrument disclosures relating to key management personnel

Performance Rights provided as remuneration and shares issued on exercise of such options.

Details of share-based payments are disclosed in note 25.

Performance Rights holdings

The number of performance rights over ordinary shares in the Company held during the financial year by each director and other key management personnel of the Group, including their personally related parties, are set out below.

2016 Year **Name**	**Balance at the start of the year**	**Granted during the year as compensation**	**Exercised during the year**	**Lapsed during the year**	**Balance at the end of the year**	**Vested and exercisable at the end of the year**
Directors of Highlands Pacific Limited						
J Gooding*	12,050,000	-	(2,600,000)	-	9,450,000	4,350,000
C Lennon*	7,545,000	-	(1,625,000)	-	5,920,000	2,720,000
Other key management personnel of the Group						
S Moser*	2,283,000	-	(488,000)	-	1,795,000	820,000
L Queen*	3,040,000	-	(650,000)	-	2,390,000	1,090,000
P Jolly*	5,293,000	-	(1,138,000)	-	4,155,000	1,905,000
R Gawi	2,283,000	-	(488,000)	-	1,795,000	820,000
L Nand	2,250,000	-	-	-	2,250,000	-

2015 Year **Name**	**Balance at the start of the year**	**Granted during the year as compensation**	**Exercised during the year**	**Lapsed during the year**	**Balance at the end of the year**	**Vested and exercisable at the end of the year**
Directors of Highlands Pacific Limited						
J Gooding	15,225,000	5,100,000	(680,000)	(7,595,000)	12,050,000	2,600,000
Other key management personnel of the Group						
C Lennon	6,345,000	3,200,000	(425,000)	(1,575,000)	7,545,000	1,625,000
L Queen	2,940,000	1,300,000	(170,000)	(1,030,000)	3,040,000	650,000
P Jolly	3,743,000	2,250,000	(297,500)	(402,500)	5,293,000	1,138,000
R Gawi	1,608,000	975,000	(127,500)	(172,500)	2,283,000	488,000
L Nand	-	2,250,000	-	-	2,250,000	-

*John Gooding ceased employment on 30 November 2016 and Craig Lennon was appointed as Managing Director from 1 December 2016. Sylvie Moser was appointed as Chief Financial Officer from 1 December 2016. L Queen and P Jolly ceased employment on 1 October 2016.

Share holdings

The number of shares in the Company held during the financial year by each director and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the year as compensation.

2016 Year Name	Balance at the start of the year	Received during the year on the exercise of options and performance rights	Other changes during the year	Balance at the end of the year
Directors of Highlands Pacific Limited				
K MacDonald	1,000,000	-	-	1,000,000
M Carroll	304,307	-	-	304,307
D Wood	1,100,000	-	-	1,100,000
J Gooding	4,200,215	2,600,000	-	6,800,215
B Philemon	1,028	-	-	1,028
C Lennon	1,065,000	1,625,000	(500,000)	2,190,000
Other Key Management Personnel of the Group				
S Moser	142,500	488,000	(550,000)	80,500
L Queen	520,000	650,000	-	1,170,000
P Jolly	2,327,500	1,138,000	-	3,465,500
R Gawi	227,500	488,000	-	715,500
L Nand	-	-	-	-

2015 Year Name	Balance at the start of the year	Received during the year on the exercise of options and performance rights	Other changes during the year	Balance at the end of the year
Directors of Highlands Pacific Limited				
K MacDonald	800,000	-	200,000	1,000,000
M Carroll	304,307	-	-	304,307
D Wood	100,000	-	1,000,000	1,100,000
J Gooding	3,520,215	680,000	-	4,200,215
B Philemon	1,028	-	-	1,028
Other Key Management Personnel of the Group				
C Lennon	640,000	425,000	-	1,065,000
L Queen	350,000	170,000	-	520,000
P Jolly	2,030,000	297,500	-	2,327,500
R Gawi	100,000	127,500	-	227,500
L Nand	-	-	-	-

(f) Loans to key management personnel

There are no loans between directors or other key management personnel and any of the Group companies.

(g) Advances to / from related entities	**Consolidated**		**Holding Company**	
	2016	**2015**	**2016**	**2015**
	US$000	**US$000**	**US$000**	**US$000**
Advances to / from subsidiaries				
Beginning of the year	-	-	175,306	174,868
Movements during the year	-	-	765	438
End of year	**-**	**-**	**176,071**	**175,306**

Refer note 12 for provisions raised against these advances to subsidiaries.

(h) Transactions with related parties	**Consolidated**		**Holding Company**	
	2016	**2015**	**2016**	**2015**
	US$000	**US$000**	**US$000**	**US$000**
The following transactions occurred with related parties				
Fees from associate	614	709	-	-
Management fees to subsidiaries	-	-	-	-

21. SEGMENT REPORTING

a) Description of Segments

Management considers the business from a project classification perspective and has identified four reportable segments - Exploration/ Evaluation, Frieda, Ramu and Corporate. Corporate consists of all other business activities performed at the offices held in both PNG and Brisbane.

b) Reportable Segment Results

The segment information provided to management for the reportable segments for the year ended 31 December 2016 is as follows:

	Exploration / Evaluation*	Frieda	Ramu	Corporate	Group
	US$000	US$000	US$000	US$000	US$000
2016					
Segment revenue	-	-	-	95	95
Segment result	576	-	(12,209)	(4,202)	(15,835)
Income tax (expense) benefit	-	-	-	-	-
Net Profit / (Loss)	576	-	(12,209)	(4,202)	(15,835)
Segment assets	9,600	27,499	82,000	12,155	131,254
Impairment of assets	-	-	(390)	-	(390)
Segment liabilities	(1,290)	(6,432)	(129,022)	(789)	(137,533)
Acquisition of segment assets	-	-	-	16	16
Segment depreciation and amortisation	-	-	-	66	66
2015					
Segment revenue	-	-	-	80	80
Segment result	20,328	-	(84,106)	(4,234)	(68,012)
Income tax (expense) benefit	-	-	-	-	-
Net Profit / (Loss)	20,328	-	(84,106)	(4,234)	(68,012)
Segment assets	14,600	26,887	85,000	10,880	137,367
Impairment of assets	-	-	(73,856)	-	(73,856)
Segment liabilities	(1,105)	(6,319)	(119,693)	(1,459)	(128,576)
Acquisition of segment assets	-	-	-	12	12
Segment depreciation and amortisation	-	-	-	73	73

*Excluding Frieda

22. RECONCILIATION OF NET PROFIT (LOSS) AFTER TAXATION TO CASH FLOW FROM OPERATING ACTIVITIES

		Consolidated		Holding Company	
		2016	2015	2016	2015
	Notes	US$000	US$000	US$000	US$000
Reported Net Profit (Loss) after Taxation		**(15,835)**	**(68,012)**	**(310)**	**(46,714)**
Add (less) non-cash and non-operating items:					
Depreciation and amortisation	8	66	73	-	-
Exploration, evaluation and development costs				-	-
Reversal of provision for exploration costs		(576)	(20,328)	-	-
Impairment of non-current assets		390	73,190	-	-
Impairment of subsidiary advances		-	-	310	38,858
Share of operating loss of equity accounted investments		5,554	5,253	-	-
Fair value of share based payments		767	439	-	-
Impairment of investment in subsidiaries /(reversal) of impairment		-	-	-	7,856
Net (gain) loss on foreign currency balances	3	194	174	-	-
Interest expense		6,265	5,663	-	-
		12,660	**64,464**	**310**	**46,714**
Add (less) movements in working capital items:					
(Increase) decrease in debtors and prepayments		(8)	(15)	-	-
Increase (decrease) in creditors and provisions		(939)	(1,016)	-	-
		(947)	**(1,031)**	**-**	**-**
Net Cash Flow from Operating Activities		**(4,122)**	**(4,579)**	**-**	**-**

23. OPERATING LEASE OBLIGATIONS

	Consolidated		Holding Company	
	2016	2015	2016	2015
	US$000	US$000	US$000	US$000
Obligations payable after balance date on non-cancellable operating leases are as follows:				
Within one year	111	102	-	-
One to two years	111	34	-	-
Two to five years	243	-	-	-
	465	**136**	**-**	**-**

24. FINANCIAL RISK MANAGEMENT

Overview

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including foreign exchange risk, interest rate risk and commodity price risk). The Group's overall risk management program seeks to minimise the potential adverse effects arising from financial risks on the Group's financial performance. The Group may use a range of derivative financial instruments to manage risk exposure although at balance date there were no derivative instruments being used to manage financial risk exposure.

Risk management is carried out by the Managing Director and Chief Financial Officer under policies approved by the Board of Directors through the Audit Committee. Management identify, quantify, evaluate and where considered prudent, manage financial risks in accordance with established written policies.

a) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposure to customers, including outstanding committed transactions.

In relation to banks and financial institutions only the major Australian banking institutions and international institutions are used for the depositing of surplus funds. The long term credit rating of the banks and financial institutions in which funds are deposited at 31 December 2016 are B+ and AA-.

The carrying amounts of the Group's financial assets represent the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Carrying Amount	
	2016	2015
	US$000	US$000
Cash and cash equivalents	10,526	8,990
Other receivables	1,444	6,656
	11,970	**15,646**

The aging of the Group's other receivables at the reporting date was as follows:

	2016		2015	
	Gross	Impairment	Gross	Impairment
	US$000	US$000	US$000	US$000
Not past due				
6 months or less	1,444	-	6,656	-
6 to 12 months	-	-	-	-
	1,444	**-**	**6,656**	**-**

The Group believes that no impairment is necessary in respect of other receivables not past due date as balances are monitored on a regular basis with the result that exposure to bad debts is insignificant.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities to settle debts as and when they become due.

The following are the contractual maturities of financial liabilities:

Consolidated 31 December 2016	Total US$000	6mths or less US$000	6 - 12 mths US$000	>1 - years US$000
Non-derivative financial liabilities				
Trade and other creditors	2,005	2,005	-	-
Borrowings	135,382	-	4,381	131,001
	137,387	**2,005**	**4,381**	**131,001**

Consolidated 31 December 2015	Total US$000	6mths or less US$000	6 - 12 mths US$000	>1 - years US$000
Non-derivative financial liabilities				
Trade and other creditors	2,472	2,472	-	-
Borrowings	125,796	-	2,000	123,796
	128,268	**2,472**	**2,000**	**123,796**

(c) Market risk

Foreign currency risk

Foreign currency risk refers to the risk that the value of a financial commitment, recognised asset or liability will fluctuate due to changes in foreign currency rates. The Group is exposed to currency risk on purchases and cash deposits that are denominated in non US Dollars. As a result of this exposure, during the 2016 year the Group incurred a loss of US$193,673 as shown in the Statements of Comprehensive Income and note 3. This has resulted from the movement in the Australian Dollar to the US Dollar.

The exposure to foreign currency risk in non US Dollars at balance date was as follows:

	Consolidated		Holding Company	
	2016	2015	2016	2015
	AU$000	AU$000	AU$000	AU$000
Cash and cash equivalents	4,693	3,349	-	-
Other receivables	17	16	-	-
Trade and other creditors	(1,491)	(2,427)	-	-
	3,219	**938**	**-**	**-**

	Consolidated		Holding Company	
	2016	2015	2016	2015
	PGK$000	PGK$000	PGK$000	PGK$000
Cash and cash equivalents	911	532	-	-
Other receivables	107	84	-	-
Trade and other creditors	(1,196)	(1,492)	-	-
	(178)	**(876)**	**-**	**-**

The following significant exchange rates applied during the year:

	Average Rate		Reporting Date Spot Rate	
	2016	2015	2016	2015
	US$000	US$000	US$000	US$000
AUD	0.7426	0.7584	0.7236	0.7306
PGK	0.3209	0.3648	0.3150	0.3375

A 10% strengthening / weakening of the Australian dollar and the Papua New Guinea Kina, with all other variables constant, would have affected before tax loss and equity by US$227,350 (2015: US$38,970).

Interest rate risk

The Group's interest rate risk arises as a result of cash deposits and from long-term borrowings.

Cash deposits, which in turn earn interest income, are subject to the movement of interest rates and the Group does not enter into long-term deposits.

The Group does have US$3,047,606 on deposit at rates ranging between 0.8% and 0.88% (2015: US$4,061,748 ranging from 0.35% and 0.54%). It also has AU$4,103,619 on deposit at rates ranging between 1.74% and 2.39% (2015: AU$2,101,647 ranging from 2.18% and 2.85%). There is no PGK on deposit at December 2016 (2015: no PGK on deposit).

A change of 100 basis points (plus 1% / minus 1%) in interest rates on variable rate instruments would have affected equity and profit and loss by US$98,000 (2015: US$90,000). The analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

The variable rate of the Group's long-term borrowings ranges between 5.05% and 5.95%.

The Group does not account for any fixed rate financial rate assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Commodity price risk

The Group is exposed to commodity price risk. This arises from the sale of nickel and cobalt that is priced on, or benchmarked to, open market exchanges. The products are sold by MCC Ramu Nico Limited as sales agent on behalf of the Group at prevailing market prices such as the London Metal Exchange (LME) and Metal Bulletin (MB). The products, predominantly nickel and cobalt, are provisionally priced, that is the selling price is determined preceding the month of shipment followed by an adjustment using the average price of the month of shipment after delivery to the customers. As at 31 December 2016, all products have been shipped and the pricing processes have been completed. Therefore contracts for the physical delivery of commodities are carried in the balance sheet at their realised prices. Derivative commodity contracts may be used to align realised prices to manage risk exposure although at balance date there were no derivative commodity contracts being used.

(d) Capital Management

The Group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may issue new shares, return capital to shareholders, or sell assets to provide cash and or reduce debt levels if applicable. The group will also give consideration whether the payment of dividends is appropriate and at what levels.

Consistent with others in the industry at a similar stage, the Group and parent entity monitor capital on the basis of cash requirements for exploration, development and administrative purposes offset by current cash balances and likely operating inflows. Other factors that will be considered are credit and equity market conditions and expectations from the investment community.

During 2016, the Group's strategy was unchanged from 2015 and is reviewed by the Board.

(e) Fair value

The carrying amounts of cash, short term receivables and short term payable due to their short term nature are a reasonable approximation of fair value due to their short term nature.

The fair values of borrowings are not materially different to their carrying amounts, since the interest payable on those borrowings is close to current market rates.

25. SHARE-BASED PAYMENTS

(a) Performance Rights Plan

Performance rights have been issued to senior employees and the Managing Director under the terms of their employment contract and in accordance with the Performance Rights Plan.

Performance rights are granted for no consideration and carry no dividend or voting rights. When exercisable, each performance right is convertible into one fully paid ordinary share. The exercise price of the performance rights is nil.

Grant date	Hurdle / vesting date	Expiry date	Exercise Price (AU$)	Balance start of year	Granted during year	Exercised during year	Expired during current / prior year	Balance at end of year	Exercisable at end of year
16/05/2013	31/12/2015	31/12/2015	0.0000	7,200,000	-	(7,200,000)	-	-	-
22/05/2014	31/12/2016	31/12/2016	0.0000	12,740,000	-	-	-	12,740,000	-
10/04/2015	31/12/2016	31/12/2017	0.0000	12,225,000	-	-	-	12,225,000	-
21/05/2015	31/12/2016	31/12/2017	0.0000	5,100,000	-	-	-	5,100,000	-

Fair Value of performance rights granted

Grant Date	16th May 2013	22nd May 2014	10th April 2015	21st May 2015
Share price at grant date	AU$0.077	AU$0.06	AU$0.094	AU$0.115
Fair value at grant date	AU$337,180	AU$515,970	AU$920,543	AU$486,540
Expected volatility of Company's shares	60%	70%	65%	65%
Expected dividend yield	0%	0%	0%	0%
Risk-free interest rate	2.50%	2.80%	1.80%	2.00%
Expected vesting period	31st Dec 2015	31st Dec 2016	31st Dec 2017	31st Dec 2017

The performance rights are subject to performance hurdles which if met automatically convert into fully paid ordinary shares.

The weighted average remaining contractual life of the performance rights outstanding at the reporting date is 1 year.

(c) Cost arising from share-based payment transactions

Total cost from share-based payment transactions recognised during the year was as follows:

	December 2016 US$000	December 2015 US$000
Options issued under Executive Option Scheme and performance rights issued under the Performance Rights Plan	767	439
Total	**767**	**439**

26. EVENTS OCCURRING AFTER BALANCE DATE

There are no events to report after balance date.

27. SUPPLEMENTARY INFORMATION

In accordance with Accounting Standards Board Directive 2 (ASBD 2) and the Investment Promotion Authority approval to prepare and lodge US dollar financial statements, the Company discloses the following information in PNG Kina terms:

	Consolidated		Holding Company	
	2016 PGK000	2015 PGK000	2016 PGK000	2015 PGK000
Revenue	296	219	-	-
Net (Loss) Profit after tax	(49,346)	(186,436)	(966)	(128,054)
Total Assets	416,679	407,013	97,394	89,553
Total Liabilities	436,613	380,966	10	9
Net Assets	(19,934)	26,047	97,384	89,544

Asset and liability balances are translated from US dollars at the rate prevailing at 31 December 2016 of PGK1.00 = US$0.3150 (2015 year PGK1.00 = US$0.3375) while income and expense items are translated at the average rate for the year PGK1.00 = US$0.3209 (2015 year PGK1.00 = US$0.3648).

DIRECTORS' DECLARATION

In the opinion of the Directors:

1. The financial statements and notes of the Company and of the Consolidated Entity:
   a. comply with International Financial Reporting Standards and other mandatory professional reporting requirements; and,
   b. give a true and fair view, in all material respects, of the financial position as at 31 December 2016 and performance of the Company and the Consolidated Entity for the year ended on that date; and are in accordance with the Papua New Guinea Companies Act 1997.
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors in making this decision have received appropriate certification from the Managing Director and Chief Financial Officer.

On behalf and in accordance with a resolution of the board,

Ken MacDonald
Chairman

Craig Lennon
Managing Director

28 March 2017

Independent Auditor's Report

to the shareholders of Highlands Pacific Limited

Report on the audit of the financial statements of the Company and the Group

Our opinion

We have audited the financial statements of Highlands Pacific Limited (the Company), which comprise the statements of financial position as at 31 December 2016, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 31 December 2016 or from time to time during the financial year.

In our opinion the accompanying financial statements:

- comply with International Financial Reporting Standards and other generally accepted accounting practice in Papua New Guinea; and
- give a true and fair view of the financial position of the Company and the Group as at 31 December 2016, and their financial performance and cash flows for the year then ended.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

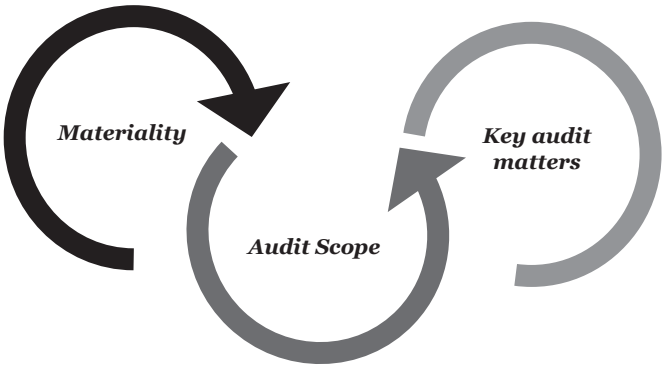
We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out services for the Company and its subsidiaries in the area of tax advice. These services have not impaired our independence as auditor of the Company and the Group.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the management structure of the Company and the Group, their accounting processes and controls and the industries in which they operate.



Materiality	*Audit scope*	*Key audit matters*
• For the purpose of our audit of the Group we used overall group materiality of US$656,000 which represents approximately 0.5% of the Group's total assets. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole. • We chose total assets as, in our view, it is the metric against which the financial position of the Group is most commonly measured and is a generally accepted benchmark. • We selected 0.5% based on our professional judgement noting that it is also within the range of commonly acceptable related thresholds.	• We (PwC Papua New Guinea) conducted audit work over all the subsidiaries which comprise the Group consolidation. • All subsidiaries of the Group are incorporated and operating in Papua New Guinea with the exception of one subsidiary incorporated in Australia. • Our audit focused on where the directors made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.	• Amongst other relevant topics, we communicated the following key audit matters to the Audit Committee: - Assessment of the carrying value of the investment in the Ramu Nickel mine - Exploration and evaluation expenditure impairment indicator assessment - Assessment of future cashflows • These matters are further described in the *Key audit matters* section of our report.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the current period. The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be key matters to be communicated in our report.

Further, commentary on the outcomes of the particular audit procedures is made in that context.

Key audit matter	*How our audit addressed the key matter*
Assessment of the carrying value of the investment in the Ramu Nickel mine of US$82 million and associated impairment loss of US$0.4 million *(Refer to note 10 of the financial statements)* With the decline in the long term forecast nickel price from a year ago the Group concluded there was an indicator of impairment of the carrying value of the investment in the Ramu Nickel mine and so performed an impairment assessment of its carrying value and recognised an impairment charge. To assess the carrying value of the investment, the Group has prepared a calculation of the value of the investment based on the net present value of the expected future cash flows before financing costs. The net present value of the expected future cashflows and the impairment charge calculated by the Group are US$82 million and US$0.4 million respectively. The key assumptions used in the financial model include long term nickel and cobalt pricing, budgeted operating costs, mine production profile based on the current reserves and resources estimate and the discount rate, as well as the time frames in which the revenues and expenses will occur. Given the investment in the Ramu Nickel mine has previously been impaired, the carrying value assessment is sensitive to changes in all key assumptions that go into the financial model. Our audit focused on the assessment of the impairment charge and carrying value recognised because of the significant judgements around the key assumptions used in assessing the carrying value of the asset and the sensitivity of the carrying value to changes in these key assumptions.	As there was an indicator of impairment we have considered and tested the financial model prepared and used by the Group to support the carrying value of the Ramu Nickel mine investment and the impairment loss recognised at year end. We compared the financial model with the previous year's model and found it was consistently structured and consistent with the basis of preparation required by the accounting standards. Together with our valuation expert we reviewed the methodology adopted in the financial model. We benchmarked the assumptions used as inputs into the financial model around long term nickel and cobalt prices against external forecasts, and the discount rates with our expectation based on the overall estimated Weighted Average Cost of Capital (WACC) for the Group and the specific risks associated with the estimated cashflows from the asset. We performed sensitivity analysis on assumptions used in the financial model. We determined that the calculations were more sensitive to assumptions for nickel and cobalt pricing and discount rates and focused our testing on these assumptions.
Exploration and evaluation expenditure of US$37.1 million impairment indicator assessment *(Refer to note 9 of the financial statements)* Our audit focused on the Group's assessment that there were no indicators of impairment of the carrying value of the exploration and evaluation expenditure asset, because this is one of the significant assets of the Group. The asset includes capitalised expenditure in relation to two areas of exploration interests which are at varying degrees of advancement. We considered this a key audit matter because there are significant judgements involved in considering the existence of indicators of impairment, including consideration of any factors arising that would impact the status or value of each project. If there are indicators of impairment an assessment of the values of the exploration projects would be required.	We considered the directors' assessment of the existence of potential indicators of impairment. Our procedures included: - Reading the exploration licence terms and conditions. - Examining exploration budgets for 2017 and reading minutes to understand the nature of ongoing activities in each area of interest. - Considering the impact of changes in external forecast gold and copper prices. - Comparing the current carrying value of the projects to historical transactions used to support the carrying value of the capitalised costs and considering if there were any factors subsequent to these transactions that were an indicator of impairment. - Evaluating the disclosures made in note 9, including those regarding the basis for the carrying value of the projects, in light of the requirements of International Financial Reporting Standards.

Key audit matter	How our audit addressed the key matter
Assessment of future cashflows *(Refer to note 1 of the financial statements)* The Group had a total operating cash outflow of US$4.1 million for the 2016 year and a net liability position of US$6.3 million at 31 December 2016. The financial statements continue to be prepared on a going concern basis as the Group expects to have sufficient working capital to carry out its stated objectives for at least 12 months from the date of signing the financial statements. The Group has prepared cash flow projections which include a number of assumptions and judgements, including estimates of expenditure on projects and administrative expenses, and these projections are used to support the sufficiency of working capital. The most significant cash outflows are general and administrative costs. The projections have been prepared on the basis that the Ramu Nickel Limited loan facility is non recourse to the other entities in the Group and only repayable by Ramu Nickel Limited out of its share of operating surpluses from the Ramu Nickel project. We focused on this matter as if it had been concluded that it was inappropriate for the financial statements to be prepared on the going concern basis, the values of certain assets and liabilities as set out in the financial statements might have been significantly different.	We assessed the appropriateness of the going concern basis of accounting by evaluating and testing the cash flow projections prepared by the Group. Our procedures included: - Assessing the design of the Group's cash flow projection model for the year ending 31 December 2017 and the first quarter of 2018 and its consistency with our understanding of the Group's activities. - Comparing the approved 2017 expenditure budget by area of interest for exploration and evaluation activity with the cash flow projection inputs. - Comparing forecast administration expenses with actual levels of expenditure for the 2016 year. - Assessing the Group's consideration of cashflows associated with the Ramu Nickel investment. - Reviewing legal correspondence received by the Group in relation to the non recourse nature of the Ramu Nickel Limited loan facility. - Obtaining representations from the directors as to the adequacy of cash resources and the completeness of financial statement disclosures in respect of going concern. Our responsibilities in respect of the going concern basis of accounting are included below under *Auditor's responsibilities for the audit of the financial statements*. We did not conclude that a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

Information other than the financial statements and auditor's report

The directors are responsible for the annual report which includes other information. Our opinion on the financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible, on behalf of the Company for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and other generally accepted accounting practice in Papua New Guinea and the Companies Act 1997 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or any of its subsidiaries or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards on Auditing will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and the Group to express an opinion on the consolidated financial statements of the Group. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

The Companies Act 1997 requires that in carrying out our audit we consider and report on the following matters. We confirm in relation to our audit of the financial statements for the year ended 31 December 2016:

- We have obtained all the information and explanations that we have required;
- In our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

Who we report to

This report is made solely to the Company's shareholders, as a body, in accordance with the Companies Act 1997. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditor's report and for no other purpose. We do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Christopher Hansor
Partner

Registered under the
Accountants Registration
Act 1996

Port Moresby
28 March 2017

FINANCIAL STATEMENTS

HIGHLANDS PACIFIC LIMITED AND SUBSIDIARY COMPANIES

28 Statements of Comprehensive Income

29 Statements of Changes in Equity

30 Statements of Financial Position

31 Statements of Cash Flows

32 Notes to the Financial Statements

57 Directors' Declaration

58 Independent Auditor's Report to the Members

STATEMENTS OF COMPREHENSIVE INCOME

For the Year Ended 31 December 2017

		Consolidated		Holding Company	
		2017	2016	2017	2016
	Notes	US$000	US$000	US$000	US$000
Finance Income		109	90	-	-
Other income		-	5	-	-
Total Income	2	**109**	**95**	**-**	**-**
Restructure and redundancy costs		-	1,031	-	-
General and administrative costs		3,106	3,006	-	-
Exploration and development costs		-	-	-	-
Depreciation and amortisation		61	66	-	-
Net foreign exchange (gain)/losses		(220)	194	-	-
Total Operating Costs	3	**2,947**	**4,297**	**-**	**-**
Net operating costs		**(2,838)**	**(4,202)**	**-**	**-**
Interest expense	10	(6,433)	(6,265)	-	-
Reversal of provision of exploration costs	9	358	576	-	-
Reversal of/(impairment of) subsidiary advances	12	-	-	258	(310)
Reversal of/(impairment of) non-current assets	10	42,877	(390)	-	-
Share of operating profit/(loss) of equity accounted investments	10	3,473	(5,554)	-	-
Profit/(Loss) from operation before income tax		**37,437**	**(15,835)**	**258**	**(310)**
Income tax expense	4	-	-	-	-
Profit/(Loss) for the year		**37,437**	**(15,835)**	**258**	**(310)**
Other comprehensive income for the year		**-**	**-**	**-**	**-**
Total comprehensive income for the year		**37,437**	**(15,835)**	**258**	**(310)**
Basic earnings per share	5	US$0.040	US($0.017)		
Diluted earnings per share	5	US$0.039	US($0.017)		

These Statements of Comprehensive Income are to be read in conjunction with the accompanying notes.

STATEMENTS OF CHANGES IN EQUITY

For the Year Ended 31 December 2017

	Notes	Share Capital US$000	Reserves US$000	Retained Earnings US$000	Total US$000
CONSOLIDATED					
Year Ended 31 December 2017					
Balance as at 1 January 2017		303,911	(4,382)	(305,808)	(6,279)
Profit for the year		-	-	37,437	37,437
Transactions with owners in their capacity as owners					
Share-based payments	25	-	394	-	394
Issue of share capital	16	(5)	-	-	(5)
Balance as at 31 December 2017		**303,906**	**(3,988)**	**(268,371)**	**31,547**
Year Ended 31 December 2016					
Balance as at 1 January 2016		303,913	(5,149)	(289,973)	8,791
Loss for the year		-	-	(15,835)	(15,835)
Transactions with owners in their capacity as owners					
Share-based payments	25	-	767	-	767
Issue of share capital	16	(2)	-	-	(2)
Balance as at 31 December 2016		**303,911**	**(4,382)**	**(305,808)**	**(6,279)**
HOLDING COMPANY					
Year Ended 31 December 2017					
Balance as at 1 January 2017		303,911	(900)	(272,335)	30,676
Profit for the year		-	-	258	258
Transactions with owners in their capacity as owners					
Share-based payments	25	-	394	-	394
Issue of share capital	16	(5)	-	-	(5)
Balance as at 31 December 2017		**303,906**	**(506)**	**(272,077)**	**31,323**
Year Ended 31 December 2016					
Balance as at 1 January 2016		303,913	(1,667)	(272,025)	30,221
Loss for the year		-	-	(310)	(310)
Transactions with owners in their capacity as owners					
Share-based payments	25	-	767	-	767
Issue of share capital	16	(2)	-	-	(2)
Balance as at 31 December 2016		**303,911**	**(900)**	**(272,335)**	**30,676**

These Statements of Changes in Equity are to be read in conjunction with the accompanying notes.

STATEMENTS OF FINANCIAL POSITION

For the Year Ended 31 December 2017

		Consolidated		Holding Company	
		2017	2016	2017	2016
	Notes	US$000	US$000	US$000	US$000
CURRENT ASSETS					
Cash and cash equivalents	6	6,816	10,526	-	-
Receivables	7	1,598	1,444	-	-
		8,414	**11,970**	**-**	**-**
NON-CURRENT ASSETS					
Property, plant and equipment	8	124	184	-	-
Exploration and evaluation expenditure	9	37,948	37,100	-	-
Investment in Ramu Nickel mine	10	110,000	82,000	-	-
Investment in subsidiaries	11	-	-	9,545	9,545
Advances to subsidiaries	12	-	-	21,781	21,134
		148,072	**119,284**	**31,326**	**30,679**
TOTAL ASSETS		**156,486**	**131,254**	**31,326**	**30,679**
CURRENT LIABILITIES					
Trade and other payables	13	2,871	2,005	-	-
Borrowings	14	9,270	4,381	-	-
Provisions	15	177	122	-	-
		12,318	**6,508**	**-**	**-**
NON-CURRENT LIABILITIES					
Advances from subsidiaries	12	-	-	3	3
Borrowings	14	112,611	131,001	-	-
Provisions	15	9	24	-	-
		112,620	**131,025**	**3**	**3**
TOTAL LIABILITIES		**124,938**	**137,533**	**3**	**3**
NET ASSETS/(LIABILITIES)		**31,547**	**(6,279)**	**31,323**	**30,676**
EQUITY					
Share Capital	16	303,906	303,911	303,906	303,911
Reserves	17	(3,988)	(4,382)	(506)	(900)
Retained losses		(268,371)	(305,808)	(272,077)	(272,335)
TOTAL EQUITY		**31,547**	**(6,279)**	**31,323**	**30,676**

For, and on behalf of, the Board

Ron Douglas
Chairman

20 March 2018

Craig Lennon
Managing Director

These Statements of Financial Position are to be read in conjunction with the accompanying notes.

STATEMENTS OF CASH FLOWS

For the Year Ended 31 December 2017

		Consolidated		Holding Company	
		2017	2016	2017	2016
	Notes	US$000	US$000	US$000	US$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipt from other operations		-	5	-	-
Interest from investments		110	84	-	-
Income tax (paid)/refunded		(1)	3	-	-
Payments to suppliers and employees		(2,714)	(4,214)	-	-
Net cash used in operating activities	22	**(2,605)**	**(4,122)**	-	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Advance from subsidiaries		-	-	5	2
Receipt from recovery of exploration costs		446	5,615	-	-
Contribution from joint venture partners		8,867	9,316	-	-
Purchase of property, plant and equipment	8	(2)	(16)	-	-
Exploration, evaluation and development		(10,631)	(9,061)	-	-
Net cash (used in)/from investing activities		**(1,320)**	**5,854**	**5**	**2**
CASH FLOWS FROM A FINANCING ACTIVITY					
Costs associated with issue	16	(5)	(2)	(5)	(2)
Net cash used in a financing activity		**(5)**	**(2)**	**(5)**	**(2)**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(3,930)**	**1,730**	**-**	**-**
Add cash brought forward		10,526	8,990	-	-
Effect of exchange rate changes on cash and cash equivalents		220	(194)	-	-
CASH AND CASH EQUIVALENTS CARRIED FORWARD		**6,816**	**10,526**	**-**	**-**
CASH COMPRISES					
Cash and cash equivalents	6	**6,816**	**10,526**	**-**	**-**

These Statements of Cash Flows are to be read in conjunction with the accompanying notes.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Highlands Pacific Limited (the 'Company' or the 'Holding Company') and its subsidiaries (together the 'Group') invest in and carry out exploration, evaluation and development activities in the resource industry. All the Group's current activities are carried out in Papua New Guinea, where the Company is incorporated and domiciled. The registered office is in Port Moresby, Papua New Guinea.

The Company is listed on both the Australian Stock Exchange and the Port Moresby Stock Exchange.

The consolidated financial statements were authorised for issue by the Board of Directors on 15 March 2018. The Company has the power to amend and revise the financial report.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements are presented in accordance with the Papua New Guinea Companies Act 1997 and comply with International Financial Reporting Standards ('IFRS') and other generally accepted accounting practice in PNG. These financial statements have been prepared on an historical cost basis. The methods used to measure fair value are discussed further in accounting policy note 1(j).

The preparation of financial statements in accordance with IFRSs requires a use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in policy note 1(s).

The Group has a total operating cash outflow of US$2.6 million for the year ended 31 December 2017 (2016: US$4.1 million) and a net asset position of positive US$31.5 million (2016: negative US$6.3 million). Cash held at bank as at 31 December 2017 was US$6.8 million (2016: US$10.5 million).

The Group holds interests in numerous mining projects at various stages ranging from appraisal to production.

Frieda River Limited, (a wholly owned subsidiary of PanAust Limited, which is in turn a wholly owned subsidiary of Guangdong Rising Assets Management Co Ltd) (from hereon, collectively referred to as 'GRAM') is responsible for 100% of the costs to maintain the Frieda River project site, assets and community relations programs up to the date of lodgement of the Special Mining Lease ('SML') application accompanied by the requisite completed feasibility study. PanAust Limited, on behalf of the Frieda River Joint Venture, submitted a SML application to the PNG Mineral Resources Authority ('MRA') on 24 June 2016. This lodgement satisfied a condition of the key Exploration License (EL58) that an application for a SML in respect of the Frieda River project be made on or before 30 June 2016.

The Group remains of the view that the feasibility study requires further work to achieve the required standard obligated by the Joint Venture Agreement ('EDMOA'), in particular, in relation to the Integrated Storage Facility ('ISF'). Refer note 9.

The parties are in dispute regarding their obligations under the joint venture agreement, including whether the Group is obliged to commence funding of project expenditures. The parties have agreed to seek a final and binding arbitration before a sole arbitrator.

The Group's borrowings of US$122 million include US$115 million for the Group's interest in the Ramu Nickel mine and are owing to MCC Ramu NiCo Limited. These borrowings are held in the Group's wholly owned subsidiary Ramu Nickel Limited and are non-recourse to the Group or Parent entity Highlands Pacific Limited and are to be repaid out of the Group's share of operating surpluses from the Ramu Nickel mine (sales revenue less operating costs and on-going capital expenditure) rather than operating or financing cashflows generated by the remainder of the Group. The Group's borrowings in the Frieda River Limited project of US$7 million relate to the Carried Funding Loan.

At this time, the Directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial statements as at 31 December 2017. No adjustments have been made to the financial statements relating to the recoverability and classification of the asset carrying amounts or the classification of liabilities that might be necessary should the Group not continue as a going concern. Refer note 14.

Standards, amendments and interpretations effective in the year ended 31 December 2017

The following standards, amendments and interpretations to existing standards became applicable for the first time during the accounting period beginning 1 January 2017.

- Amendments to IAS 7 'Statement of Cash Flows' on disclosure initiative. These amendments to IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.
- Amendments to IAS12 'Income Taxes' on recognition of deferred tax assets for unrealised losses. These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.
- Annual improvements 2014 – 2016 – IFRS 12. This amendment clarifies that the disclosure requirements of IFRS 12 are applicable to interests in entities classified as held for sale except for summarised financial information.

(b) Principles of consolidation

i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Highlands Pacific Limited as at 31 December 2017 and the results of all subsidiaries for the year then ended. Highlands Pacific Limited and its subsidiaries together are referred to in this financial report as the Group or the Consolidated Entity.

Subsidiaries are all those entities (including Special Purpose Entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. Subsidiaries are fully consolidated from the date on which control is transferred

to the Group. They are de-consolidated from the date that control ceases.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Highlands Pacific Limited (less impairment if any).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

ii) Joint Ventures

The Group has interests in various joint ventures. The Group does not have joint control in relation to the Ramu, Frieda River and Star Mountain projects and accordingly these are not joint operations or joint ventures as defined by IFRS 11 Joint Arrangements. The interests in the projects are accounted for at cost less impairment with interests being equity accounted for once the project reaches production.

iii) Associates

Associates are all entities or ventures over which the group has significant influence but not control or joint control.

Investments in associates are accounted for using the equity method of accounting (see (iv) below) after initially being recognised at cost.

iv) Equity Method of Accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity. Unrealised gains on transactions are eliminated to the extent of the interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Company.

(c) Segment reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. The Group operates predominately in the exploration, evaluation and development industry in Papua New Guinea.

(d) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in US dollars ('US$'), which is the Group's functional and presentation currency.

The Board has determined that the primary economic environment in which the Group operates is determined by the US dollar, as the Group's investment process is based on US dollars and the majority of its likely future revenue streams are in US dollars or currencies related to US dollars.

Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised in the foreign currency translation reserve within Equity.

(e) Revenue recognition

Interest income is recognised on a time proportion basis using the effective interest rate method.

(f) Income tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered, or liabilities are settled, based on those tax rates which are enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

(g) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (refer note 23). Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

(h) Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts.

(i) Receivables

Other receivables are recognised at original amount receivable less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

(j) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques.

The carrying value less impairment provisions of other receivables and payables are assumed to approximate their fair values due to their short-term nature.

(k) Property, Plant and Equipment

The cost of purchased property, plant and equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit. Where re-valued assets are sold, the amounts included in fair value and other reserves are transferred to retained earnings.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

The depreciation on property, plant and equipment relating to general operations is calculated on a straight-line basis to write off the cost or re-valued amount of each asset to their residual value over their estimated useful lives as follows:

Buildings	20 – 50 years
Plant and Equipment	5 – 10 years
Motor Vehicles	3 – 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

(l) Exploration and evaluation expenditure

Cumulative exploration, evaluation and development expenditure incurred by or on behalf of the Group is carried forward as an asset when it is incurred in relation to separate areas of interest for which rights of tenure are current. Cost includes the cost of acquisition, exploration, evaluation and development, and an allocation of overhead costs associated with these functions.

Cumulative exploration and evaluation expenditure for each area of interest is provided against unless the expenditure is expected to be recouped through successful development and exploration, or alternatively, sale of the area. Exploration expenditure in the areas of interest which have not reached a stage which permits a reasonable assessment of economically recoverable mineral reserves are fully provided for.

When an area of interest is abandoned, any expenditure carried forward in respect to that area is written off, firstly against any existing provision for that expenditure with any remaining balance being charged to earnings. Upon commencement of development, accumulated expenditure is transferred from exploration and evaluation expenditure and is carried forward with development expenditure until the commencement of mining operations, at which time the expenditure is transferred to mining properties and property, plant and equipment.

(m) Impairment of long life assets

Property, plant and equipment and other non-current assets, including investments in mine development and exploration are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or a previous impairment needs to be reversed. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount and an impairment reversal is recognised for the amount by which the carrying amount of the asset is below the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts disclosed as current liabilities are unsecured and are usually paid within 60 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(o) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's

best estimate of the expenditure required to settle the present obligation at the balance date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(p) Employee benefits

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' service up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Accumulated sick leave is not accrued and not payable on cessation of employment.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting date regardless of when the actual settlement is expected to occur.

Retirement benefit obligations

The Group contributes to a number of defined contribution plans for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods. For defined contribution plans, the Group pays contributions to a privately administered pension plan on a mandatory basis. Once the contributions have been paid, the Group has no further payment obligations. The regular contributions constitute net periodic costs for the year in which they are due and as such are included in staff costs.

Share-based payments

Share–based compensation benefits are provided to employees via the Executive Option Scheme and the Performance Rights Plan. Information relating to these are set out in note 25.

The fair value of the options and rights granted are recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options and rights.

The fair value at grant date is independently determined using a Black-Scholes option pricing model or Monte Carlo simulations that takes into account the exercise price, the term of the option / right, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option / right, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option and right.

The fair value of the options and rights granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options and rights that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options and rights that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

(q) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(r) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Group, excluding the costs of servicing equity holders other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(s) Critical accounting judgements, estimates and assumptions

Judgements, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances. The Group makes judgements, estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below

Carrying value of exploration, evaluation and development expenditure and mine property

The Group, on each reporting date, tests whether there are indications that the carrying value of long life assets, such as investments in exploration and evaluation expenditure, development expenditure, and property, plant and equipment, have suffered any impairment. The assessment of the carrying amount often requires estimates and assumptions such as discount rates, exchange rates, commodity prices, operating costs, capital costs and production rates. The impairment testing for the current year for the Group's interest in the Ramu Nickel mine, has been based on a real discount rate of 12.48%, proved and probable reserves, long term nickel prices of US$7.89/lb and cobalt prices of US$21.35/lb, and operating costs consistent with operator plans and historical data.

(t) New accounting standards

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2017 period. The Consolidated Entity's assessment of the impact of these new standards and interpretations on the financial report is set out below.

- Amendments to IFRS 2 'Share based payments' on clarifying how to account for certain types of share-based payment transactions (effective 1 January 2018). This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.
- IFRS 9, 'Financial Instruments' (effective 1 January 2018) replaces the guidance in IAS 39 with a standard that is less complex, and principles based. The new standard simplifies the model for classifying and recognising financial instruments and aligns hedge accounting more closely with common risk management practices. Changes in own credit risk in respect of liabilities designated at fair value through profit or loss shall now be presented within OCI; this change can be adopted early without adopting IFRS 9. IFRS 9's new impairment model is a move away from IAS 39's incurred credit loss approach to an expected credit loss model. Earlier recognition of impairment losses is likely to result and for entities with significant lending activities, an overhaul of related systems and processes will be needed. The entity does not expect IFRS 9 to have a significant impact on current financial instrument classification and measurement practise.
- IFRS 15 'Revenue from contracts with customers' (effective 1 January 2018) is a converged standard from the IASB and FASB on revenue recognition and replaces IAS 11 and IAS 18. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

  The entity will have to adopt a new 5-step process for the recognition of revenue:

  - identify contracts with customers;
  - identify the separate performance obligations;
  - determine the transaction price of the contract;
  - allocate the transaction price to each of the separate performance obligations; and
  - recognise the revenue as each performance obligation is satisfied.

  The entity does not expect IFRS 15 to have a significant impact on current revenue recognition practise.
- IFRS 16, 'Leases' (effective 1 January 2019) replaces the guidance in IAS 17 and will have a significant impact on accounting by lessees. The previous distinction under IAS 17 between finance leases and operating leases for lessees has been removed. IFRS 16 now requires a lessee to recognise a lease liability representing future lease payments and a 'right-of-use asset' for virtually all lease contracts. There is an optional exemption for certain short-term leases and leases of low-value assets. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The entity expects that certain leases of property and equipment that are currently accounted for as operating leases will, from January 2019, be required to be recognised as right-of-use assets and depreciated, with a corresponding lease liability. This will increase reported debt levels in the statement of financial position and will increase the reporting charges for depreciation and interest expense. The timing of expense recognition will also be brought forward although the impact on reported profit is not expected to be significant.
- Annual improvements 2014 – 2016 makes minor changes to IFRS 1 and IAS 28 (effective 1 January 2018).
- IFRIC 22, 'Foreign currency transactions and advance consideration' (effective 1 January 2018) addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made.
- IFRIC 23, 'Uncertainty over income tax treatments' (effective 1 January 2019) clarifies how the recognition and measurement requirements of IAS 12 'Income Taxes' are applied where there is uncertainty over income tax positions. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.
- Annual improvements 2015 – 2017 makes minor changes to IFRS 3, IFRS 11, IAS 12 and IAS 23 (effective 1 January 2019).

The Group will adopt the new standards and amendments as and when they become effective. The Group has conducted initial investigations and does not consider that standards that are not yet effective will have a material impact on the entity in the current or future reporting periods and on foreseeable transactions.

(u) Rounding

The financial statements have been rounded to the nearest thousand dollars.

2. REVENUE

	Consolidated		Holding Company	
	2017	2016	2017	2016
	US$000	US$000	US$000	US$000
Finance Income				
Interest income	109	90	-	-
Other Income				
Rental income	-	5	-	-

3. EXPENSES

		Consolidated		Holding Company	
		2017	2016	2017	2016
	Notes	US$000	US$000	US$000	US$000
Total operating costs		2,947	4,297	-	-
Operating costs are stated after charging / (crediting):					
Restructure and redundancy costs		-	1,031	-	-
General and administrative costs					
- salaries and employee benefits		1,282	1,709	-	-
- office costs		678	644	-	-
- consultants costs		238	122	-	-
- non-executive Director fees and benefits		206	219	-	-
- corporate affairs and public relations costs		368	38	-	-
- company secretarial and public listing costs		176	104	-	-
- travel and accommodation costs		24	32	-	-
- audit		102	103	-	-
- other services		32	35	-	-
		3,106	3,006	-	-
Depreciation					
- land and buildings	8	17	17	-	-
- plant and equipment	8	44	49	-	-
		61	66	-	-
Net foreign exchange (gains)/losses		(220)	194	-	-

4. INCOME TAX

	Consolidated		Holding Company	
	2017	2016	2017	2016
	US$000	US$000	US$000	US$000
Reconciliation of income tax expense to prima facie tax expense				
Profit / (loss) before income tax expense for the year	37,437	(15,835)	258	(310)
Income tax expense/(benefit) on the profit/(loss) for the year at an average of 30% (2016: 30%)	11,231	(4,751)	77	(93)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Impairment of subsidiary advances	-	-	(77)	93
Non-deductible interest	1,930	1,880	-	-
Utilisation of prior year losses not previously brought to account	(5)	(811)	-	-
Unrealised foreign exchange gains/losses	(73)	46	-	-
Sundry non-deductible items	141	275	-	-
	13,224	**(3,361)**	**-**	**-**
Deferred tax asset not brought to account	(13,224)	3,361	-	-
Income tax expense	**-**	**-**	**-**	**-**
Tax Losses				
Unused tax losses for which no deferred tax asset has been recognised	1,735	1,256	-	-
Potential tax benefit @ 30% - not recognised	**521**	**377**	**-**	**-**
Other deferred tax assets not recognised				
Amounts recognised in profit and loss				
Exploration costs and impairment	80,596	137,699	-	-
Unrealised foreign exchange gains	18	9	-	-
Provision for employee entitlements	40	302	-	-
	80,654	**138,010**	**-**	**-**
Set off against deferred tax liabilities (below)	(42)	(28)	-	-
Net deferred tax assets not recognised	**80,612**	**137,982**	**-**	**-**
Potential tax benefit @ 30% - not recognised	**24,184**	**41,395**	**-**	**-**
Total deferred tax benefit not recognised	**24,705**	**41,772**	**-**	**-**
Deferred tax liabilities				
Amounts recognised in profit and loss				
Provision for unearned income	(16)	-	-	-
Unrealised foreign exchange losses	(1)	(2)	-	-
Sundry items	(25)	(26)	-	-
Exploration costs	-	-	-	-
	(42)	**(28)**	**-**	**-**
Set-off deferred tax assets associated with carried forward losses and other deferred tax assets not recognised	42	28	**-**	**-**
Net deferred tax liability	**-**	**-**	**-**	**-**

The benefits for tax losses will only be obtained if:

- assessable income of a nature and of an amount sufficient to enable the benefit to be realised is derived,
- conditions of deductibility imposed by law continue to be complied with, and
- no changes in tax legislation adversely affect the ability in realising the benefit.

The tax losses are available to be carried forward for a maximum of 20 years.

There are no income tax impacts relating to other comprehensive income.

5. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares on issue during the year. The diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	2017	2016
Basic earnings per share		
Weighted average number of ordinary shares on issue ('000)	935,604	927,089
Profit/(Loss) attributable to ordinary equity holders of the company used to calculate basic earnings per share (US$000's)	37,437	(15,835)
Basic earnings per share (US$)	0.400	(0.0171)
Diluted earnings per share		
Weighted average number of ordinary shares on issue ('000)	935,604	927,089
Adjustments for calculation of diluted earnings per share		
- Options / Performance rights	17,325	-
Weighted average number of ordinary shares for diluted earnings per share on issue ('000)	952,929	927,089
Profit/(Loss) attributable to ordinary equity holders of the company used to calculate diluted earnings per share (US$000's)	37,437	(15,835)
Diluted earnings per share (US$)	0.0393	(0.0171)

Options and rights granted to employees are considered to be potential ordinary shares and included to the extent they are dilutive in the determination of diluted earnings per share. The options and rights have not been included in the determination of basic earnings per share. Details relating to options and rights are set out in note 16.

6. CASH AND CASH EQUIVALENTS

	Consolidated		Holding Company	
	2017	2016	2017	2016
	US$000	US$000	US$000	US$000
Cash at bank and in hand	1,570	4,408	-	-
Short-term bank deposits	5,246	6,118	-	-
	6,816	**10,526**	**-**	**-**

a) Reconciliation to cash at the end of the year

The above figures reconcile to cash at the end of the financial year as shown in the statements of cash flows.

b) Interest rate risk exposure

The Group's and the parent entity's exposure to interest rate risk is discussed in note 24.

c) Contingent Liability

The Group has given a bank guarantee of US$49,871 (AU$63,937) for the leasing of property at 167 Eagle Street, Brisbane, Australia.

7. RECEIVABLES

	Consolidated		Holding Company	
	2017	2016	2017	2016
Current	US$000	US$000	US$000	US$000
Sundry receivables	64	58	-	-
Receivable from joint venturers*	1,534	1,386	-	-
	1,598	**1,444**	**-**	**-**

*Represents an amount owing by MCC Ramu NiCo Limited relating to Highlands' share of the cash distribution from the Ramu Nickel mine. This also includes an amount owing by Sojitz Group ('Sojitz') for cash call relating to Highlands' management of the Sewa Bay project. In 2016, this represents an amount owing by MCC Ramu Nico Limited relating to Highlands' share of the MHP sales of the Ramu Nickel mine.

8. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Plant and Equipment	Total
	US$000	US$000	US$000
CONSOLIDATED - 2017			
Cost			
Cost brought forward	240	571	811
Additions	2	-	2
Cost carried forward	**242**	**571**	**813**
Depreciation			
Brought forward	147	482	628
Charge for the year	17	44	61
Depreciation carried forward	**164**	**526**	**689**
Net book value at 31 December 2017	**79**	**45**	**124**

CONSOLIDATED - 2016			
Cost			
Cost brought forward	232	571	803
Additions	8	7	15
Written off	-	(7)	(7)
Cost carried forward	**240**	**571**	**811**
Depreciation			
Brought forward	130	439	569
Charge for the year	17	49	66
Written off	-	(7)	(7)
Depreciation carried forward	**147**	**482**	**628**
Net book value at 31 December 2016	**94**	**89**	**183**

There is no property, plant and equipment held by the Company.

9. EXPLORATION AND EVALUATION EXPENDITURE

	Frieda	Other	Total
	US$000	US$000	US$000
Balance 1 January 2017	27,500	9,600	37,100
Capitalised during the year:			
- Direct holding cost	647	88	735
- Interest on Frieda carried funding loan	201	-	201
Management fee (reduction of previous exploration expenditure provision)	-	(446)	(446)
Provision of exploration costs	-	358	358
Balance 31 December 2017	**28,348**	**9,600**	**37,948**
Balance 1 January 2016	26,887	9,600	36,487
Capitalised during the year:			
- Direct holding cost	455	39	494
- Interest on Frieda carried funding loan	158	-	158
Management fee (reduction of previous exploration expenditure provision)	-	(615)	(615)
Provision of exploration costs	-	576	576
Balance 31 December 2016	**27,500**	**9,600**	**37,100**

Frieda

The carrying value of the Group's interest in the Frieda River project is US$28.3 million at 31 December 2017. The US$0.8 million increase represents Highlands' direct holding costs in overseeing its interest in the Frieda River project and the capitalization of interest on the Carried Funding Loan owed to Frieda River Limited (FRL), (a wholly owned subsidiary of PanAust Limited, which is in turn a wholly owned subsidiary of Guangdong Rising Assets Management Co Ltd) ('GRAM'). Refer note 14.

In assessing the carrying value of the Group's interest in the Frieda River project the Directors have adopted a fair value less cost to sell valuation methodology. The valuation has been based on the transaction between PanAust Limited and Glencore plc previously announced to the market, together with the additional activities and expenditure undertaken by FRL.

FRL is responsible for 100% of the costs to maintain the Frieda River project site, assets and community relations programs up to the date of lodgement of the Special Mining Lease ('SML') application accompanied by the requisite completed feasibility study. PanAust Limited, on behalf of the Frieda River Joint Venture, submitted a SML application to the PNG Mineral Resources Authority ('MRA') on 24 June 2016. This lodgement satisfied a condition of the key Exploration License (EL58) that an application for a SML in respect of the Frieda River project be made on or before 30 June 2016.

The Group remains of the view that the feasibility study requires further work to achieve the required standard obligated by the Joint Venture Agreement ('EDMOA'), in particular, in relation to the Integrated Storage Facility ('ISF').

The parties are in dispute regarding their obligations under the joint venture agreement, including whether Highlands is obliged to commence funding of project expenditures. The parties have agreed to seek a final and binding arbitration before a sole arbitrator. Reference is made to the Group's ASX Announcement dated 14 July 2017.

The Group's expenditure to date on the Frieda River project is US$47.4 million.

Other

This represents the Star Mountains project and the Sewa Bay project.

On 11 February 2015, the Group executed Joint Venture and Farm-in agreements for the Star Mountains project with a wholly owned subsidiary of Anglo American. The agreements resulted in Highlands receiving a total of US$10 million from Anglo American, in two tranches of US$5 million each, with Anglo American obtaining an undivided 51% interest in the project and associated property including tenements. As a result of the transaction with Anglo American a carrying value of US$9.6 million was recognised during the 2015 year. The Star Mountains project results in the Group receiving management fees, which are applied to previous exploration expenditure, giving a reversal of prior provisions for exploration costs.

Management of the Star Mountains project was transferred to Anglo American in July 2017 (reference is made to the Group's ASX Announcement dated 19 July 2017). Anglo American withdrew from the Star Mountains Joint Venture in early 2018 (reference is made to the Group's ASX Announcement dated 8 February 2018), the Group has regained 100% of the Star Mountain tenements. Refer note 26.

The Groups' expenditure to 31 December 2017 on the Star Mountains project, net of receipt of management fees and payments from Anglo American, is US$17 million.

10. INVESTMENT IN RAMU NICKEL MINE

	31 Dec 2017	31 Dec 2016
	US$000	US$000
(i) Summarised financial information for Ramu Nickel Mine		
Current Assets	92,764	151,884
Non-current Assets	1,666,726	1,764,717
Current Liabilities	73,796	61,343
Non-current Liabilities	34,187	29,952
Net Assets	1,651,507	1,825,306
Group's share of net assets	141,369	156,246
Provisions for impairment	(31,369)	(74,246)
Investment at recoverable amount	110,000	82,000
Reconciliation to carrying amounts:		
Opening net assets	82,000	85,000
Share of associated entity's production costs	(19,857)	(15,796)
Share of associated entity's other comprehensive loss	(10,127)	(5,978)
Share of additional contribution	15,107	19,164
Reversal of/(provision for) impairment	42,877	(390)
Closing net asset	**110,000**	**82,000**
(ii) Interest in Ramu Nickel Mine		
Revenue	35,586	17,806
Other indirect costs	(2,001)	(1,419)
Share of associated entity's production costs	(19,857)	(15,796)
Share of associated entity's other comprehensive loss	(10,127)	(5,978)
Direct holding costs	(128)	(167)
Share of associated entity's total comprehensive income/(loss)	**3,473**	**(5,554)**
(iii) Sale of MHP Product		
Share of associated entity's MHP Products (Wet Metric Tonnes)	21,094	14,221
Revenue from sales of MHP products	35,585	17,804
Other revenue	1	2
(iv) Loan to MCC Ramu Nico Limited		
Opening balance	128,962	119,533
(Repayment of) further funding for cash calls	(8,231)	2,059
Sales commission payable to MCC Ramu Nico Limited	772	702
Interest accrued	6,433	6,265
Loan repayment	(12,676)	-
Additional drawdown	-	403
Closing balance	**115,260**	**128,962**

On nomination, the Group recognised a loan balance owing to MCC Ramu NiCo Limited for its 8.56% share of capped development costs plus accumulated interest for monies paid by MCC Ramu NiCo Limited to lenders on behalf of the Group up to 1 January 2015. These borrowings are non-recourse to the Company and the Group (excluding Ramu Nickel Limited) and will be repaid by Ramu Nickel Limited out of its share of operating surpluses less ongoing capital expenditure requirements at the current agreed rate of 80% of this net distribution. This repayment methodology has been extended for another year until 31 December 2018.

The carrying value of the Group's interest in the Ramu Nickel mine has been increased to US$110 million.

This is mainly driven by the recovery of commodity prices in the short to medium term which is partially offset by the increase in operating costs. In assessing the carrying value of its interest in the Ramu Nickel mine, the Directors have adopted a value in use ('VIU') methodology as to the present value of the expected future cash flows before financing from 2018 through to 2031. The calculations use cash flow projections based on financial budgets covering the period from 2018 to 2031.

Key assumptions

The key assumptions and estimates used in determining the VIU are related to commodity prices, discount rates, operating costs, exchange rates and capital expenditures.

The following key assumptions were used in impairment and fair value testing:

Assumptions	**2017**	**2016**
Nickel Price	US$5.26 – US$7.89	US$5.07 – US$8.27
Cobalt Price (US/Lb)	US$21.35 – US$29.55	US$13.41 – US$14.03
LOM years	14 years	14 years
Production Rate	100%	100%
After tax discount rate (Real)	12.48%	11.57%

(Nb. Prices above are nominal.)

Sensitivities

Management performed a sensitivity analysis on the commodity price of nickel, which is the key assumption that impacts impairment calculations. While holding all other assumptions constant, a positive 10% movement in the price assumptions range for nickel results in a movement in the present value of future cash flows of approximately US$14 million, while a negative 10% movement results in a reduction of US$13 million.

Holding all other assumption constant, a change in WACC to 12% would result in an increase in the present value of future cashflows of US$3 million and change in WACC to 13% would result in a decrease of US$3 million.

Due to the nature of the assumptions and their significance to the assessment of the recoverable amount of the asset relatively modest changes in one or more assumptions could require a material adjustment (negative or positive) to the carrying value of the related non-current asset within the next reporting period. The inter-relationships of the significant assumptions upon which estimated future cashflows are based are such that it is impracticable to disclose the extent of the possible effects of changes in all key assumptions in isolation.

11. INVESTMENTS IN SUBSIDIARIES

	% Shareholding *	**Class of Share**	**Country of Incorp**
Ramu Nickel Limited	100	Ordinary	PNG
Highlands Frieda Limited	100	Ordinary	PNG
Highlands Pacific Resources Limited	100	Ordinary	PNG
Highlands Pacific Australia Pty Limited	100	Ordinary	Australia
Highlands Pacific Services Limited	100	Ordinary	PNG

*No change from the 2016 year.

	Holding Company	
	2017	**2016**
INVESTMENTS AT COST	**US$000**	**US$000**
Investments in subsidiaries - at cost	130,186	130,186
Less: provision for diminution	(120,641)	(120,641)
	9,545	**9,545**

12. SUBSIDIARY ADVANCES

	Consolidated		Holding Company	
	2017	2016	2017	2016
	US$000	US$000	US$000	US$000
Advances to subsidiaries				
Advances	-	-	176,460	176,071
Less provision for write-off	-	-	(154,679)	(154,937)
	-	**-**	**21,781**	**21,134**
Advances from subsidiaries				
Advances	-	-	3	3

The advances within the Group are interest free with no set repayment terms, but not expected to be repaid within the next 12 months.

13. TRADE AND OTHER PAYABLES

	Consolidated		Holding Company	
	2017	2016	2017	2016
	US$000	US$000	US$000	US$000
Trade creditors	47	377	-	-
Payable to joint ventures*	2,255	-	-	-
Accruals and other creditors**	569	1,628	-	-
	2,871	**2,005**	-	-

*Represents US$1.8 million prepayments received from customers relating to Highlands' share of MHP sales of the Ramu Nickel mine, it also includes US$463,590 owing to Anglo American plc ('Anglo American') for cash call relating to the Star Mountain project.

**Other creditors include accruals for annual leave. The entire obligation is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave within the next 12 months. Current leave obligations expected to be settled after 12 months are US$41,603 (2016: US$37,573).

14. BORROWINGS

	Consolidated	
	2017	2016
	US$000	US$000
Current		
Loan from MCC Ramu NiCo Limited**	9,270	4,381
Closing Balance	**9,270**	**4,381**

Non-Current		
Loan from FRL*	6,621	6,420
Loan from MCC Ramu NiCo Limited**	105,990	124,581
	112,611	**131,001**

*The Carried Funding Loan represents the amount owing to FRL (a wholly owned subsidiary of PanAust Limited, which is in turn a wholly owned subsidiary of GRAM) as at 31 December 2017. This loan is as a result of FRL carrying the Group's share of expenditure on the Frieda project from 23 January 2012 up until 25 August 2014, the date on which former joint venture partner Glencore divested its interest. The Carried Funding Loan has been classified as a financial liability in accordance with IAS32 Financial Instruments - Presentation and measured at amortised cost. Interest on the loan of US$200,687 has been accrued and capitalised into the exploration and evaluation expenditure balance, in accordance with IAS 23 Borrowing Costs. This loan balance will continue to accrue interest at a rate of 'US$ one month LIBOR' plus 2% and is repayable by Highlands out of production cash flows.

**These borrowings relate to the Group's interest, held in the wholly owned subsidiary Ramu Nickel Limited, in the Ramu Nickel mine and are owing to MCC Ramu NiCo Limited. As part of the Joint Venture Agreement with MCC Ramu NiCo Limited, MCC Ramu NiCo Limited was responsible for development and financing of the mine. These borrowings represent the Group's 8.56% share of principal repayments (capped to a specified development threshold) and interest repayments made by MCC Ramu NiCo Limited to third party lenders on behalf of the Group, plus any accumulated interest charged by MCC Ramu Nico Limited. The borrowings are held in the Group's wholly owned subsidiary Ramu Nickel Limited and are non-recourse to the rest of the Group or Parent entity Highlands Pacific Limited. The borrowings are to be repaid out of the Group's share of operating surpluses (sales revenue less operating costs and on-going capital expenditure) rather than operating and financing cashflows generated by the group. Refer note 10.

**The amount classified as current represents that portion of the loan expected to become repayable within 12 months of year end.

15. PROVISIONS

	Consolidated	
	Employee Entitlements	Employee Entitlements
	2017	2016
	US$000	US$000
Opening Balance - long service leave	146	308
Charged for the year	40	(162)
Closing Balance - long service leave	**186**	**146**
Analysis of total provisions:		
Current	177	122
Non-Current	9	24
	186	**146**

Employee entitlements for annual leave are classified as 'Other Creditors' in accordance with the requirements of International Financial Reporting Standards.

16. CONTRIBUTED EQUITY

a) Paid Up Capital – Consolidated and Holding Company

	Consolidated		Holding Company	
	2017	2016	2017	2016
			Shares	Shares
	US$000	US$000	000's	000's
Balance 1 January	303,911	303,913	927,778	920,578
Issued during the year	-	-	8,138	7,200
Less costs associated with issue	(5)	(2)	-	-
Balance 31 December	**303,906**	**303,911**	**935,916**	**927,778**

The total number of shares issued as at 31 December 2017 was 935,915,836 (2016: 927,777,086). In accordance with the Papua New Guinea Companies Act 1997 the Company's shares are fully paid, have no par value and there is no authorised capital level.

b) Movement in paid up capital

Date	Details	Notes	No. of Shares	Issue Price AU$	US$000
1 January 2017	Opening balance		927,777,086		303,911
3 January 2017	Exercising of zero priced employee performance rights	(i)	5,508,750	0.000	-
6 February 2017	Exercising of zero priced employee performance rights	(i)	2,630,000	0.000	-
	Transaction costs arising on share issue above				(5)
31 December 2017	Balance		935,915,836		303,906

(i) Exercising of performance rights issued to employees when exercised convert into one ordinary share.

c) Performance Rights

The number of unissued ordinary shares under performance rights at 31 December 2017 is 17,325,000 (2016: 30,065,000).

Performance Rights issued under the Highlands Pacific Performance Rights Plan

	No. of performance rights issued	Vesting date / Expiry Date	Exercised during current and previous years	Expired during current and previous years
Tranche 1	12,740,000	31 December 2016	8,138,750	4,601,250
Tranche 1, 2	17,325,000	31 December 2017	-	-

The performance rights issued under the Performance Rights Plan are exercisable after the completion of certain performance hurdles by certain dates. Performance rights are granted under the plan for no consideration and have a nil exercise price.

All performance rights granted carry no dividend or voting rights. Each performance right, when exercised, is converted into one ordinary share.

On 3 January 2017, 5,508,750 and on 6 February 2017, 2,630,000 performance rights from Tranche 1 vested and shares were issued, with the balance lapsing unexercised due to performance hurdles not being met.

The rights granted during the 2015 year vest subject to completion of performance hurdles and expired on 31 December 2017. On 22 January 2018, 14,287,500 performance rights from Tranche 1 and 2 vested and shares were issued, with the balance lapsing unexercised due to performance hurdles not being met.

Information relating to the Highlands Pacific Performance Rights Plan, including details of performance rights issued, exercised or lapsed during the financial year and performance rights outstanding at the end of the financial year, is further set out in note 25.

17. RESERVES

	Consolidated		Holding Company	
	2017	2016	2017	2016
	US$000	US$000	US$000	US$000
Foreign Currency Translation Reserve				
Balance brought forward	(9,750)	(9,750)	(6,268)	(6,268)
Movement for the year	-	-	-	-
Balance carried forward	**(9,750)**	**(9,750)**	**(6,268)**	**(6,268)**
Share-based Payments Reserve				
Balance brought forward	5,368	4,601	5,368	4,601
Fair value of options and performance rights expensed	394	767	394	767
Balance carried forward	**5,762**	**5,368**	**5,762**	**5,368**
Total Reserves	**(3,988)**	**(4,382)**	**(506)**	**(900)**

Nature and purpose of reserves

Foreign Currency Translation Reserve

The foreign currency translation reserve relates to exchange differences which arose on the previous change in the Group's functional currency from Papua New Guinean Kina to US Dollar.

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency (US Dollar) are translated on consolidation and any exchange differences arising from the translation of any net investment in foreign entities are taken to the foreign currency translation reserve. There were no exchange differences in 2017 as no entity has a different functional currency; US Dollar is the functional and presentation currency of all the Group entities.

Share-based Payments Reserve

The share-based payments reserve is used to recognise the fair value of performance rights issued.

18. REMUNERATION OF EMPLOYEES

The number of employees (not including Directors), whose remuneration and benefits exceeded PGK100, 000 falls within the following bands:

		Group No. of Employees	
US$	**PGK**	**2017**	**2016**
34,540 - 37,680	110,000 - 119,999	-	1
43,960 - 47,100	140,000 - 149,999	-	2
65,940 - 69,080	210,000 - 219,999	-	1
69,080 - 72,220	220,000 - 229,999	-	1
72,220 - 75,360	230,000 - 239,999	1	-
87,920 - 91,060	280,000 - 289,999	1	-
97,340 - 100,480	310,000 - 319,999	1	-
100,480 - 103,620	320,000 - 329,999	-	1
122,460 - 125,600	390,000 - 399,999	-	1
131,880 - 135,020	420,000 - 429,999	-	1
138,160 - 141,300	440,000 - 449,999	-	1
194,680 - 197,820	620,000 - 629,999	-	1
213,520 - 216,660	680,000 - 689,999	1	-
232,360 - 235,500	740,000 - 749,999	1	-
251,200 - 254,340	800,000 - 809,999	-	1
310,860 - 314,000	990,000 - 999,999	-	1
342,260 - 345,400	1,090,000 - 1,099,999	-	1
Total		**5**	**13**

The remuneration includes costs to the Group of superannuation and other like benefits provided to employees.

The 2017 comparatives have been converted at the current year exchange rates to arrive at the equivalent US Dollar bands.

PGK1.00 = US$0.3140.

19. INTERESTS IN OTHER ENTITIES

At 31 December 2017

	Interest	**Nature of interest**	**Activity**
Ramu joint venture (Note 1 below)	8.56%	Associate	Production
Frieda River joint venture (Notes 2 and 4 below)	20%	Cost	Exploration and Evaluation
Nong River joint venture (Notes 3 and 4 below)	49%	Cost	Exploration and Evaluation

1. Ramu: the Group's 8.56% interest increases to 11.30% at no cost to the Group after the debt for the financing of the project has been repaid. At this time the Group also has the option to purchase an additional 9.25% interest at market value, which if exercised would take the Group's interest to 20.55%. Refer note 10.
2. Frieda River: GRAM has an 80% interest in the Frieda River Joint Venture with Highlands having the remaining 20%. Refer note 9.
3. Star Mountains: on 11 February 2015 the Group executed Joint Venture and Farm-in agreements for the Star Mountains project with a wholly owned subsidiary of Anglo American. The agreements result in Highlands receiving a total of US$10 million from Anglo American in two tranches of US$5 million. The first tranche was received upon signing of the agreements on 11 February 2015, with the second US$5 million being received on 11 February 2016. Anglo American can earn an 80% interest in the joint venture – 51% by spending US$25 million on exploration over four years and declaring a 43-101/JORC compliant inferred resource of 3 million tonnes of contained copper-equivalent by 11 February 2020 and a further 29% by completing and funding a Bankable Feasibility Study ('BFS') by 11 February 2030. Anglo American will also provide Highlands with up to US$150 million in project development funding as a deferred free-carry following the completion of the BFS. Management of the Star Mountains project was transferred to Anglo American in July 2017 (reference is made to the Group's ASX Announcement dated 19 July 2017). Anglo American withdrew from the Star Mountains Joint Venture in early 2018 (reference is made to the Group's ASX Announcement dated 8 February 2018), the Group has regained 100% of the Star Mountain tenements.
4. The joint ventures as stated are subject to the right of the Independent State of Papua New Guinea to acquire a 30% equity interest in any major mining development in that country.

20. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Parent entity

The parent entity within the Group is Highlands Pacific Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 11.

(c) Key management personnel

Other than the directors who are included as key management personnel, those that also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the year are as follows:

Name	Position
S Moser	Chief Financial Officer
L Nand	General Manager Exploration (ceased employment on 15 September 2017)
R Gawi	General Manager Port Moresby

(d) Key management personnel compensation

	Consolidated		Holding Company	
	2017	2016	2017	2016
	US$000	US$000	US$000	US$000
Short-term employee benefits*	1,129	2,495	-	-
Share based payments	167	706	-	-
	1,296	**3,201**	**-**	**-**

*Key management personnel includes director's remuneration.

Details of the Directors' remuneration paid or provided for during the year, including the value of benefits and the fair value of options charged during the year, was as follows:

2017 Year	Cash Remuneration and Fees	Short-term Incentives	Non-monetary Benefits	Superannuation	Share-based Payments (Long-term Incentives)	Total
Name and Position	US$000	US$000	US$000	US$000	US$000	US$000
K MacDonald, *Chairman**	18	-	-	2	-	20
R Douglas, *Chairman**	63	-	-	6	-	69
C Lennon, *Managing Director*	363	-	-	22	86	471
D Wood, *Non-Executive Director**	34	-	-	3	-	37
M Carroll, *Non-Executive Director**	12	-	-	1	-	13
J Wylie, *Non-Executive Director**	25	-	-	2	-	27
B Philemon, Non-Executive Director	37	-	-	3	-	40
Total	**552**	**-**	**-**	**39**	**86**	**677**

2016 Year	Cash Remuneration and Fees	Short-term Incentives	Non-monetary Benefits	Superannuation	Share-based Payments (Long-term Incentives)	Total
Name and Position	US$000	US$000	US$000	US$000	US$000	US$000
K MacDonald, *Chairman*	78	-	-	7	-	85
J Gooding, *Managing Director***	971	-	-	39	328	1,338
C Lennon, *Managing Director***	31	-	-	-	-	31
D Wood, *Non-Executive Director*	39	-	-	4	-	43
M Carroll, *Non-Executive Director*	39	-	-	4	-	43
B Philemon, *Non-Executive Director*	39	-	-	4	-	43
Total	**1,197**	**-**	**-**	**58**	**328**	**1,583**

*Ken McDonald ceased as Chairman on 28 March 2017 and Ron Douglas was appointed as Chairman from 28 March 2017. Mike Carroll ceased as director on 19 April 2017 and John Wylie was appointed as director from 19 April 2017. John Wylie's director's fees were paid to PNG SDP. Dan Wood ceased as director on 24 November 2017.

**John Gooding ceased employment on 30 November 2016 (his 2016 cash remuneration includes US$555,000 in termination payment and US$328,000 in share-based payments) and Craig Lennon was appointed as Managing Director from 1 December 2016.

(e) Equity instrument disclosures relating to key management personnel

Performance Rights provided as remuneration and shares issued on exercise of such options.

Details of share-based payments are disclosed in note 25.

Performance Rights holdings

The number of performance rights over ordinary shares in the Company held during the financial year by each director and other key management personnel of the Group, including their personally related parties, are set out below.

2017 Year **Name**	**Balance at the start of the year**	**Granted during the year as compensation**	**Exercised during the year**	**Lapsed during the year**	**Balance at the end of the year**	**Vested and exercisable at the end of the year**
Directors of Highlands Pacific Limited						
J Gooding*	9,450,000	-	(3,262,500)	(1,087,500)	5,100,000	5,100,000
C Lennon*	5,920,000	-	(1,360,000)	(1,360,000)	3,200,000	3,200,000
Other key management personnel of the Group						
S Moser*	1,795,000	-	(410,000)	(410,000)	975,000	975,000
L Queen*	2,390,000	-	(817,500)	(272,500)	1,300,000	1,300,000
P Jolly*	4,155,000	-	(1,428,750)	(476,250)	2,250,000	2,250,000
R Gawi	1,795,000	-	(410,000)	(410,000)	975,000	975,000
L Nand	2,250,000	-	-	-	2,250,000	2,250,000

2016 Year **Name**	**Balance at the start of the year**	**Granted during the year as compensation**	**Exercised during the year**	**Lapsed during the year**	**Balance at the end of the year**	**Vested and exercisable at the end of the year**
Directors of Highlands Pacific Limited						
J Gooding*	12,050,000	-	(2,600,000)	-	9,450,000	4,350,000
C Lennon*	7,545,000	-	(1,625,000)	-	5,920,000	2,720,000
Other key management personnel of the Group						
S Moser*	2,283,000	-	(488,000)	-	1,795,000	820,000
L Queen*	3,040,000	-	(650,000)	-	2,390,000	1,090,000
P Jolly*	5,293,000	-	(1,138,000)	-	4,155,000	1,905,000
R Gawi	2,283,000	-	(488,000)	-	1,795,000	820,000
L Nand	2,250,000	-	-	-	2,250,000	-

*John Gooding ceased employment on 30 November 2016 and Craig Lennon was appointed as Managing Director from 1 December 2016. Sylvie Moser was appointed as Chief Financial Officer from 1 December 2016. L Queen and P Jolly ceased employment on 1 October 2016.

Shareholdings

The number of shares in the Company held during the financial year by each director and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the year as compensation.

2017 Year Name	Balance at the start of the year	Received during the year on the exercise of options and performance rights	Other changes during the year	Balance at the end of the year
Directors of Highlands Pacific Limited				
K MacDonald*	1,000,000	-	-	1,000,000
C Lennon	2,190,000	1,360,000	.	3,550,000
D Wood*	1,100,000	-	-	1,100,000
M Carroll*	304,307	-	-	304,307
B Philemon	1,028	-	-	1,028
Other Key Management Personnel of the Group				
S Moser	80,500	410,000	(390,500)	100,000
R Gawi	715,500	410,000	-	1,125,500

* Ken McDonald ceased as Chairman on 28 March 2017 and Ron Douglas was appointed as Chairman from 28 March 2017. Mike Carroll ceased as director on 19 April 2017 and John Wylie was appointed as director from 19 April 2017. John Wylie's director's fees were paid to PNG SDP. Dan Wood ceased as director on 24 November 2017.

2016 Year Name	Balance at the start of the year	Received during the year on the exercise of options and performance rights	Other changes during the year	Balance at the end of the year
Directors of Highlands Pacific Limited				
K MacDonald	1,000,000	-	-	1,000,000
M Carroll	304,307	-	-	304,307
D Wood	1,100,000	-	-	1,100,000
J Gooding	4,200,215	2,600,000	-	6,800,215
B Philemon	1,028	-	-	1,028
C Lennon	1,065,000	1,625,000	(500,000)	2,190,000
Other Key Management Personnel of the Group				
S Moser	142,500	488,000	(550,000)	80,500
L Queen	520,000	650,000	-	1,170,000
P Jolly	2,327,500	1,138,000	-	3,465,500
R Gawi	227,500	488,000	-	715,500

(f) Loans to key management personnel

There are no loans between directors or other key management personnel and any of the Group companies.

(g) Advances to / from related entities

	Consolidated		Holding Company	
	2017	2016	2017	2016
	US$000	US$000	US$000	US$000
Advances to / from subsidiaries				
Beginning of the year	-	-	176,071	175,306
Movement during the year	-	-	390	765
End of year	**-**	**-**	**176,461**	**176,071**

Refer note 12 for provisions raised against these advances to subsidiaries.

(h) Transactions with related parties	Consolidated		Holding Company	
	2017	2016	2017	2016
	US$000	US$000	US$000	US$000
The following transactions occurred with related parties				
Fees from associate	446	615	-	-
Management fees to subsidiaries	-	-	-	-

21. SEGMENT REPORTING

a) Description of Segments

Management considers the business from a project classification perspective and has identified four reportable segments - Exploration/ Evaluation, Frieda, Ramu and Corporate. Corporate consists of all other business activities performed at the offices held in both PNG and Brisbane.

b) Reportable Segment Results

The segment information provided to management for the reportable segments for the year ended 31 December 2017 is as follows:

Consolidated	Exploration / Evaluation*	Frieda	Ramu	Corporate	Group
	US$000	US$000	US$000	US$000	US$000
2017					
Segment revenue	-	-	-	109	109
Segment result	358	-	39,917	(2,838)	37,437
Net Profit/(Loss)	358	-	39,917	(2,838)	37,437
Segment assets	9,600	28,348	110,000	8,538	156,486
Reversal of/ impairment of assets	-	-	42,877	-	42,877
Segment liabilities	(738)	(6,641)	(117,114)	(445)	(124,938)
Acquisition of segment assets	-	-	-	2	2
Segment depreciation and amortisation	-	-	-	61	61
2016					
Segment revenue	-	-	-	95	95
Segment result	576	-	(12,209)	(4,202)	(15,835)
Net Profit/(Loss)	576	-	(12,209)	(4,202)	(15,835)
Segment assets	9,600	27,499	82,000	12,155	131,254
Impairment of assets	-	-	(390)	-	(390)
Segment liabilities	(1,290)	(6,432)	(129,022)	(789)	(137,533)
Acquisition of segment assets	-	-	-	16	16
Segment depreciation and amortisation	-	-	-	66	66

*Excluding Frieda

22. RECONCILIATION OF NET PROFIT/(LOSS) AFTER TAXATION TO CASH FLOW FROM OPERATING ACTIVITIES

		Consolidated		Holding Company	
		2017	2016	2017	2016
	Notes	US$000	US$000	US$000	US$000
Reported Net Profit/(Loss) after Taxation		**37,437**	**(15,835)**	**258**	**(310)**
Add/(less) non-cash and non-operating items:					
Depreciation and amortisation	8	61	66	-	-
Exploration, evaluation and development costs				-	-
Reversal of provision for exploration costs		(358)	(576)	-	-
(Reversal of)/impairment of non-current assets		(42,877)	390	-	-
(Reversal of)/impairment of subsidiary advances		-	-	(258)	310
Share of operating (profit)/loss of equity accounted investments		(3,473)	5,554	-	-
Fair value of share based payments		394	767	-	-
Impairment of investment in subsidiaries/(reversal) of impairment		-	-	-	-
Net (gain)/loss on foreign currency balances	3	(220)	194	-	-
Interest expense		6,433	6,265	-	-
		(40,040)	**12,660**	**(258)**	**310**
Add/(less) movements in working capital items:					
(Increase)/decrease in debtors and prepayments		(6)	(8)	-	-
Increase/(decrease) in creditors and provisions		4	(939)	-	-
		(2)	**(947)**	**-**	**-**
Net Cash Flow from Operating Activities		**(2,605)**	**(4,122)**	**-**	**-**

23. OPERATING LEASE OBLIGATIONS

	Consolidated		Holding Company	
	2017	2016	2017	2016
	US$000	US$000	US$000	US$000
Obligations payable after balance date on non-cancellable operating leases are as follows:				
Within one year	116	111	-	-
One to two years	118	111	-	-
Two to five years	180	243	-	-
	414	**465**	**-**	**-**

24. FINANCIAL RISK MANAGEMENT

Overview

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including foreign exchange risk, interest rate risk and commodity price risk). The Group's overall risk management program seeks to minimise the potential adverse effects arising from financial risks on the Group's financial performance. The Group may use a range of derivative financial instruments to manage risk exposure although at balance date there were no derivative instruments being used to manage financial risk exposure.

Risk management is carried out by the Managing Director and Chief Financial Officer under policies approved by the Board of Directors through the Audit Committee. Management identify, quantify, evaluate and where considered prudent, manage financial risks in accordance with established written policies.

a) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposure to customers, including outstanding committed transactions.

In relation to banks and financial institutions only the major Australian banking institutions and international institutions are used for the depositing of surplus funds. The long term credit rating of the banks and financial institutions in which funds are deposited at 31 December 2017 are B+ and AA-.

The carrying amounts of the Group's financial assets represent the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Carrying Amount	
	2017	2016
	US$000	US$000
Cash and cash equivalents	6,816	10,526
Other receivables	1,598	1,444
	8,414	**11,970**

The ageing of the Group's other receivables at the reporting date was as follows:

	2017		2016	
	Gross	Impairment	Gross	Impairment
	US$000	US$000	US$000	US$000
Not past due				
6 months or less	1,598	-	1,444	-
6 to 12 months	-	-	-	-
	1,598	**-**	**1,444**	**-**

The Group believes that no impairment is necessary in respect of other receivables not past due date as balances are monitored on a regular basis with the result that exposure to bad debts is insignificant.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities to settle debts as and when they become due.

The following are the contractual maturities of financial liabilities:

	Total	6 months or less	6 - 12 months	> 1 years
	US$000	US$000	US$000	US$000
Consolidated 31 December 2017				
Non-derivative financial liabilities				
Trade and other creditors	2,871	2,871	-	-
Borrowings	121,881	-	9,270	112,611
	124,752	**2,871**	**9,270**	**112,611**
Consolidated 31 December 2016				
Non-derivative financial liabilities				
Trade and other creditors	2,005	2,005	-	-
Borrowings	135,382	-	4,381	131,001
	137,387	**2,005**	**4,381**	**131,001**

(c) Market risk

Foreign currency risk

Foreign currency risk refers to the risk that the value of a financial commitment, recognised asset or liability will fluctuate due to changes in foreign currency rates. The Group is exposed to currency risk on purchases and cash deposits that are denominated in non-US Dollars. As a result of this exposure, during the 2017 year the Group incurred a gain of US$219,863 as shown in the Statements of Comprehensive Income and note 3. This has resulted from the movement in the Australian Dollar to the US Dollar.

The exposure to foreign currency risk in non-US Dollars at balance date was as follows:

	Consolidated		Holding Company	
	2017	2016	2017	2016
	AU$000	AU$000	AU$000	AU$000
Cash and cash equivalents	4,481	4,693	-	-
Other receivables	16	17	-	-
Trade and other creditors	(307)	(1,491)	-	-
	4,190	**3,219**	**-**	**-**

	Consolidated		Holding Company	
	2017	2016	2017	2016
	PGK$000	PGK$000	PGK$000	PGK$000
Cash and cash equivalents	832	911	-	-
Other receivables	130	107	-	-
Trade and other creditors	(488)	(1,196)	-	-
	474	**(178)**	**-**	**-**

The following significant exchange rates applied during the year:

	Average Rate		Reporting Date Spot Rate	
	2017	2016	2017	2016
	US$000	US$000	US$000	US$000
AUD	0.7644	0.7426	0.7800	0.7236
PGK	0.3140	0.3209	0.3095	0.3150

A 10% strengthening / weakening of the Australian dollar and the Papua New Guinea Kina, with all other variables constant, would have affected before tax loss and equity by US$341,470 (2016: US$227,350).

Interest rate risk

The Group's interest rate risk arises as a result of cash deposits and from long-term borrowings.

Cash deposits, which in turn earn interest income, are subject to the movement of interest rates and the Group does not enter into long-term deposits.

The Group does have US$2,043,800 on deposit at rate 1.58% (2016: US$3,047,606 ranging from 0.8% and 0.88%). It also has AU$4,105,444 on deposit at rates ranging between 2.10% and 2.26% (2016: AU$4,103,619 ranging from 1.74% and 2.39%). There is no PGK on deposit at December 2017 (2016: no PGK on deposit).

A change of 100 basis points (plus 1% / minus 1%) in interest rates on variable rate instruments would have affected equity and profit and loss by US$87,000 (2016: US$98,000). The analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

The variable rate of the Group's long-term borrowings ranges between 5.05% and 5.95%.

A change of 100 basis points (plus 1% / minus 1%) in interest rates on long-term borrowings would have affected equity and profit and loss by US$1.1 million (2016: US$900,000).

The Group does not account for any fixed rate financial rate assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Commodity price risk

The Group is exposed to commodity price risk. This arises from the sale of nickel and cobalt that is priced on, or benchmarked to, open market exchanges. The products are sold by MCC Ramu Nico Limited as sales agent on behalf of the Group at prevailing market prices such as the London Metal Exchange (LME) and Metal Bulletin (MB). The products, predominantly nickel and cobalt, are provisionally priced, that is the selling price is determined preceding the month of shipment followed by an adjustment using the average price of the month of shipment after delivery to the customers. As at 31 December 2017, contracts for the physical delivery of commodities are carried in the balance sheet at their realised prices. Derivative commodity contracts may be used to align realised prices to manage risk exposure although at balance date there were no derivative commodity contracts being used.

(d) Capital Management

The Group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may issue new shares, return capital to shareholders, or sell assets to provide cash and or reduce debt levels if applicable. The group will also give consideration whether the payment of dividends is appropriate and at what levels.

Consistent with others in the industry at a similar stage, the Group and parent entity monitor capital on the basis of cash requirements for exploration, development and administrative purposes offset by current cash balances and likely operating inflows. Other factors that will be considered are credit and equity market conditions and expectations from the investment community.

During 2017, the Group's strategy was unchanged from 2016 and is reviewed by the Board.

(e) Fair value

The carrying amounts of cash, short term receivables and short term payables are a reasonable approximation of fair value due to their short term nature.

The fair values of borrowings are not materially different to their carrying amounts, since the interest payable on those borrowings is close to current market rates.

25. SHARE-BASED PAYMENTS

(a) Performance Rights Plan

Performance rights have been issued to senior employees and the Managing Director under the terms of their employment contract and in accordance with the Performance Rights Plan.

Performance rights are granted for no consideration and carry no dividend or voting rights. When exercisable, each performance right is convertible into one fully paid ordinary share. The exercise price of the performance rights is nil.

Grant date	Hurdle / vesting date	Expiry date	Exercise Price (AU$)	Balance start of year	Granted during year	Exercised during year	Expired during current / prior year	Balance at end of year	Exercisable at end of year
22/05/14	31/12/16	31/12/16	0.0000	12,740,000	-	(8,138,750)	(4,601,250)	-	-
10/04/15	31/12/17	31/12/17	0.0000	12,225,000	-	-	-	12,225,000	12,225,000
21/05/15	31/12/17	31/12/17	0.0000	5,100,000	-	-	-	5,100,000	5,100,000

Fair Value of performance rights granted

Grant Date	22nd May 2014	10th April 2015	21st May 2015
Share price at grant date	AU$0.06	AU$0.094	AU$0.115
Fair value at grant date	AU$515,970	AU$920,543	AU$486,540
Expected volatility of Company's shares	70%	65%	65%
Expected dividend yield	0%	0%	0%
Risk-free interest rate	2.80%	1.80%	2.00%
Expected vesting period	31st Dec 2016	31st Dec 2017	31st Dec 2017

The performance rights are subject to performance hurdles which if met automatically convert into fully paid ordinary shares.

(b) Cost arising from share-based payment transactions

Total cost from share-based payment transactions recognised during the year was as follows:

	December 2017	December 2016
	US$000	US$000
Options issued under Executive Option Scheme and performance rights issued under the Performance Rights Plan	394	767
Total	**394**	**767**

26. EVENTS OCCURRING AFTER BALANCE DATE

Anglo American withdrew from the Star Mountains Joint Venture in early 2018 (reference is made to the Group's ASX Announcement dated 8 February 2018), the Group has regained 100% of the Star Mountain tenements. The Group will be seeking to introduce a new partner to fund exploration drilling going forward.

27. SUPPLEMENTARY INFORMATION

In accordance with Accounting Standards Board Directive 2 (ASBD 2) and the Investment Promotion Authority approval to prepare and lodge US dollar financial statements, the Company discloses the following information in PNG Kina terms:

	Consolidated		Holding Company	
	2017	2016	2017	2016
	PGK000	PGK000	PGK000	PGK000
Revenue	347	296	-	-
Net (Loss)/Profit after tax	119,226	(49,346)	822	(966)
Total Assets	505,609	416,679	101,215	97,394
Total Liabilities	403,677	436,613	10	10
Net Assets	101,929	(19,934)	101,205	97,384

Asset and liability balances are translated from US dollars at the rate prevailing at 31 December 2016 of PGK1.00 = US$0.3095 (2016-year PGK1.00 = US$0.3150) while income and expense items are translated at the average rate for the year PGK1.00 = US$0.3140 (2016 year PGK1.00 = US$0.3209).

DIRECTORS' DECLARATION

In the opinion of the Directors:

1. The financial statements and notes of the Company and of the Consolidated Entity:
   a. comply with International Financial Reporting Standards and other mandatory professional reporting requirements; and,
   b. give a true and fair view, in all material respects, of the financial position as at 31 December 2017 and performance of the Company and the Consolidated Entity for the year ended on that date; and are in accordance with the Papua New Guinea Companies Act 1997.
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors in making this decision have received appropriate certification from the Managing Director and Chief Financial Officer.

On behalf and in accordance with a resolution of the board,

Ron Douglas
Chairman

20 March 2018

Craig Lennon
Managing Director

Independent Auditor's Report

to the shareholders of Highlands Pacific Limited

Report on the audit of the financial statements of the Company and the Group

Our opinion

We have audited the financial statements of Highlands Pacific Limited (the Company), which comprise the statements of financial position as at 31 December 2017, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 31 December 2017 or from time to time during the financial year.

In our opinion, the accompanying financial statements:

- comply with International Financial Reporting Standards and other generally accepted accounting practice in Papua New Guinea; and
- give a true and fair view of the financial position of the Company and the Group as at 31 December 2017, and their financial performance and cash flows for the year then ended.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

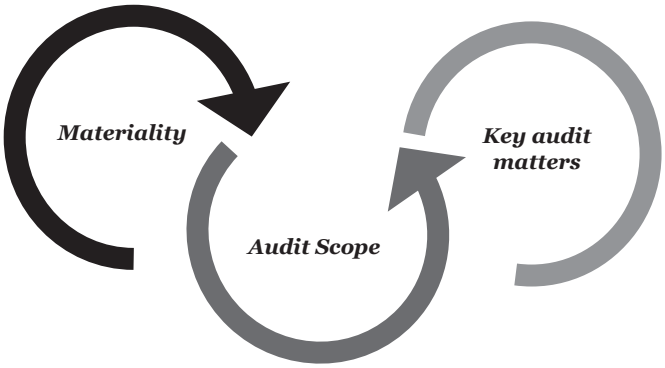
We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the area of taxation compliance and advice. The provision of these other services has not impaired our independence as auditor of the Company and the Group.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the management structure of the Company and the Group, their accounting processes and controls and the industries in which they operate.



Materiality	*Audit scope*	*Key audit matters*
• For the purpose of our audit of the Group we used overall group materiality of US$1,560,000 which represents 1% of the Group's total assets. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole. • We chose Group total assets because, in our view, it is the metric against which the performance of the Group is most commonly measured and is a generally accepted benchmark. • We selected 1% based on our professional judgement noting that it is also within the range of commonly acceptable related thresholds.	• We (PwC Papua New Guinea) conducted audit work over all the subsidiaries which comprise the Group consolidation. • All subsidiaries of the Group are incorporated and operating in Papua New Guinea and audited by PwC Papua New Guinea with the exception of one subsidiary incorporated in Australia. • Our audit focused on where the directors made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.	• Amongst other relevant topics, we communicated the following key audit matters to the Audit Committee: - Assessment of the carrying value of the investment in the Ramu Nickel mine - Exploration and evaluation expenditure impairment indicator assessment - Assessment of future cashflows • These matters are further described in the *Key audit matters* section of our report.

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PO Box 484, Port Moresby, Papua New Guinea
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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the current period. The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be key matters to be communicated in our report.

Further, commentary on the outcomes of the particular audit procedures is made in that context.

Key audit matter	*How our audit addressed the key matter*
Assessment of the carrying value of the investment in the Ramu Nickel mine of US$110 million and associated impairment reversal of US$42.9 million *(Refer to note 10 of the financial statements)* With changes from a year ago in a number of assumptions used to determine the carrying value of the Group's investment in the Ramu Nickel mine, including long term forecast pricing for nickel and cobalt, the Group has performed an impairment assessment of its carrying value and recognised a partial reversal of previous impairment charges. To assess the carrying value of the investment, the Group has prepared a calculation of the value of the investment based on the net present value of the expected future cash flows before financing costs. The net present value of the expected future cashflows and the reversal of impairment charge calculated by the Group are US$110 million and US$42.9 million respectively. The key assumptions used in the financial model include long term nickel and cobalt pricing, budgeted operating costs, mine production profile based on the current reserves and resources estimate and the discount rate, as well as the time frames in which the revenues and expenses will occur. Given the investment in the Ramu Nickel mine has previously been impaired, the carrying value assessment is sensitive to changes in all key assumptions in the financial model. Our audit focused on the assessment of the reversal of impairment and carrying value recognised as both are significant for the Group because of the significant judgements around the key assumptions used in assessing the carrying value of the asset and the sensitivity of the carrying value to changes in these key assumptions.	We have considered and tested the financial model prepared and used by the Group to support the carrying value of the Ramu Nickel mine investment and the reversal of impairment recognised at year end. We compared the financial model with the previous year's model and found it was consistently structured and consistent with the basis of preparation required by International Financial Reporting Standards. Together with our valuation expert we reviewed the methodology adopted in the financial model. We benchmarked the long term nickel and cobalt price assumptions used in the financial model against external forecasts, and the discount rates with our expectation based on the overall estimated Weighted Average Cost of Capital (WACC) for the Group and the specific risks associated with the estimated cashflows from the asset. We performed sensitivity analysis on assumptions used in the financial model. We determined that the calculations were more sensitive to assumptions for nickel and cobalt pricing and discount rates and focused our testing on these assumptions.
Exploration and evaluation expenditure of US$37.9 million impairment indicator assessment *(Refer to note 9 of the financial statements)* Our audit focused on the Group's assessment for indicators of impairment of the carrying value of the exploration and evaluation expenditure asset, because this is one of the significant assets of the Group. The asset includes capitalised expenditure in relation to two areas of exploration interests which are at varying degrees of advancement. We considered this a key audit matter because there are significant judgements involved in considering the existence of indicators of impairment, including consideration of any factors arising that would impact the status or value of each project. If there are indicators of impairment an assessment of the recoverable values of the exploration projects would be required.	We considered the directors' assessment of the existence of potential indicators of impairment. Our procedures included: - Reading the exploration licence terms and conditions for the respective projects. - Examining exploration budgets for 2018 and reading minutes to understand the nature of ongoing activities in each area of interest. - Considering the impact of changes in external forecast gold and copper prices. - Comparing the current carrying value of the projects to historical transactions used to support the carrying value of the capitalised costs and considering if there were any factors subsequent to these transactions that were an indicator of impairment. - Evaluating the disclosures made in note 9, including those regarding the basis for the carrying value of the projects, in light of the requirements of International Financial Reporting Standards.

Key audit matter	*How our audit addressed the key matter*
Assessment of future cashflows *(Refer to note 1 of the financial statements)* The Group had a total operating cash outflow of US$2.6 million for the 2017 year and a net current liability position of US$3.9 million at 31 December 2017. The financial statements continue to be prepared on a going concern basis as the Group expects to have sufficient working capital to carry out its stated objectives for at least 12 months from the balance date of the financial statements. The Group has prepared cash flow projections which include a number of assumptions and judgements, including estimates of expenditure on projects and administrative expenses, and these projections are used to support the sufficiency of working capital. The most significant cash outflows are general and administrative costs. The projections have been prepared on the basis that the Ramu Nickel Limited loan facility is non recourse to the other entities in the Group and only repayable by Ramu Nickel Limited out of its share of operating surpluses from the Ramu Nickel project.	We assessed the appropriateness of the going concern basis of accounting by evaluating and testing the cash flow projections prepared by the Group. Our procedures included: - Assessing the design of the Group's cash flow projection model for the year ending 31 December 2018 and its consistency with our understanding of the Group's activities. - Comparing the approved 2018 expenditure budget by area of interest for exploration and evaluation activity with the cash flow projection inputs. - Comparing forecast administration expenses with actual levels of expenditure for the 2017 year. - Assessing the Group's consideration of cashflows associated with the Ramu Nickel investment. - Reviewing legal correspondence received by the Group in relation to the non recourse nature of the Ramu Nickel Limited loan facility. - Considering the implications on the Group's cash flow projections of potential outcomes of the arbitration process in respect of the Frieda River project disclosed in note 9 to the financial statements - Considering the implications on the Group's cashflow projections of the withdrawal of the joint venture partner from the Star Mountains project subsequent to year end.

Information other than the financial statements and auditor's report

The directors are responsible for the annual report which includes other information. Our opinion on the financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible, on behalf of the company for the preparation of financial statements that give a true and fair view in accordance with ISAs and other generally accepted accounting practice in Papua New Guinea and the Companies Act 1997 and for such internal control as the directors determine is necessary to enable the preparation of financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

The Companies Act 1997 requires that in carrying out our audit we consider and report on the following matters. We confirm in relation to our audit of the financial statements for the year ended 31 December 2017:

- We have obtained all the information and explanations that we have required;
- In our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

Who we report to

This report is made solely to the Company's shareholders, as a body, in accordance with the Companies Act 1997. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditor's report and for no other purpose. We do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Christopher Hansor
Partner

Registered under the
Accountants Act 1996

Port Moresby
20 March 2018

HIGHLANDS PACIFIC LIMITED AND SUBSIDIARY COMPANIES

Reissued Consolidated Financial Statements for the year ended 31 December 2018

Table of Contents

Directors Report	2-9
Statements of Comprehensive Income	10
Statements of Changes in Equity	11
Statements of Financial Position	12
Statements of Cash Flows	13
Notes to the Financial Statements	14-43
Directors' Declaration	44
Independent Auditor's Report to the Members	45-50

DIRECTORS' REPORT TO SHAREHOLDERS

The Directors take pleasure in presenting the Amended Annual Financial Statements of Highlands Pacific Limited (the "Company") and the Consolidated Accounts of the Company and its subsidiaries (the "Group") for the year ended 31 December 2018 (referred to as 'the year'). Please refer to Note 1 of the Financial Statements for the background to why the accounts have been amended and re-issued.

PNG COMPANY AND SECURITIES LAW

Highlands Pacific Limited is a Company limited by shares that is incorporated in and domiciled in Papua New Guinea.

The Company is subject to the *Companies Act 1997* of Papua New Guinea and not the *Corporations Act 2001* of Australia. The *PNG Securities Act 1997* (the "Securities Act") also applies to the Company and its shareholders. The *Securities Act* governs the offering of securities to the public in PNG and deals with the requirements for a prospectus to be prepared in connection with the offering of securities. The *Securities Act* also contains a range of laws regulating the operation of the securities market in PNG including stock market manipulation laws; false trading and market rigging transactions; false or misleading statements in relation to securities; fraudulently inducing persons to deal in securities; and disseminating information about illegal transactions. The *Securities Act* contains a prohibition against insider trading. The *Securities Act* also contains provisions dealing with the disclosure of substantial shareholdings which require the giving of notice where a shareholder has a relevant interest in at least five percent of the shares in a listed Company. A substantial shareholder is also required to give notice of changes in his or her relevant interest of one percent or more in the relevant class of shares. There are also provisions to allow a Company to require the disclosure of the beneficial owners of shares in the Company.

DIRECTORS

The Directors in office for the whole or part of the financial year and up to the date of this Report:

Ron Douglas, Chairman resigned 17 May 2019.

Craig Lennon, Managing Director.

John Wylie, retired 18 July 2018.

Bart Philemon, retired 17 October 2018.

Anthony Milewski, appointed 4 June 2018.

Ernie Gangloff, appointed 17 October 2018**.**

Justin Cochrane, appointed 17 May 2019**.**

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

The number of meetings of the Company's Board of Directors and each Board Committee held during the year ended 31 December 2018 and the number of meetings attended by each Director were:

	Scheduled Director's Meetings		Non-scheduled Director's Meetings		Audit Committee Meetings	
	No. Eligible to Attend	No. Attended	No. Eligible to Attend	No. Attended	No. Eligible to Attend	No. Attended
R. Douglas	6	6	7	7	2	2
C. Lennon	6	6	7	7	-	-
B. Philemon	5	5	5	5	7	6
J. Wylie	3	3	4	4	4	4
A. Milewski	3	3	1	1	4	4
E. Gangloff	1	1	2	2	1	1

	Remuneration Committee Meetings		Nomination Committee Meetings	
	No. Eligible to Attend	No. Attended	No. Eligible to Attend	No. Attended
R. Douglas	3	3	1	1
C. Lennon	-	-	1	1
B. Philemon	-	-	-	-
J. Wylie	2	2	1	1
A. Milewski	1	1	1	1
E. Gangloff	1	1	-	-

DIRECTORS' SHAREHOLDINGS AND INTERESTS

Details of Directors' related direct and indirect shareholdings and interests in the equity of the Company, as at 31 December 2018, are as follows:

Director & position	Interest held by director in shares in Highlands	Interest held by director in performance rights in Highlands
C Lennon, Managing Director	6,750,000	-
R Douglas, Chairman, Non-Executive Director	750,000	-

COMPANY SECRETARY

The Group had two Company Secretary roles:

- Ms Sylvie Moser, the operational Company Secretary looking after day to day requirements including Company announcements and meetings of the Board. Ms Moser is also the Chief Financial Officer.
- Mr Erik Andersen, Papua New Guinea ("PNG") resident Company Secretary as required by the Investment Promotions Authority in PNG. Mr. Anderson is a Partner with Gadens Lawyers in PNG.

Both Sylvie and Erik resigned as Company Secretaries on 17 May 2019 and as such there is no position of Company Secretary for the Group.

PRINCIPAL ACTIVITIES

During the year, the Group's principal activities were the exploration and evaluation of mineral activities and the operation of mines either in its own right or in joint ventures in Papua New Guinea.

REVIEW OF OPERATIONS

A net profit after tax of US$9.4m is reported by the Group for the year. The profit includes the following items:

- reversal of impairment of non-current assets of US$31.4m;
- share of operating profit of the Ramu project of US$9.8m; offset by
- impairment of non-current assets of US$22.5m;
- interest expense on the borrowings associated with the investment in the Ramu project of US$6.0m.
- general and administrative expenditure of US$2.4m;
- provision of exploration costs US$0.1m; and
- net foreign exchange loss US$0.8m.

DIVIDENDS

Since the end of the previous financial year no amounts were paid or declared by way of dividend by the Company. The Directors do not recommend a final dividend in respect of the year ended 31 December 2018.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The Group's net assets increased by US$20.5m from US$31.5m to US$52.0m. This movement can be summarised as follows:

- increase in cash of US$8.0m;
- increase in receivables of US$2.4m;
- decrease in trade and other payables of US$2.2m;
- increase in the investment, net of impairment, in Ramu of US$33.7m; offset by
- decrease in exploration and evaluation of US$21.6m;
- increase in borrowings of US$2.7m.

Contributed equity increased to US$315.0m following the issue of shares to Cobalt 27 Capital Corp. Details of contributed equity are disclosed in note 16 of the Financial Statements.

Subsequent to 31 December the Group became a wholly owned subsidiary of Cobalt 27 Capital Corp and de-listed from the Australian Stock Exchange and Port Moresby Stock Exchange. Refer note 26 to the financial statements.

ENVIRONMENTAL REGULATION

The Company is subject to significant environmental regulations in respect to its operations in Papua New Guinea under the *Environment Act 2000* and has strictly adhered to these requirements. No Government department has notified the Company of any environmental breaches during the financial year nor are the Directors aware of any environmental breaches.

INSURANCE AND INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Company's Constitution requires it, to the extent that it is permitted to do so by the Companies Act 1997 of Papua New Guinea, to indemnify all Directors and officers for:

(a) any liability to any person (other than the Company or a Company related to it) for any act or omission in that person's capacity as a Director or officer; and
(b) costs incurred by that person in settling or defending any claim or proceeding relating to any such liability, not being criminal liability or liability in respect of a breach of the duty to act in good faith and in the bests interests of the Company.

For this purpose, 'officer' means any Director or Secretary of the Company or any subsidiary of the Company and the General Managers.

During the year the Company has paid an insurance premium in respect of insuring against liability of Directors and officers, from claims brought against them individually or jointly while performing services for the Company, and against expenses relating to such claims.

In accordance with commercial practice, the insurance policy prohibits disclosure of the amount of the premium and the nature and amount of the liability covered.

No claims under the policy have been made by the Company during or since the end of the financial year.

Highlands Pacific Limited has not entered into any agreement to indemnify the Auditors.

NON-AUDIT SERVICES

The Company may decide to employ the Auditor on assignments additional to their statutory audit duties where the Auditor's expertise and experience with the Company and/or the Group are important.

Details of the amounts paid or payable to the Auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are disclosed in the Financial Statements in note 3.

The Audit Committee has developed a policy to ensure that the independence of the Group's auditor is not impaired in providing non-audit services to the Group so that both the Group and the external auditor can comply with relevant auditor independence rules which apply in the jurisdictions in which the Group operates.

DONATIONS

In accordance with Company policy no donations were made to any political parties or for political purposes.

REMUNERATION REPORT

Principles used to determine the nature and amount of remuneration

Non-Executive Directors

Non-Executive Directors, including the Chairman, are paid fixed fees for their services to the Group. The fees paid reflect the demands which are made on, and the responsibilities of, the Directors and they are reviewed annually by the Board. The Board also seeks the advice of independent remuneration consultants to ensure Non-Executive Directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of Non-Executive Directors based on comparative roles in the external market.

The remuneration inclusive of superannuation (currently 9.5%) as a total to Non-Executive Directors is approved by the shareholders. The current limit is US$600,000 p.a. and was approved by shareholders on 16 May 2013. The current remuneration for non-executive directors, other than the Chairman is AU$50,000 p.a. plus a 9.5% superannuation contribution. The current remuneration for the Chairman is AU$100,000 p.a. plus a 9.5% superannuation contribution.

In order to maintain impartiality and independence, Non-Executives Directors do not receive performance related remuneration and are not entitled to participate in the Group's Performance Rights Plan.

Managing Director

Managing Director's remuneration includes a fixed base remuneration inclusive of superannuation contributions, an at-risk cash remuneration (Short Term Incentive - STI) and an at-risk equity-based remuneration (Long Term Incentive - LTI). The structure of remuneration arrangements for Key Management Personnel is, in broad terms, no different to the Managing Director. The main differences relate to the weighting for

different components of their remuneration, with the proportion of at-risk remuneration increasing with seniority.

The Board, through the Remuneration Committee is responsible for determining the remuneration package for the Managing Director. The Managing Director does the same with respect to the executive management group, subject to the Remuneration Committee's oversight. The Group has engaged the services of independent and specialist remuneration consultants in formulating recommendations on the remuneration packages for the Managing Director and the executive management group.

The Board takes the view that employee incentive schemes are important elements of remuneration which provide tangible incentives to employees to improve the Group's performance in both the short term and the longer term. The STI Plan is a short-term incentive program, based on both Group and individual employee performance-related measures. The LTI Plan compliments the STI Plan with measures that further drive long term performance with Highlands. There was no LTI grant in 2018, STI payments for 2018 year are yet to be determined.

Short Term Incentive Plan

The STI Plan is designed to help drive performance within the Group by providing a vehicle for rewarding the Managing Director and executive and senior management. The performance measures are a combination of Group and individual measures chosen to directly align the individual's reward to the Group's strategy, performance and resultant shareholder value. The amount of the entitlement is based on a percentage range of each employee's fixed remuneration. The total potential STI available is set at a level so as to provide sufficient incentive for individuals to achieve and exceed targets and objectives.

Summary of Short Term Incentive Plan

What is the Short-Term Incentive Plan?	An incentive plan under which eligible employees are granted a cash amount which is based on a percentage range of each employee's fixed remuneration (determined according to seniority and ability to influence the performance of the Group) and assessed according to performance against a combination of Group and individual measures.
When was the 2018 STI grant paid to eligible employees?	The 2018 STI grant payment remains outstanding as at 31 December 2018.
Why does the Board consider the STI Plan an appropriate incentive?	A STI Plan is a globally recognised form of reward for management, aimed at ensuring focus and alignment with Group objectives and strategy.
In what circumstances are STI entitlements forfeited?	Where an employee is either dismissed for cause, resigns from employment, or is guilty of fraud, prior to conclusion of the performance period, the STI amount will be forfeited upon cessation of employment.
What happens to STI entitlements upon a change of	Upon a change of control event, the Board must determine the extent, if any, to which early vesting on a full or a pro-

control in the Group?	rated basis is the appropriate outcome in all the circumstances.
What is the relationship between Group performance and allocation of STI?	Overall performance is calculated as Group performance together with the personal performance adjusted for the appropriate weighting for the individual employee and then multiplied by the maximum STI percentage available.
What is the period over which Group performance is assessed?	The assessment period is 1 January to 31 December financial year preceding the grant date of the STI.

Long Term Incentive Plan

There was no LTI grants in 2017 and 2018.

Non-Executive Directors are not entitled to participate in any equity-based incentive payment arrangements.

Details of Directors' remuneration

The Directors' remuneration is detailed in note 20 of the Financial Statements.

Details of service agreements with Directors

One-third of the Directors are to retire at each Annual General Meeting and no Director may be in office for more than three years without standing for re-election.

There are no service agreements with the Directors for the provision of services to the Company outside of their role as a Director.

Managing Director Service Agreements

The Managing Director, Mr Craig Lennon, has an employment agreement for an ongoing term with a fixed annual remuneration of AU$450,000 for the 2018 year. The Board on the recommendation of the Remuneration Committee approved an increase to Mr Lennon's fixed annual remuneration to AU$472,500 for the 2019 year. The notice period Mr Lennon has to give the company is 3 months, while the notice period the Group must give is 12 months or a termination payment of 100% of the fixed annual remuneration amount.

Signed this 29 July 2019 in accordance with a resolution of the Directors.

For and on behalf of the Board

Justin Cochrane
Director

Craig Lennon
Managing *Director*

STATEMENTS OF COMPREHENSIVE INCOME

For the Year Ended 31 December 2018

		Consolidated		Holding Company	
		2018	2017	2018	2017
	Notes	US$000	US$000	US$000	US$000
Finance Income		65	109	-	-
Total Income	**2**	**65**	**109**		**-**
General and administrative costs		2,404	3,106	-	-
Depreciation and amortisation		39	61	-	-
Net foreign exchange (gain) losses		833	(220)	-	-
Total Operating Costs	**3**	**3,276**	**2,947**	**-**	**-**
Net Operating Costs		**(3,211)**	**(2,838)**	**-**	**-**
Interest expense	10	(5,954)	(6,433)	-	-
Reversal of provision of exploration costs	9	(127)	358	-	-
Provision for diminution of investment	11	-	-	(9,545)	-
(Impairment) / Reversal of impairment of subsidiary advances	12	-	-	(1,443)	258
Reversal of impairment of investment	10	31,369	42,877	-	-
Impairment of exploration and evaluation expenditure	9	(22,501)	-	-	-
Share of operating profit of equity accounted investments	10	9,789	3,473	-	-
Profit / (loss) from Operation Before Income Tax		**9,365**	**37,437**	**(10,988)**	**258**
Income tax expense	4	-	-	-	-
Profit / (loss) for the Year		**9,365**	**37,437**	**(10,988)**	**258**
Other Comprehensive Income for the Year		**-**	**-**	**-**	**-**
Total Comprehensive Income / (loss) for the Year		**9,365**	**37,437**	**(10,988)**	**258**
Basic earnings per share	5	US$0.009	US$0.040		
Diluted earnings per share	5	US$0.009	US$0.039		

These Statements of Comprehensive Income are to be read in conjunction with the accompanying notes.

STATEMENTS OF CHANGES IN EQUITY

For the Year Ended 31 December 2018

	Notes	Contributed equity US$000	Reserves US$000	Accumulated losses US$000	Total US$000
CONSOLIDATED					
Year Ended 31 December 2018					
Balance as at 1 January 2018		303,906	(3,988)	(268,371)	31,547
Profit for the year		-	-	9,365	9,365
Transactions with owners in their capacity as owners					
Issue of share capital	16	11,075	-	-	11,075
Balance as at 31 December 2018		**314,981**	**(3,988)**	**(259,006)**	**51,987**
Year Ended 31 December 2017					
Balance as at 1 January 2017		303,911	(4,382)	(305,808)	(6,279)
Profit for the year		-	-	37,437	37,437
Transactions with owners in their capacity as owners					
Share based payments	25	-	394	-	394
Issue of share capital	16	(5)	-	-	(5)
Balance as at 31 December 2017		**303,906**	**(3,988)**	**(268,371)**	**31,547**
HOLDING COMPANY					
Year Ended 31 December 2018					
Balance as at 1 January 2018		303,906	(506)	(272,077)	31,323
Profit for the year		-	-	(10,988)	(10,988)
Transactions with owners in their capacity as owners					
Issue of share capital	16	11,075	-	-	11,075
Balance as at 31 December 2018		**314,981**	**(506)**	**(283,065)**	**31,410**
Year Ended 31 December 2017					
Balance as at 1 January 2017		303,911	(900)	(272,335)	30,676
Profit for the year		-	-	258	258
Transactions with owners in their capacity as owners					
Share based payments	25	-	394	-	394
Issue of share capital	16	(5)	-	-	(5)
Balance as at 31 December 2017		**303,906**	**(506)**	**(272,077)**	**31,323**

These Statements of Changes in Equity are to be read in conjunction with the accompanying notes.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

	Notes	Consolidated 2018 US$000	Consolidated 2017 US$000	Holding Company 2018 US$000	Holding Company 2017 US$000
CURRENT ASSETS					
Cash and cash equivalents	6	14,857	6,816	-	-
Receivables	7	4,025	1,598	-	-
		18,882	**8,414**	**-**	**-**
NON-CURRENT ASSETS					
Property, plant and equipment	8	90	124	-	-
Exploration and evaluation expenditure	9	16,336	37,948	-	-
Investment in Ramu Nickel mine	10	142,097	110,000	-	-
Investment in subsidiaries	11	-	-	-	9,545
Advances to subsidiaries	12	-	-	31,413	21,781
		158,523	**148,072**	**31,413**	**31,326**
TOTAL ASSETS		**177,405**	**156,486**	**31,413**	**31,326**
CURRENT LIABILITIES					
Trade and other payables	13	684	2,871	-	-
Borrowings	14	9,413	9,270	-	-
Provisions	15	167	177	-	-
		10,264	**12,318**	**-**	**-**
NON-CURRENT LIABILITIES					
Advances from subsidiaries	12	-	-	3	3
Borrowings	14	115,137	112,611	-	-
Provisions	15	17	9	-	-
		115,154	**112,620**	**3**	**3**
TOTAL LIABILITIES		**125,418**	**124,938**	**3**	**3**
NET ASSETS/(LIABILITIES)		**51,987**	**31,548**	**31,410**	**31,323**
EQUITY					
Contributed equity	16	314,981	303,906	314,981	303,906
Reserves	17	(3,988)	(3,988)	(506)	(506)
Accumulated losses		(259,006)	(268,370)	(283,065)	(272,077)
TOTAL SHAREHOLDERS' EQUITY		**51,987**	**31,548**	**31,410**	**31,323**

For, and on behalf of, the Board

Justin Cochrane
Director

Craig Lennon
Managing Director

29 July 2019

These Statements of Financial Position are to be read in conjunction with the accompanying notes.

STATEMENTS OF CASH FLOWS

For the Year Ended 31 December 2018

	Notes	Consolidated 2018 US$000	Consolidated 2017 US$000	Holding Company 2018 US$000	Holding Company 2017 US$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest from investments		75	110	-	-
Income tax paid		-	(1)	-	-
Payments to suppliers and employees		(2,415)	(2,714)	-	-
Net Cash Used in Operating Activities	**22**	**(2,340)**	**(2,605)**	**-**	**-**
CASH FLOWS FROM INVESTING ACTIVITIES					
Advance to subsidiaries		-	-	(11,075)	5
Receipt from recovery of exploration costs		-	446	-	-
Contribution from joint venture partners		18	8,867	-	-
Payment to joint venture partner		(573)	-	-	-
Receipts from joint ventures		1,772	-	-	-
Purchase of property, plant and equipment	8	(5)	(2)	-	-
Exploration, evaluation and development		(1,073)	(10,631)	-	-
Net Cash from / (Used) in Investing Activities		**139**	**(1,320)**	**(11,075)**	**5**
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of ordinary shares	16	11,265	-	11,265	-
Costs associated with issue	16	(190)	(5)	(190)	(5)
Net Cash Used in Financing Activities		**11,075**	**(5)**	**11,075**	**(5)**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**8,874**	**(3,930)**	**-**	**-**
Add cash brought forward		6,816	10,526	-	-
Effect of exchange rate changes on cash and cash equivalents		(833)	220	-	-
CASH AND CASH EQUIVALENTS CARRIED FORWARD		**14,857**	**6,816**	**-**	**-**
CASH COMPRISES					
Cash and cash equivalents	6	14,857	6,816	-	-

These Statements of Cash Flows are to be read in conjunction with the accompanying notes.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Highlands Pacific Limited (the 'Company' or the 'Holding Company') and its subsidiaries (together the 'Group') invest in and carry out exploration, evaluation and development activities in the resource industry. All the Group's current activities are carried out in Papua New Guinea, where the Company is incorporated and domiciled. The registered office is in Port Moresby, Papua New Guinea.

The Company was delisted from both the Australian Stock Exchange and the Port Moresby Stock Exchange on 20 May 2019.

The consolidated financial statements were initially authorised for issue by the Board of Directors on 5 March 2019. The Company has the power to amend and revise the financial report, which it has done on 29 July 2019. Refer Notes 9 and 26 for changes in ownership of the Highlands Group since 31 December 2018.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements are presented in accordance with the Papua New Guinea Companies Act 1997 and comply with International Financial Reporting Standards ("IFRS") and other generally accepted accounting practice in PNG. These financial statements have been prepared on an historical cost basis. The methods used to measure fair value are discussed further in accounting policy note 1(j).

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in policy note 1(s).

i. Reissued Financial Statements
The previously issued financial statements of the Group for the year ended 31 December 2018 dated 5 March 2019 have been withdrawn and are replaced by these financial statements. The revision was necessary as a result of re-assessment of the carrying value of capitalized costs in respect of the Frieda River Project at 31 December 2018 having regard to a transaction that was announced subsequent to 31 December 2018. As a result, an impairment charge of US$12.9 million has been recorded against exploration and evaluation expenditure in respect to the Frieda River Project. Refer to Note 9 Exploration and Evaluation Expenditure for details of the announcement and the financial impact.

As a result of the impairment adjustment, the reissued consolidated financial statements have been affected as follows:

- There has been a reduction in Exploration & Evaluation Expenditure in the consolidated statement of financial position of US$12.9 million and a corresponding increase in impairment of exploration and evaluation expenditure in the consolidated statement of comprehensive income. There has been no impact to income tax expense as no deferred tax asset has been recorded in respect of the impairment charge. There is no impact on the consolidated statement of cash flows as this is a non-cash adjustment.

The capitalized exploration and evaluation in respect of the Frieda River project is held in a subsidiary company. The Holding Company has re-assessed the recoverability of advances due from the subsidiary having regard to the impairment. As a result, the Holding Company has recorded an impairment charge of US$S12.9 million against advances to subsidiaries. As advances to subsidiaries are eliminated on consolidation, this impairment charge has not impacted the consolidated financial statements.

Impact on Consolidated Financial statements

	Reconciliation of net profit after tax	
	For the year ended 31 December 2018	
	$'000	Note above
Profit for the year per withdrawn financial statements issued on 5 March 2019	22,266	
Impairment of exploration and evaluation expenditure	(12,901)	*(1)*
Tax effect of adjustment	-	*(1)*
Profit for the year (reissued financial statements)	9,365	

	Impact of Adjustments on reissuance			
	Per Withdrawn Financial Statements $'000	Impact on reissuance $'000	Adjusted balance $'000	Note above
Consolidated statement of financial position				
Exploration and Evaluation Expenditure	29,237	(12,901)	31,413	*(1)*
Accumulated Losses	246,105	12,901	259,006	*(1)*
Consolidated income statement				
Impairment of exploration and evaluation expenditure	(9,600)	(12,901)	(22,501)	*(1)*
Earnings per share	$	$	$	
Basic earnings per share	0.0215	0.0125	0.009	
Diluted earnings per share	0.0212	0.0122	0.009	

Impact on Holding Company Financial statements

	Reconciliation of net profit after tax	
	For the year ended 31 December 2018	
	$'000	Note above
Profit for the year per withdrawn financial statements issued on 5 March 2019	1,913	
Impairment of subsidiary advances	(12,901)	*(1)*
Tax effect of adjustment	-	*(1)*
Loss for the year (reissued financial statements)	(10,988)	

	Impact of Adjustments on reissuance			
	Per Withdrawn Financial Statements $'000	Impact on reissuance $'000	Adjusted balance $'000	Note above
Statement of financial position				
Advances to subsidiaries	44,314	(12,901)	31,413	*(1)*
Accumulated Losses	270,164	12,901	283,065	*(1)*
Income statement				
Impairment of subsidiary advances	11,458	(12,901)	(1,443)	*(1)*

The Group has a total operating cash outflow of US$2.3 million for the year ended 31 December 2018 (2017: US$2.6 million) and a net asset position of US$52.0 million (2017: US$31.5 million). Cash held at bank as at 31 December 2018 was US$14.9 million (2017: US$6.8 million).

The Group holds interests in numerous mining projects at various stages ranging from exploration to production.

The Group's borrowings of US$125 million include US$118 million for the Group's interest in the Ramu Nickel mine and are owing to MCC Ramu NiCo Limited. These borrowings are held in the Group's wholly owned subsidiary Ramu Nickel Limited and are non-recourse to the Group or Parent entity Highlands Pacific Limited and are to be repaid out of the Group's share of operating surpluses from the Ramu Nickel mine (sales revenue less operating costs and on-going capital expenditure) rather than operating or financing cashflows generated by the remainder of the Group. The Group's borrowings in the Frieda River Limited project of US$7 million relate to the Carried Funding Loan.

Standards, amendments and interpretations effective in the year ended 31 December 2018

The following standards, amendments and interpretations to existing standards became applicable for the first time during the accounting period beginning 1 January 2018.

- IFRS 9, 'Financial Instruments' replaced the guidance in IAS 39 with a standard that is less complex, and principles based.
- Amendments to IFRS 15 'Revenue from contracts with customers' replaces IAS 11 and IAS 18. This amendment is based on the principle that revenue is recognised when control of a good or service transfers to a customer.
- Amendments to IFRS 2, 'Share based payments' on clarifying how to account for certain types of share-based payment transactions.
- Annual improvements 2014 – 2016 – IFRS 1. This amendment makes minor changes to first time adoption of IFRS and IAS 28 regarding measuring an associate or joint venture at fair value.

(b) Principles of consolidation

i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Highlands Pacific Limited as at 31 December 2018 and the results of all subsidiaries for the year then ended. Highlands Pacific Limited and its subsidiaries together are referred to in this financial report as the Group or the Consolidated Entity.

Subsidiaries are all those entities (including Special Purpose Entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Highlands Pacific Limited (less impairment if any).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

ii) Joint Ventures

The Group has interests in joint ventures. The Group does not have joint control in relation to the Ramu mine and Frieda River project, these are not joint operations or joint ventures as defined by IFRS 11 Joint Arrangements. The interests in the projects are accounted for at cost less impairment with interests being equity accounted for once the project reaches production.

iii) Associates

Associates are all entities or ventures over which the group has significant influence but not control or joint control.

Investments in associates are accounted for using the equity method of accounting (see (iv) below) after initially being recognised at cost.

iv) Equity Method of Accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity. Unrealised gains on transactions are eliminated to the extent of the interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Company.

(c) Segment reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. The Group operates predominately in the exploration, evaluation and development industry in Papua New Guinea.

(d) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in US dollars ("US$"), which is the Group's functional and presentation currency. The Board has determined that the primary economic environment in which the Group operates is determined by the US dollar, as the Group's investment process is based on US dollars and the majority of its likely future revenue streams are in US dollars or currencies related to US dollars.

Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised in the foreign currency translation reserve within Equity.

(e) Revenue recognition

Interest income is recognised on a time proportion basis using the effective interest rate method.

(f) Income tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered, or liabilities are settled, based on those tax rates which are enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

(g) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (refer note 23). Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

(h) Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts.

(i) Receivables

Other receivables are recognised at original amount receivable less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

(j) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques.

The carrying value less impairment provisions of other receivables and payables are assumed to approximate their fair values due to their short-term nature.

(k) Property, Plant and Equipment

The cost of purchased property, plant and equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit. Where re-valued assets are sold, the amounts included in fair value and other reserves are transferred to retained earnings.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

The depreciation on property, plant and equipment relating to general operations is calculated on a straight-line basis to write off the cost or re-valued amount of each asset to their residual value over their estimated useful lives as follows:

Buildings	20 – 50 years
Plant and Equipment	5 – 10 years
Motor Vehicles	3 – 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

(l) Exploration and evaluation expenditure

Cumulative exploration, evaluation and development expenditure incurred by or on behalf of the Group is carried forward as an asset when it is incurred in relation to separate areas of interest for which rights of tenure are current. Cost includes the cost of acquisition, exploration, evaluation and development, and an allocation of overhead costs associated with these functions.

Cumulative exploration and evaluation expenditure for each area of interest is provided against unless the expenditure is expected to be recouped through successful development and exploration, or alternatively, sale of the area. Exploration expenditure in the areas of interest which have not reached a stage which permits a reasonable assessment of economically recoverable mineral reserves are fully provided for.

When an area of interest is abandoned, any expenditure carried forward in respect to that area is written off, firstly against any existing provision for that expenditure with any remaining balance being charged to earnings. Upon commencement of development, accumulated expenditure is transferred from exploration and evaluation expenditure and is carried forward with development expenditure until the commencement of mining operations, at which time the expenditure is transferred to mining properties and property, plant and equipment.

(m) Impairment of long-life assets

Property, plant and equipment and other non-current assets, including investments in mine development and exploration are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or a previous impairment needs to be reversed. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount and an impairment reversal is recognised for the amount by which the carrying amount of the asset is below the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts disclosed as current liabilities are unsecured and are usually paid within 60 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(o) Borrowings

Borrowings are initially recognised at fair value, net of transaction cost incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit and loss over the period of the borrowings using the effective interest method.

(p) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(q) Employee benefits

Wages and salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' service up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Accumulated sick leave is not accrued and not payable on cessation of employment.

Long service leave
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting date regardless of when the actual settlement is expected to occur.

Retirement benefit obligations

The Group contributes to a number of defined contribution plans for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods. For defined contribution plans, the Group pays contributions to a privately administered pension plan on a mandatory basis. Once the contributions have been paid, the Group has no further payment obligations. The regular contributions constitute net periodic costs for the year in which they are due and as such are included in staff costs.

Share-based payments
Share–based compensation benefits are provided to employees via the Performance Rights Plan. Information relating to these are set out in note 25.

The fair value of the rights granted are recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the rights.

The fair value at grant date is independently determined using a Black-Scholes pricing model or Monte Carlo simulations that takes into account the exercise price, the term of the right, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the right, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the right.

The fair value of the rights granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of rights that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of rights that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

(r) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(s) Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Group, excluding the costs of servicing equity holders other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(t) Critical accounting judgements, estimates and assumptions

Judgements, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances. The Group makes judgements, estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below

Carrying value of exploration, evaluation and development expenditure and mine property

The Group, on each reporting date, tests whether there are indications that the carrying value of long life assets, such as investments in exploration and evaluation expenditure, development expenditure, and property, plant and equipment, have suffered any impairment. The assessment of the carrying amount often requires estimates and assumptions such as discount rates, exchange rates, commodity prices, operating costs, capital costs and production rates. The impairment testing for the current year for the Group's interest in the Ramu Nickel mine, has been based on a real discount rate of 13.38%, proved and probable reserves, long term nickel prices of US$8.16/lb and cobalt prices of US$24.26/lb, and operating costs consistent with operator plans and historical data.

(u) New accounting standards

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2018 period. The Consolidated Entity's assessment of the impact of these new standards and interpretations on the financial report is set out below.

- IFRS 16, 'Leases' (effective 1 January 2019) replaces the guidance in IAS 17 and will have a significant impact on accounting by lessees. The previous distinction under IAS 17 between finance leases and operating leases for lessees has been removed. IFRS 16 now requires a lessee to recognise a lease liability representing future lease payments and a 'right-of-use asset' for virtually all lease contracts. There is an optional exemption for certain short-term leases and leases of low-value assets. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The entity expects that certain leases of property and equipment that are currently accounted for as operating leases will, from January 2019, be required

to be recognised as right-of-use assets and depreciated, with a corresponding lease liability. This will increase reported debt levels in the statement of financial position and will increase the reporting charges for depreciation and interest expense. The timing of expense recognition will also be brought forward although the impact on reported profit is not expected to be significant.

- IFRIC 23, 'Uncertainty over income tax treatments' (effective 1 January 2019) clarifies how the recognition and measurement requirements of IAS 12 'Income Taxes' are applied where there is uncertainty over income tax positions. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

- Annual improvements 2015 – 2017 makes minor changes to IFRS 3, IFRS 11, IAS 12 and IAS 23 (effective 1 January 2019).

The Group will adopt the new standards and amendments as and when they become effective. The Group has conducted initial investigations and does not consider that standards that are not yet effective will have a material impact on the entity in the current or future reporting periods and on foreseeable transactions.

(v) Rounding

The financial statements have been rounded to the nearest thousand dollars.

2. REVENUE

	Consolidated		Holding Company	
	2018	2017	2018	2017
	US$000	US$000	US$000	US$000
Finance Income				
Interest income	65	109	-	-

3. EXPENSES

	Notes	Consolidated		Holding Company	
		2018	2017	2018	2017
		US$000	US$000	US$000	US$000
Total Operating Costs		**3,276**	**2,947**	**-**	**-**
Operating costs are stated after charging / (crediting):					
General and administrative costs					
- salaries and employee benefits		1,059	1,282	-	-
- office costs		607	678	-	-
- consultants costs		163	238	-	-
- non-executive Director fees and benefits		170	206	-	-
- corporate affairs and public relations costs		173	368	-	-
- company secretarial and public listing costs		89	176	-	-
- travel and accommodation costs		45	24	-	-
- audit		76	102	-	-
- other services		22	32	-	-
		2,404	**3,106**	**-**	**-**
Depreciation					
- land and buildings	8	19	17	-	-
- plant and equipment	8	20	44	-	-
		39	**61**	**-**	**-**
Net foreign exchange (gains) losses		833	(220)	-	-

4. INCOME TAX

	Consolidated		Holding Company	
	2018 US$000	2017 US$000	2018 US$000	2017 US$000
Reconciliation of income tax expense to prima facie tax expense				
Profit / (loss) before income tax expense for the year	9,365	37,437	(10,988)	258
Income tax on the profit for the year at an average of 30% (2017: 30%)	2,809	11,231	(3,296)	77
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Provision for diminution in investment	-	-	2,863	
Impairment / (reversal of impairment) of subsidiary advances	-	-	433	(77)
Non-deductible interest	1,786	1,930	-	-
Utilisation of prior year losses not previously brought to account	(79)	(5)	-	-
Unrealised foreign exchange gains/losses	259	(73)	-	-
Sundry non-deductible items	140	141	-	-
	4,915	**13,224**	**-**	**-**
Deferred tax asset not brought to account	(4,915)	(13,224)	-	-
Income tax expense	**-**	**-**	**-**	**-**
Tax Losses				
Unused tax losses for which no deferred tax asset has been recognised	1,180	1,735	-	-
Potential tax benefit @ 30% - not recognised	**354**	**521**	**-**	**-**
Other deferred tax assets not recognised				
Amounts recognised in profit and loss				
Exploration costs and impairment	74,526	80,596	-	-
Unrealised foreign exchange gains (losses)	-	18	-	-
Provision for employee entitlements	388	40	-	-
	74,914	**80,654**	**-**	**-**
Set off against deferred tax liabilities (below)	(2,378)	(42)	-	-
Net deferred tax assets not recognised	**72,536**	**80,612**	**-**	**-**
Potential tax benefit @ 30% - not recognised	**21,761**	**24,184**	**-**	**-**
Total deferred tax benefit not recognised	**22,115**	**24,705**	**-**	**-**
Deferred tax liabilities				
Amounts recognised in profit and loss				
Provision for unearned income	-	(16)	-	-
Unrealised foreign exchange gains (losses)	(29)	(1)	-	-
Sundry items	(2,349)	(25)	-	-
Exploration costs	-	-	-	-
	(2,378)	**(42)**	**-**	**-**
Set-off deferred tax assets associated with carried forward losses and other deferred tax assets not recognised	2,378	42	-	-
Net deferred tax liability	**-**	**-**	**-**	**-**

The benefits for tax losses will only be obtained if:

- assessable income of a nature and of an amount sufficient to enable the benefit to be realised is derived,
- conditions of deductibility imposed by law continue to be complied with, and
- no changes in tax legislation adversely affect the ability in realising the benefit.

The tax losses are available to be carried forward for a maximum of 20 years.
There are no income tax impacts relating to other comprehensive income.

5. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares on issue during the year. The diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	2018	2017
Basic Earnings Per Share		
Weighted average number of ordinary shares on issue ('000)	1,036,032	935,604
(Loss) / Profit attributable to ordinary equity holders of the company used to calculate basic earnings per share (US$000's)	9,365	37,437
Basic earnings per share (US$)	**0.009**	**0.040**
Diluted Earnings Per Share		
Weighted average number of ordinary shares on issue ('000)	1,036,032	935,604
Adjustments for calculation of diluted earnings per share		
- Options / Performance rights	14,287	17,325
Weighted average number of ordinary shares for diluted earnings per share on issue ('000)	1,050,319	952,929
(Loss) / Profit attributable to ordinary equity holders of the company used to calculate diluted earnings per share (US$000's)	9,365	37,437
Diluted earnings per share (US$)	**0.009**	**0.0393**

Rights granted to employees are considered to be potential ordinary shares and included to the extent they are dilutive in the determination of diluted earnings per share. The rights have not been included in the determination of basic earnings per share. There were no rights issued to employees in 2018. Details relating to rights are set out in note 16.

6. CASH AND CASH EQUIVALENTS

	Consolidated		Holding Company	
	2018 US$000	2017 US$000	2018 US$000	2017 US$000
Cash at bank and in hand	14,424	1,570	-	-
Short-term bank deposit	433	5,246	-	-
	14,857	**6,816**	**-**	**-**

a) Reconciliation to cash at the end of the year

The above figures reconcile to cash at the end of the financial year as shown in the statements of cash flows.

b) Interest rate risk exposure

The Group's and the parent entity's exposure to interest rate risk is discussed in note 24.

c) Contingent Liability

The Group has given a bank guarantee of US$45,127 (AU$63,937) for the leasing of property at 167 Eagle Street, Brisbane, Australia; (2017: US$49,871 (A$63,937)).

7. RECEIVABLES

	Consolidated		Holding Company	
	2018	2017	2018	2017
	US$000	US$000	US$000	US$000
Current				
Sundry receivables	55	64	-	-
Receivable from joint ventures*	3,970	1,534	-	-
	4,025	**1,598**	**-**	**-**

*In 2018, this represents an amount owing by MCC Ramu NiCo Limited relating to Highlands' share of the MHP sales at the Ramu Nickel mine. In 2017, this represents an amount owing by MCC Ramu Nico Limited relating to Highlands' share of the MHP sales at the Ramu Nickel mine and an amount owing by Sojitz Group ("Sojitz") for cash call relating to Highlands' management of the Sewa Bay project.

8. PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings	Plant & Equipment	Total
	US$000	US$000	US$000
CONSOLIDATED - 2018			
Cost			
Cost brought forward	242	571	813
Additions	5	-	5
Cost carried forward	**247**	**571**	**818**
Depreciation			
Brought forward	164	526	690
Charge for the year	20	19	39
Depreciation carried forward	**184**	**545**	**728**
Net Book Value at 31 December 2018	**64**	**25**	**90**
CONSOLIDATED - 2017			
Cost			
Cost brought forward	240	571	811
Additions	2	-	2
Cost carried forward	**242**	**571**	**813**
Depreciation			
Brought forward	147	482	628
Charge for the year	17	44	61
Depreciation carried forward	**164**	**526**	**689**
Net Book Value at 31 December 2017	**79**	**45**	**124**

There is no property, plant and equipment held by the Company.

9. EXPLORATION & EVALUATION EXPENDITURE

	Frieda	Other	Total
	US$000	US$000	US$000
Balance as at 1 January 2018	**28,348**	**9,600**	**37,948**
Capitalised during the year:			
- Direct holding cost	622	127	749
- Interest on Frieda carried funding loan	267	-	267
Impairment of non-current assets	(12,901)	(9,600)	(22,501)
Provision of exploration costs	-	(127)	(127)
Balance as at 31 December 2018	**16,336**	**-**	**16,336**
Balance as at 1 January 2017	**27,500**	**9,600**	**37,100**
Capitalised during the year:			
- Direct holding cost	647	88	735
- Interest on Frieda carried funding loan	201	-	201
Management fee (reduction of previous exploration expenditure provision)	-	(446)	(446)
Provision of exploration costs	-	358	358
Balance as at 31 December 2017	**28,348**	**9,600**	**37,948**

Frieda

The carrying value of the Group's interest in the Frieda River project has decreased by US$12.0 million for the year.

The net decrease is made up of an increase of US$0.9 million and a decrease of US$12.9 million.

The increase of US$0.9 million represents Highlands' direct holding costs in overseeing its interest in the Frieda River project and the capitalization of interest on the Carried Funding Loan owed to Frieda River Limited (FRL), (a wholly owned subsidiary of PanAust Limited ("PanAust"), which is in turn a wholly owned subsidiary of Guangdong Rising Assets Management Co Ltd) ("GRAM"). Refer note 14.

The decrease of US$12.9 million is an impairment of the exploration and evaluation costs that has arisen due to a transaction that was announced subsequent to 31 December 2018.

On 2 January 2019, Highlands announced that it had entered into a Scheme Implementation Agreement ("SIA") with Cobalt 27 Capital Corp. ("Cobalt 27") to acquire all of the shares in Highlands which it does not already own. Separately from this arrangement, Cobalt 27 have entered into an arrangement with PanAust Limited ("PanAust") and its subsidiaries, under which, if the arrangement is implemented, Cobalt 27 will cause Highlands Frieda Limited (then, a wholly owned subsidiary of Cobalt 27) to transfer 20% participating interest in the Frieda River Copper / Gold project to PanAust for US$9.46 million (the carrying value of the 20% participating interest as at 30 June 2018, of US$28.8 million; less the outstanding principal and interest on loans made by PanAust's subsidiaries to Highlands as at 31 December 2018 being US$6.89 million; less all amounts which PanAust claim as payable by Highlands (which are currently the subject of dispute and arbitration) in respect of calls under the Frieda River Joint Venture Agreement of US$12.45 million. The Scheme of Arrangement was successfully implemented on 17 May 2019.

In assessing the carrying value of the Group's interest in the Frieda River project the Directors have adopted a fair value less cost to sell valuation methodology.

The arbitration between Highlands and PanAust was suspended while the Scheme of Arrangement, announced by Highlands and Cobalt 27 on 2 January 2019, was being processed. The Arbitration was ultimately terminated on 20 May 2019.

The Group's expenditure to date on the Frieda River project is US48.3 million

Other
This represents the Star Mountains project and the Sewa Bay project.

Anglo American withdrew from the Star Mountains Joint Venture in early 2018 (reference is made to the Group's ASX Announcement dated 8 February 2018) and the Group regained 100% of the Star Mountain tenements. The project was placed on care and maintenance and the search for potential joint venture partners was undertaken. At 31 December 2018, no joint venture partner has been secured. The Board has taken the decision to impair the Star Mountains project in its entirety. Refer note 19.

The Groups' expenditure to 31 December 2018 on the Star Mountains project is US$17.1 million.

10. INVESTMENT IN RAMU NICKEL MINE

(i) Summarised financial information for Ramu Nickel Mine

	31 Dec 2018 US$000	31 Dec 2017 US$000
Current Assets	192,969	92,764
Non-current Assets	1,566,266	1,666,726
Current Liabilities	68,643	73,796
Non-current Liabilities	30,581	34,187
Net Assets	1,660,011	1,651,507
Group's share of net assets	142,097	141,369
Provisions for impairment	-	(31,369)
Investment at recoverable amount	142,097	110,000
Reconciliation to carrying amounts:		
Opening net assets	110,000	82,000
Share of associated entity's production costs	(15,992)	(19,857)
Share of associated entity's other comprehensive loss	(8,877)	(10,127)
Share of additional contribution	25,596	15,107
Reversal of/ provision for impairment	31,369	42,877
Closing net asset	**142,097**	**110,000**

(ii) Interest in Ramu Nickel Mine	**US$000**	**US$000**
Revenue	38,667	35,586
Other indirect costs	(2,990)	(2,001)
Share of associated entity's production costs	(15,992)	(19,857)
Share of associated entity's other comprehensive loss	(8,877)	(10,127)
Direct holding costs	(478)	(128)
Share of royalty (payment)	(541)	-
Share of associated entity's total comprehensive income/(loss)	**9,790**	**3,473**

(iii) Sale of MHP Product	**US$000**	**US$000**
Share of associated entity's MHP Products (Wet Metric Tonnes)	14,898	21,094
Revenue from sales of MHP products	38,667	35,585
Other revenue	-	1

(iv) Loan to MCC Ramu Nico Limited	**US$000**	**US$000**
Opening balance	115,260	128,962
(Repayment of) further funding for cash calls	-	(8,231)
Sales commission payable to MCC Ramu Nico Limited	-	772
Interest accrued	5,954	6,433
Loan repayment	(3,553)	(12,676)
Additional drawdown	-	-
Closing balance	**117,662**	**115,260**

On nomination, the Group recognised a loan balance owing to MCC Ramu NiCo Limited for its 8.56% share of capped development costs plus accumulated interest for monies paid by MCC Ramu NiCo Limited to lenders on behalf of the Group up to 1 January 2015. These borrowings are non-recourse to the Company and the Group (excluding Ramu Nickel Limited) and were to be repaid by Ramu Nickel Limited out of its share of operating surpluses less ongoing capital expenditure requirements at the current agreed rate of 80% of this net distribution. This repayment methodology ended on 31 December 2018.

Highlands announced in May 2018 that it had entered into a streaming transaction with Cobalt 27 Capital Corporation, under which Cobalt 27 would pay Highlands an upfront deposit of US$113 million which would be used to repay loan balances owing to MCC Ramu NiCo Ltd. A key condition precedent to the Streaming Arrangement was formal approval from the Company's joint venture partner and lender in the Ramu Nickel Cobalt Project, Metallurgical Corporation of China ("MCC") for Highlands to repay its Ramu project loans to MCC. Highlands had been seeking the formal approval from MCC since May 2018 and the parties had negotiated a contractual framework (known as the Project Way Forward Agreement ("PWFA")) to facilitate the repayment of the

Ramu project loans, the subsequent step up in joint venture interest and a Sales Agency Agreement to formalize MCC's role as sales agent for Highlands. After a long delay, on 21 December 2018, Highlands received from MCC the executed PWFA and Sales Agency Agreement. The delay in receipt of the approval from MCC meant it was not possible for all closing conditions of the Streaming Agreement to extend beyond the long stop date of 31 December 2018, hence, the Streaming Agreement was terminated and did not proceed to financial close.

The carrying value of the Group's interest in the Ramu Nickel mine has been increased to US$142.1 million, which is the Group's equity accounted share of the net assets of the Ramu Nickel mine. The previous impairment held against the investment has been fully reversed in the current period. This is primarily driven by fluctuation in commodity prices and the containment of operating costs. In assessing the carrying value of its interest in the Ramu Nickel mine for impairment testing purposes, the Directors have adopted a value in use ("VIU") methodology as to the present value of the expected future cash flows before financing from 2019 through to 2033. The calculations use cash flow projections based on financial budgets covering the period from 2019 to 2033.

Key assumptions
The key assumptions and estimates used in determining the VIU are related to commodity prices, discount rates, operating costs, exchange rates and capital expenditures.

The following key assumptions were used in impairment and fair value testing:

Assumptions	2018	2017
Nickel Price	US$5.29 – US$8.16	US$5.26 – US$7.89
Cobalt Price (US/Lb)	US$24.23 – US$27.36	US$21.35 – US$29.55
LOM years	14.5 years	14 years
Production Rate	100%	100%
After tax discount rate (Real)	13.38%	12.48%

(Nb. Prices above are nominal.)

Sensitivities
Management performed a sensitivity analysis on the commodity price of nickel, which is the key assumption that impacts impairment calculations. While holding all other assumptions constant, a positive 10% movement in the price assumptions range for nickel results in a movement in the present value of future cash flows of approximately US$15 million, while a negative 10% movement results in a reduction of US$17.5 million.

Holding all other assumptions constant, a change in WACC to 13% would result in an increase in the present value of future cashflows of US$3.0 million and change in WACC to 14% would result in a decrease of US$4.9 million.

Due to the nature of the assumptions and their significance to the assessment of the recoverable amount of the asset relatively modest changes in one or more assumptions could require a material adjustment (negative or positive) to the carrying value of the related non-current asset within the next reporting period. The inter-relationships of the significant assumptions upon which estimated future cashflows are based are such that it is impracticable to disclose the extent of the possible effects of changes in all key assumptions in isolation.

11. INVESTMENTS IN SUBSIDIARIES

	% Shareholding*	Class of Share	Country of Incorp
Ramu Nickel Limited	100	Ordinary	PNG
Highlands Frieda Limited	100	Ordinary	PNG
Highlands Pacific Resources Limited	100	Ordinary	PNG
Highlands Pacific Australia Pty Limited	100	Ordinary	Australia
Highlands Pacific Services Limited	100	Ordinary	PNG

**No change from the 2017 year.*

INVESTMENTS AT COST

	Holding Company	
	2018	2017
	US$000	US$000
Investments in subsidiaries – at cost	130,186	130,186
Less: provision for diminution	(130,186)	(120,641)
	-	9,545

12. SUBSIDIARY ADVANCES

	Consolidated		Holding Company	
	2018	2017	2018	2017
Advances to subsidiaries	US$000	US$000	US$000	US$000
Advances	-	-	187,535	176,460
Less provision for write-off	-	-	(156,122)	(154,679)
	-	-	31,413	21,781
Advances from subsidiaries				
Advances	-	-	3	3

The advances within the Group are interest free with no set repayment terms, but not expected to be repaid within the next 12 months.

13. TRADE AND OTHER PAYABLES

	Consolidated		Holding Company	
	2018	2017	2018	2017
Current	US$000	US$000	US$000	US$000
Trade creditors	17	47	-	-
Payable to joint ventures*	-	2,255	-	-
Accruals and other creditors**	667	569	-	-
	684	**2,871**	**-**	**-**

* In 2017 payable to joint ventures represented US$1.8 million prepayments received from customers relating to Highlands' share of MHP sales of the Ramu Nickel mine and US$463,590 owed to Anglo American plc ("Anglo American") for cash call relating to the Star Mountain project.

**Other creditors include accruals for annual leave. The entire obligation is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave within the next 12 months. Current leave obligations expected to be settled after 12 months are US$47,922 (2017: US$41,603).

14. BORROWINGS

	Consolidated	
	2018	2017
Current	**US$000**	**US$000**
Loan from MCC Ramu Nico Limited**	9,413	9,270
Closing Balance	**9,413**	**9,270**
Non-Current	**US$000**	**US$000**
Loan from FRL*	6,888	6,621
Loan from MCC Ramu Nico Limited**	108,249	105,990
Closing Balance	**115,137**	**112,611**

*The Carried Funding Loan represents the amount owing to FRL (a wholly owned subsidiary of PanAust Limited, which is in turn a wholly owned subsidiary of GRAM) as at 31 December 2018. This loan is as a result of FRL carrying the Group's share of expenditure on the Frieda project from 23 January 2012 up until 25 August 2014, the date on which former joint venture partner Glencore divested its interest. The Carried Funding Loan has been classified as a financial liability in accordance with IFRS9 Financial Instruments. Interest on the loan of US$266,622 has been accrued and capitalised into the exploration and evaluation expenditure balance, in accordance with IAS 23 Borrowing Costs. This loan balance will continue to accrue interest at a rate of "US$ one-month LIBOR" plus 2% and is repayable by Highlands out of production cash flows.

**These borrowings relate to the Group's interest, held in the wholly owned subsidiary Ramu Nickel Limited, in the Ramu Nickel mine and are owing to MCC Ramu NiCo Limited. As part of the Joint Venture Agreement with MCC Ramu NiCo Limited, MCC Ramu NiCo Limited was responsible for development and financing of the mine. These borrowings represent the Group's 8.56% share of principal repayments (capped to a specified development threshold) and interest repayments made by MCC Ramu NiCo Limited to third party lenders on behalf of the Group, plus any accumulated interest charged by MCC Ramu Nico Limited. The borrowings are held in the Group's wholly owned subsidiary Ramu Nickel Limited and are non-recourse to the rest of the Group or Parent entity Highlands Pacific Limited.

The borrowings are to be repaid out of the Group's share of operating surpluses (sales revenue less operating costs and on-going capital expenditure) rather than operating and financing cashflows generated by the group. Refer note 10.

** The amount classified as current represents that portion of the loan expected to become repayable within 12 months of year end.

15. PROVISIONS

	Consolidated	
	Employee Entitlements	Employee Entitlements
	2018	2017
	US$000	US$000
Opening balance – long service leave	186	146
Charged for the year	(2)	40
Closing balance – long service leave	**184**	**186**
Analysis of total provisions:	**US$000**	**US$000**
Current	167	177
Non-Current	17	9
Total	**184**	**186**

Employee entitlements for annual leave are classified as "Other Creditors" in accordance with the requirements of International Financial Reporting Standards.

16. CONTRIBUTED EQUITY

a) Paid Up Capital – Consolidated and Holding Company

	2018 US$000	2017 US$000	2018 Shares 000's	2017 Shares 000's
Balance as at 1 January	**303,906**	**303,911**	**935,916**	**927,778**
Issued during the year	11,265	-	156,818	8,138
Less costs associated with issue	(190)	(5)	-	-
Balance as at 31 December	**314,981**	**303,906**	**1,092,734**	**935,916**

The total number of shares issued as at 31 December 2018 was 1,092,733,836 (2017: 935,915,836). In accordance with the Papua New Guinea Companies Act 1997 the Company's shares are fully paid, have no par value and there is no authorised capital level.

b) Movement in paid up capital

Date	Details	Notes	No. of Shares	Issue Price AU$	US$000
1 January 2018	Opening Balance		935,915,836		303,906
22 January 2018	Exercising of zero priced employee performance rights	(i)	14,287,500	0.00	-
	Transaction cost arising on share issue above				(5)
4 June 2018	Share issue		142,530,500	0.105	11,265
	Transaction cost arising on share issue above				(185)
31 December 2018	Closing Balance		1,092,733,836		314,981

(i) Exercising of performance rights issued to employees when exercised convert into one ordinary share.

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c) Performance Rights

The number of unissued ordinary shares under performance rights at 31 December 2018 is nil (2017: 17,150,000).

The rights granted during the 2015 year vest subject to completion of performance hurdles and expired on 31 December 2017. On 22 January 2018, 14,287,500 performance rights from Tranche 1 and 2 vested and shares were issued, with the balance lapsing unexercised due to performance hurdles not being met.

Information relating to the Highlands Pacific Performance Rights Plan, including details of performance rights exercised or lapsing during the financial year is further set out in note 20.

17. RESERVES

	Consolidated		Holding Company	
	2018	2017	2018	2017
	US$000	US$000	US$000	US$000
Foreign Currency Translation Reserve				
Balance brought forward	(9,750)	(9,750)	(6,268)	(6,268)
Movement for the year	-	-	-	-
Balance carried forward	**(9,750)**	**(9,750)**	**(6,268)**	**(6,268)**
Share-based Payments Reserve				
Balance brought forward	5,762	5,368	5,762	5,368
Fair value of options and performance rights expensed	-	394	-	394
Balance carried forward	**5,762**	**5,762**	**5,762**	**5,762**
Total Reserves	**(3,988)**	**(3,988)**	**(506)**	**(506)**

Nature and purpose of reserves

Foreign Currency Translation Reserve
The foreign currency translation reserve relates to exchange differences which arose on the previous change in the Group's functional currency from Papua New Guinean Kina to US Dollar.

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency (US Dollar) are translated on consolidation and any exchange differences arising from the translation of any net investment in foreign entities are taken to the foreign currency translation reserve. There were no exchange differences in 2018 as no entity has a different functional currency; US Dollar is the functional and presentation currency of all the Group entities.

Share-based Payments Reserve
The share-based payments reserve is used to recognise the fair value of performance rights issued.

18. REMUNERATION OF EMPLOYEES

The number of employees (not including Directors) whose remuneration and benefits exceeded PGK100, 000 falls within the following bands:

US$	PGK	Group No. of Employees	
		2018	2017
69,851 - 72,888	230,000 - 239,999	1	1
85,036 - 88,073	280,000 - 289,999	-	1
94,147 - 97,184	310,000 - 319,999	2	1
224,738 - 227,775	740,000 - 749,999	1	1
236,886 - 239,923	780000 - 789,999	-	1
300,663 - 303,700	990,000 - 999,999	-	1
331,033 - 334070	1,090,000 - 1,099,999	-	1
425,180 - 428,217	1,400,000 - 1,419,999	1	-
Total		**5**	**7**

The remuneration includes costs to the Group of superannuation and other like benefits provided to employees.

The 2018 comparatives have been converted at the current year exchange rates to arrive at the equivalent US Dollar bands.
PGK1.00 = US$0.3037.

19. INTEREST IN OTHER ENTITIES

At 31 December 2018

	Interest	Nature of interest	Activity
Ramu joint venture (Note 1 below)	8.56%	Associate	Production
Frieda River joint venture (Notes 2 & 4 below)	20%	Cost	Exploration & Evaluation
Nong River (Notes 3 & 4 below)	100%	Cost	Exploration & Evaluation

1. Ramu: the Group's 8.56% interest increases to 11.30% at no cost to the Group after the debt for the financing of the project has been repaid. At this time the Group also has the option to purchase an additional 9.25% interest at market value, which if exercised would take the Group's interest to 20.55%. Refer note 10.

2. Frieda River: GRAM has an 80% interest in the Frieda River Joint Venture with Highlands having the remaining 20%. Refer note 9.

3. Anglo American withdrew from the Star Mountains Joint Venture in early 2018 (reference is made to the Group's ASX Announcement dated 8 February 2018) and the Group regained 100% of the Star Mountain tenements. Refer note 9.

4. The joint ventures as stated are subject to the right of the Independent State of Papua New Guinea to acquire a 30% equity interest in any major mining development in that country.

20. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Parent entity
The parent entity within the Group is Highlands Pacific Limited.

(b) Subsidiaries
Interests in subsidiaries are set out in note 11.

(c) Key management personnel
Other than the directors who are included as key management personnel, those that also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the year are as follows:

Name	*Position*
S Moser	Chief Financial Officer
R Gawi	General Manager Port Moresby

(d) Key management personnel compensation

	Consolidated		Holding Company	
	2018	2017	2018	2017
	US$000	US$000	US$000	US$000
Short-term employee benefits*	1,101	1,129	-	-
Share based payments	-	167	-	-
	1,101	**1,296**	**-**	**-**

*Key management personnel include director's remuneration.

Details of the Directors' remuneration paid or provided for during the year, including the value of benefits, was as follows:

2018 Year

Name & Position	Cash Remuneration & Fees	Short-term Incentives	Non-monetary Benefits	Superannuation	Share-based Payments (Long-term Incentives)	Total
	US$000	US$000	US$000	US$000	US$000	US$000
R Douglas, *Chairman*	75	-	-	7	-	82
C Lennon, *Managing Director*	361	49	-	18	-	428
A Milewski, *Non-Executive Director**	25	-	-	-	-	25
B Philemon, *Non-Executive Director**	29	-	-	3	-	32
J Wylie, *Non-Executive Director**	19	-	-	2	-	21
E Gangloff, *Non-Executive Director**	9	-	-	1	-	10
Total	**518**	**49**	**-**	**31**	**-**	**598**

*Anthony Milewski was appointed as the nominee director for Cobalt 27 on 4 June 2018. John Wylie ceased as director on 18 July 2018, his director's fees were paid to PNG SDP. Bart Philemon ceased as director on 17 October 2018 and Ernie Gangloff was appointed as director on 17 October 2018.

2017 Year

Name & Position	Cash Remuneration & Fees	Short-term Incentives	Non-monetary Benefits	Superannuation	Share-based Payments (Long-term Incentives)	Total
	US$000	US$000	US$000	US$000	US$000	US$000
K MacDonald, *Chairman**	18	-	-	2	-	20
R Douglas, *Chairman**	63	-	-	6	-	69
C Lennon, *Managing Director*	363	-	-	22	86	471
D Wood, *Non-Executive Director**	34	-	-	3	-	37
M Carroll, *Non-Executive Director**	12	-	-	1	-	13
J Wylie, *Non-Executive Director**	25	-	-	2	-	27
B Philemon, *Non-Executive Director*	37	-	-	3	-	40
Total	**552**	**-**	**-**	**39**	**86**	**677**

*Ken McDonald ceased as Chairman on 28 March 2017 and Ron Douglas was appointed as Chairman from 28 March 2017. Mike Carroll ceased as director on 19 April 2017 and John Wylie was appointed as director from 19 April 2017. John Wylie's director's fees were paid to PNG SDP. Dan Wood ceased as director on 24 November 2017.

(e) Equity instrument disclosures relating to key management personnel

Performance Rights provided as remuneration and shares issued on exercise of such options.
Details of share-based payments are disclosed in note 25.

Performance Rights holdings
There were no outstanding Performance Rights held during 2018 by each director or other key management personnel of the Group, including their personally related parties.

2018 Year

Name	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Balance at the end of the year
Directors of Highlands Pacific Limited				
C Lennon	3,200,000	-	(3,200,000)	-
Other key management personnel of the Group				
S Moser	975,000	-	(975,000)	-
R Gawi	975,000	-	(975,000)	-

2017 Year

Name	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Lapsed during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors of Highlands Pacific Limited						
J Gooding*	9,450,000	-	(3,262,500)	(1,087,500)	5,100,000	5,100,000
C Lennon*	5,920,000	-	(1,360,000)	(1,360,000)	3,200,000	3,200,000
Other key management personnel of the Group						
S Moser*	1,795,000	-	(410,000)	(410,000)	975,000	975,000
L Queen*	2,390,000	-	(817,500)	(272,500)	1,300,000	1,300,000
P Jolly*	4,155,000	-	(1,428,750)	(476,250)	2,250,000	2,250,000
R Gawi	1,795,000	-	(410,000)	(410,000)	975,000	975,000
L Nand	2,250,000	-	-	-	2,250,000	2,250,000

*John Gooding ceased employment on 30 November 2016 and Craig Lennon was appointed as Managing Director from 1 December 2016. Sylvie Moser was appointed as Chief Financial Officer from 1 December 2016. L Queen and P Jolly ceased employment on 1 October 2016.

Share-holdings

The number of shares in the Company held during the financial year by each director and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the year as compensation.

2018 Year

Name	Balance at the start of the year	Received during the year on the exercise of performance rights	Other changes during the year	Balance at the end of the year
Directors of Highlands Pacific Limited				
R Douglas	-		750000	750,000
C Lennon	3,550,000	3,200,000	.	6,750,000
B Philemon*	1,028	-	-	1,028
E Gangloff	-	-	-	-
Other Key Management Personnel of the Group				
S Moser	100,000	975,000		1,075,000
R Gawi	1,125,000	975,000	-	2,100,000

*Bart Philemon ceased as director on 17 October 2018.

2017 Year

Name	Balance at the start of the year	Received during the year on the exercise of options and performance rights	Other changes during the year	Balance at the end of the year
Directors of Highlands Pacific Limited				
K MacDonald*	1,000,000	-	-	1,000,000
C Lennon	2,190,000	1,360,000	.	3,550,000
D Wood*	1,100,000	-	-	1,100,000
M Carroll*	304,307	-	-	304,307
B Philemon	1,028	-	-	1,028
Other Key Management Personnel of the Group				
S Moser	80,500	410,000	(390,500)	100,000
R Gawi	715,500	410,000	-	1,125,500

*Ken MacDonald ceased as Chairman on 28 March 2017. Mike Carroll ceased as director on 19 April 2017. Dan Wood ceased to be a director on 24 November 2017.

(f) Loans to key management personnel

There are no loans between directors or other key management personnel and any of the Group companies.

(g) Advances to / from related entities

	Consolidated		Holding Company	
	2018 US$000	2017 US$000	2018 US$000	2017 US$000
Advances to / from subsidiaries				
Beginning of the year	-	-	176,460	176,071
Movements during the year	-	-	11,075	390
End of year	-	-	187,535	176,460

Refer note 12 for provisions raised against these advances to subsidiaries.

(h) Transactions with related parties

	Consolidated		Holding Company	
	2018 US$000	2017 US$000	2018 US$000	2017 US$000
The following transactions occurred with related parties				
Fees from associate	-	446	-	-
Management fees to subsidiaries	-	-	-	-

21. SEGMENT REPORTING

a) Description of Segments

Management considers the business from a project classification perspective and has identified four reportable segments - Exploration/Evaluation, Frieda, Ramu and Corporate. Corporate consists of all other business activities performed at the offices held in both PNG and Brisbane.

b) Reportable Segment Results

The segment information provided to management for the reportable segments for the year ended 31 December 2018 is as follows:

Consolidated

	Exploration / Evaluation US$000	Frieda US$000	Ramu US$000	Corporate US$000	Group US$000
2018					
Segment revenue	-	-	-	65	65
Segment result	(9,977)	(12,901)	34,104	(1,861)	9,365
Net Profit / (Loss)	(9,977)	(12,901)	34,104	(1,861)	9,365
Segment assets	-	16,336	142,097	18,972	177,405
Reversal of (impairment of) assets	(9,600)	(12,901)	31,369	-	8,868
Segment liabilities	(4)	(6,947)	(117,804)	(663)	(125,418)
Acquisition of segment assets	-	-	-	5	5
Segment depreciation and amortisation	-	-	-	39	39
2017					
Segment revenue	-	-	-	109	109
Segment result	358	-	39,917	(2,838)	37,437
Net Profit / (Loss)	358	-	39,917	(2,838)	37,437
Segment assets	9,600	28,348	110,000	8,538	156,486
Reversal of impairment of assets	-	-	42,877	-	42,877
Segment liabilities	(738)	(6,641)	(117,114)	(445)	(124,938)
Acquisition of segment assets	-	-	-	2	2
Segment depreciation and amortisation	-	-	-	61	61

22. RECONCILIATION OF NET PROFIT (LOSS) AFTER TAXATION TO CASH FLOW FROM OPERATING ACTIVITIES

		Consolidated		Holding Company	
		2018	2017	2018	2017
	Notes	US$000	US$000	US$000	US$000
Reported Net Profit/(Loss) after Taxation		**9,365**	**37,437**	**(10,988)**	**258**
Add/(less) non-cash and non-operating items:					
Depreciation and amortisation	8	39	61	-	-
Reversal of (provision for) exploration costs		127	(358)	-	-
(Reversal of) impairment of non-current assets		(31,369)	(42,877)	-	-
Impairment of non-current assets		22,501	-	-	-
Provision for diminution of investment				9,545	
(Impairment) / Reversal of impairment of subsidiary advances		-	-	1,443	(258)
Share of operating (profit)/loss of equity accounted investments		(9,790)	(3,473)	-	-
Fair value of share based payments		-	394	-	-
Net (gain)/loss on foreign currency balances	3	833	(220)	-	-
Interest expense		5,954	6,433	-	-
		(11,705)	**(40,040)**	**10,988**	**(258)**
Add/(less) movements in working capital items:					
(Increase)/decrease in debtors and prepayments		(5)	(6)	-	-
Increase/(decrease) in creditors and provisions		4	4	-	-
		(1)	(2)	-	-
Net Cash Flow from Operating Activities		**(2,340)**	**(2,605)**	**-**	**-**

23. OPERATING LEASE OBLIGATIONS

	Consolidated		Holding Company	
	2018	2017	2018	2017
	US$000	US$000	US$000	US$000
Obligations payable after balance date on non-cancellable operating leases are as follows:				
Within one year	110	116	-	-
One to two years	113	118	-	-
Two to five years	84	180	-	-
	307	**414**	**-**	**-**

24. FINANCIAL RISK MANAGEMENT

Overview

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including foreign exchange risk, interest rate risk and commodity price risk). The Group's overall risk management program seeks to minimise the potential adverse effects arising from financial risks on the Group's financial performance. The Group may use a range of derivative financial instruments to manage risk exposure although at balance date there were no derivative instruments being used to manage financial risk exposure.

Risk management is carried out by the Managing Director and Chief Financial Officer under policies approved by the Board of Directors through the Audit Committee. Management identify, quantify, evaluate and where considered prudent, manage financial risks in accordance with established written policies.

a) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposure to customers, including outstanding committed transactions.

In relation to banks and financial institutions only the major Australian banking institutions and international institutions are used for the depositing of surplus funds. The long-term credit rating of the banks and financial institutions in which funds are deposited at 31 December 2018 is AA-.

The carrying amounts of the Group's financial assets represent the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Carrying Amount	
	2018	2017
	US$000	US$000
Cash and cash equivalents	14,857	6,816
Other receivables	4,026	1,598
	18,883	**8,414**

The aging of the Group's other receivables at the reporting date was as follows:

	2018		2017	
	Gross	Impairment	Gross	Impairment
Not past due	US$000	US$000	US$000	US$000
6 months or less	4,025	-	1,598	-
6 to 12 months	-	-	-	-
	4,025	**-**	**1,598**	**-**

The Group believes that no impairment is necessary in respect of other receivables not past due date as balances are monitored on a regular basis with the result that exposure to bad debts is insignificant.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities to settle debts as and when they become due.

The following are the contractual maturities of financial liabilities:

Consolidated 31 December 2018	**Total** US$000	**6mths or less** US$000	**6 - 12 mths** US$000	**>1 - years** US$000
Non-derivative financial liabilities				
Trade and other creditors	684	684	-	-
Borrowings	124,550	-	9,413	115,137
	125,234	**684**	**9,413**	**115,137**

Consolidated 31 December 2017	**Total** US$000	**6mths or less** US$000	**6 - 12 mths** US$000	**>1 - years** US$000
Non-derivative financial liabilities				
Trade and other creditors	2,871	2,871	-	-
Borrowings	121,881	-	9,270	112,611
	124,752	**2,871**	**9,270**	**112,611**

(c) Market risk

Foreign currency risk

Foreign currency risk refers to the risk that the value of a financial commitment, recognised asset or liability will fluctuate due to changes in foreign currency rates. The Group is exposed to currency risk on purchases and cash deposits that are denominated in non-US Dollars. As a result of this exposure, during the 2018 year the Group incurred a loss of US$833,488 as shown in the Statements of Comprehensive Income and note 3. This has resulted from the movement in the Australian Dollar to the US Dollar.

The exposure to foreign currency risk in non-US Dollars at balance date was as follows:

	Consolidated		Holding Company	
	2018	2017	2018	2017
	AU$000	AU$000	AU$000	AU$000
Cash and cash equivalents	17,809	4,481	-	-
Other receivables	-	16	-	-
Trade and other creditors	(518)	(307)	-	-
	17,291	**4,190**	**-**	**-**

	Consolidated		Holding Company	
	2018	2017	2018	2017
	PGK$000	PGK$000	PGK$000	PGK$000
Cash and cash equivalents	832	911	-	-
Other receivables	130	107	-	-
Trade and other creditors	(488)	(1,196)	-	-
	474	**(178)**	**-**	**-**

The following significant exchange rates applied during the year:

	Average Rate		Reporting Date Spot Rate	
	2018	2017	2018	2017
	US$000	US$000	US$000	US$000
AUD	0.7519	0.7644	0.7058	0.7800
PGK	0.3037	0.3140	0.2970	0.3095

A 10% strengthening / weakening of the Australian dollar and the Papua New Guinea Kina, with all other variables constant, would have affected profit before tax and equity by US$1,077,270 (2017: US$341,470).

Interest rate risk

The Group's interest rate risk arises as a result of cash deposits and from long-term borrowings.

Cash deposits, which in turn earn interest income, are subject to the movement of interest rates and the Group does not enter into long-term deposits.

The Group does not have any USD on deposit (2017: US$2,043,800 at 1.58%). It has AU$606,684 on deposit at rates ranging between 2.45% and 2.48% (2017: AU$4,105,444 ranging from 2.10% and 2.26%). There is no PGK on deposit at December 2018 (2017: no PGK on deposit).

A change of 100 basis points (plus 1% / minus 1%) in interest rates on variable rate instruments would have affected equity and profit and loss by US$72,000 (2017: US$87,000). The analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

The variable rate of the Group's long-term borrowings ranges between 5.05% and 5.95%.

A change of 100 basis points (plus 1% / minus 1%) in interest rates on long-term borrowings would have affected equity and profit and loss by US$1.0 million (2017: US$1.1 million).

The Group does not account for any fixed rate financial rate assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Commodity price risk

The Group is exposed to commodity price risk. This arises from the sale of nickel and cobalt that is priced on, or benchmarked to, open market exchanges. The products are sold by MCC Ramu Nico Limited as sales agent on behalf of the Group at prevailing market prices such as the London Metal Exchange (LME) and Metal Bulletin (MB). The products, predominantly nickel and cobalt, are provisionally priced, that is the selling price is determined preceding the month of shipment followed by an adjustment using the average price of the month of shipment after delivery to the customers. As at 31 December 2018, contracts for the physical delivery of commodities are carried in the balance sheet at their realised prices. Derivative commodity contracts may be used to align realised prices to manage risk exposure although at balance date there were no derivative commodity contracts being used.

(d) Capital Management

The Group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may issue new shares, return capital to shareholders, or sell assets to provide cash and or reduce debt levels if applicable. The group will also give consideration whether the payment of dividends is appropriate and at what levels.

Consistent with others in the industry at a similar stage, the Group and parent entity monitor capital on the basis of cash requirements for exploration, development and administrative purposes offset by current cash balances and likely operating inflows. Other factors that will be considered are credit and equity market conditions and expectations from the investment community.

During 2018, the Group's strategy was unchanged from 2017 and is reviewed by the Board.

(e) Fair value

The carrying amounts of cash, short term receivables and short term payable due to their short-term nature are a reasonable approximation of fair value due to their short-term nature.

The fair values of borrowings are not materially different to their carrying amounts, since the interest payable on those borrowings is close to current market rates.

25. SHARE-BASED PAYMENTS

(a) Performance Rights Plan

There were no performance rights granted during 2017 and 2018.

26. EVENTS OCCURRING AFTER BALANCE DATE

The Company entered into a Scheme Implementation Agreement ("SIA") with Cobalt 27 Capital Corp (Cobalt 27), under which Cobalt 27 has agreed to acquire all of the shares in Highlands which it does not already own by way of a Scheme of Arrangement ("Scheme") under the PNG Companies Act. Refer announcement to ASX on 2 January 2019. This transaction completed on 17 May 2019, and on 20 May 2019 the Company became a wholly owned subsidiary of Cobalt 27 and de-listed from the Australian Stock Exchange and the Port Moresby Stock Exchange.

On 17 May 2019 the Group disposed of its interest in the Frieda River Project. Refer to note 9 for details.

27. SUPPLEMENTARY INFORMATION

In accordance with Accounting Standards Board Directive 2 (ASBD 2) and the Investment Promotion Authority approval to prepare and lodge US dollar financial statements, the Company discloses the following information in PNG Kina terms:

	Consolidated		Holding Company	
	2018	2017	2018	2017
	PGK000	PGK000	PGK000	PGK000
Revenue	214	347	-	-
Net Profit/(Loss) after tax	30,837	119,226	(36,180)	822
Total Assets	597,323	505,609	105,768	101,215
Total Liabilities	422,283	403,677	10	10
Net Assets	175,040	101,929	105,758	101,205

Asset and liability balances are translated from US dollars at the rate prevailing at 31 December 2018 of PGK1.00 = US$0.2970 (2017-year PGK1.00 = US$0.3095) while income and expense items are translated at the average rate for the year PGK1.00 = US$0.3037 (2017-year PGK1.00 = US$0.3140).

DIRECTORS' DECLARATION

In the opinion of the Directors:

1. The financial statements and notes of the Company and of the Consolidated Entity:

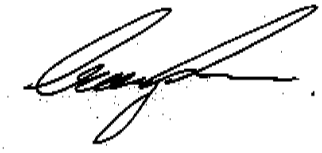
    a. comply with International Financial Reporting Standards and other mandatory professional reporting requirements; and,

    b. give a true and fair view, in all material respects, of the financial position as at 31 December 2018 and performance of the Company and the Consolidated Entity for the year ended on that date; and are in accordance with the Papua New Guinea Companies Act 1997.

2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors in making this decision have received appropriate certification from the Managing Director and Chief Financial Officer.

On behalf and in accordance with a resolution of the board,



Justin Cochrane
Director

Craig Lennon
Managing Director

29 July 2019

Independent auditor's report

To the shareholders of Highlands Pacific Limited

Report on the audit of the financial statements of the Company and the Group

Our opinion

We have audited the financial statements of Highlands Pacific Limited (the Company), which comprise the statements of financial position as at 31 December 2018, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 31 December 2018 or from time to time during the financial year.

In our opinion, the accompanying financial statements:

- comply with International Financial Reporting Standards and other generally accepted accounting practice in Papua New Guinea; and
- give a true and fair view of the financial position of the Company and the Group as at 31 December 2018, and their financial performance and cash flows for the year then ended.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the area of taxation compliance and advice. The provision of these other services has not impaired our independence as auditor of the Company and the Group.

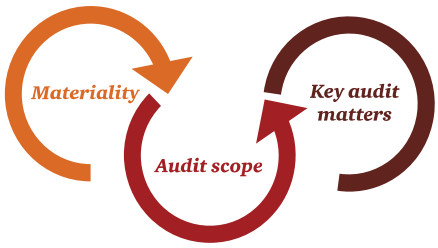
Emphasis of matter: Reissue of financial report

We draw attention to note 1(a)(i) in the financial statements, which discloses that the financial statements have been revised and reissued as a result of re-assessment of the carrying value of capitalised exploration and evaluation expenditure at 31 December 2018, having regard to a transaction that was announced subsequent to 31 December 2018. This audit report supersedes our audit report on the previously issued financial statements dated 8 March 2019. Our opinion is not modified in respect of this matter.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the management structure of the Company and the Group, their accounting processes and controls and the industries in which they operate.



Materiality	*Audit scope*	*Key audit matters*

• For the purpose of our audit of the Group we used overall group materiality of US$1,774,050 which represents 1% of the Group's total assets.
• We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.
• We chose Group total assets because, in our view, it is the metric against which the performance of the Group is most commonly measured and is a generally accepted benchmark.
• We selected 1% based on our professional judgement noting that it is also within the range of commonly acceptable related thresholds.
	• We (PwC Papua New Guinea) conducted audit work over all the subsidiaries which comprise the Group consolidation.
	• All subsidiaries of the Group are incorporated and operating in Papua New Guinea and audited by PwC Papua New Guinea with the exception of one subsidiary incorporated in Australia.
	• Our audit focused on where the directors made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
		• Amongst other relevant topics, we communicated the following key audit matters to the Audit Committee:
		  • Assessment of the carrying value of the investment in the Ramu Nickel mine
		  • Assessment of future cash flows
		• These matters are further described in the *Key audit matters* section of our report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the current period. The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be key matters to be communicated in our report.

Further, commentary on the outcomes of the particular audit procedures is made in that context.

Key audit matter	How our audit addressed the key matter
Assessment of the carrying value of the investment in the Ramu Nickel mine of US$142.1 million and associated impairment reversal of US$31.4 million *(Refer to note 10 of the financial statements)* With changes from a year ago in a number of assumptions used to determine the carrying value of the Group's investment in the Ramu Nickel mine, including long term forecast pricing for nickel and cobalt, the Group has performed an impairment assessment of its carrying value and recognised a reversal of previous impairment charges. To assess the carrying value of the investment, the Group has prepared a calculation of the value of the investment based on the net present value of the expected future cash flows before financing costs. The key assumptions used in the financial model include long term nickel and cobalt pricing, budgeted operating costs, mine production profile based on the current reserves and resources estimate and the discount rate, as well as the time frames in which the revenues and expenses will occur. Our audit focused on the assessment of the reversal of impairment and carrying value recognised as both are significant for the Group because of the significant judgements around the key assumptions used in assessing the carrying value of the asset and the sensitivity of the assessment to changes in these key assumptions.	We have considered and tested the financial model prepared and used by the Group to support the carrying value of the Ramu Nickel mine investment and the reversal of impairment recognised at year end. We compared the financial model with the previous year's model and found it was consistently structured and consistent with the basis of preparation required by International Financial Reporting Standards. Together with our valuation expert we reviewed the methodology adopted in the financial model. We benchmarked the long term nickel and cobalt price assumptions used in the financial model against external forecasts, and the discount rates with our expectation based on the overall estimated Weighted Average Cost of Capital (WACC) for the Group and the specific risks associated with the estimated cashflows from the asset. We performed sensitivity analysis on assumptions used in the financial model. We determined that the calculations were more sensitive to assumptions for nickel and cobalt pricing and discount rates and focused our testing on these assumptions.

Assessment of future cashflows *(Refer to note 1 of the financial statements)* The Group had a total operating cash outflow of US$2.3 million for the 2018 year. The financial statements continue to be prepared on a going concern basis as the Group expects to have sufficient working capital to carry out its stated objectives for at least 12 months from the balance date of the financial statements. The Group has prepared cash flow projections which include a number of assumptions and judgements, including estimates of expenditure on projects and administrative expenses, and these projections are used to support the sufficiency of working capital. The most significant cash outflows are general and administrative costs. The projections have been prepared on the basis that the Ramu Nickel Limited loan facility is non recourse to the other entities in the Group and only repayable by Ramu Nickel Limited out of its share of operating surpluses from the Ramu Nickel project.	We assessed the appropriateness of the going concern basis of accounting by evaluating and testing the cash flow projections prepared by the Group. Our procedures included: - Assessing the design of the Group's cash flow projection model for the year ending 31 December 2019 and its consistency with our understanding of the Group's activities. - Comparing the approved 2019 expenditure budget by area of interest for exploration and evaluation activity with the cash flow projection inputs. - Comparing forecast administration expenses with actual levels of expenditure for the 2018 year. - Assessing the Group's consideration of cashflows associated with the Ramu Nickel investment. - Reviewing legal correspondence received by the Group in relation to the non recourse nature of the Ramu Nickel Limited loan facility. - Considering the implications on the Group's cash flow projections of potential outcomes of the arbitration process and other activity in respect of the Frieda River project disclosed in note 9 to the financial statements.

Information other than the financial statements and auditor's report

The directors are responsible for the annual report which includes other information. Our opinion on the financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible, on behalf of the Company, for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and other generally accepted accounting practice in Papua New Guinea and the Companies Act 1997 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

The Companies Act 1997 requires that in carrying out our audit we consider and report on the following matters. We confirm in relation to our audit of the financial statements for the year ended 31 December 2018:

- We have obtained all the information and explanations that we have required;
- In our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

Who we report to

This report is made solely to the Company's shareholders, as a body, in accordance with the Companies Act 1997. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditor's report and for no other purpose. We do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Christopher Hansor
Partner
Registered under the Accountants Act 1996

Port Moresby
29 July 2019

HIGHLANDS PACIFIC LIMITED AND SUBSIDIARY COMPANIES

INDEX TO CONSOLIDATED INTERIM FINANCIAL REPORT

THREE MONTHS ENDED 31 MARCH 2019

Directors' Report	*2 - 3*
Interim Financial Reports	
Condensed Consolidated Statement of Comprehensive Income	*4*
Condensed Consolidated Statement of Changes in Equity	*5*
Condensed Consolidated Statement of Financial Position	*6*
Condensed Consolidated Statement of Cash Flows	*7 – 8*
Notes to the Condensed Consolidated Financial Statements	*9 – 13*
Directors' Declaration	*14*

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity consisting of Highlands Pacific Limited and its subsidiaries (the "Group") for the three months ended 31 March 2019.

This report should be read in conjunction with the 2018 Annual Report.

DIRECTORS

The following persons were Directors of Highlands Pacific Limited during the whole three months, or part thereof and up to the date of this report:

Craig Lennon (Managing Director)
Ron Douglas (Chairman) – resigned 17 May 2019
Ernie Gangloff
Anthony Milewski
Justin Cochrane – appointed 17 May 2019

RESULTS AND DIVIDENDS

Highlands Pacific has recorded a net loss of US$2.9 million for the three months ended 31 March 2019 (31 March 2018: net profit US$3.3 million). The loss includes the following items:

- labour, consultants and administrative costs of US$1.3 million; and
- interest charge of US$1.5 million on non-recourse borrowings relating to the Group's interest in the Ramu Nickel mine.

There is no dividend paid or recommended.

REVIEW OF OPERATIONS

The Group's principal activities were exploration and evaluation of mineral activities and the operation of mines, either in its own right or in joint ventures, in Papua New Guinea.

The Ramu Nickel mine continued to achieve strong production results, with a solid mining performance at the Kurumbukari and stable plant throughput at the Basamuk process plant near Madang.

On 2 January 2019, Highlands announced that it had entered into a Scheme Implementation Agreement with Cobalt 27 Capital Corp. ("Cobalt 27") to acquire all the shares in Highlands which it does not already own. Separately from this arrangement, Cobalt 27 entered into an arrangement with PanAust Limited ("PanAust") and its subsidiaries, under which, if the arrangement is implemented, Cobalt 27 will cause Highlands Frieda Limited (then, a wholly owned subsidiary of Cobalt 27) to transfer 20% participating interest in the Frieda River Copper / Gold project to PanAust for US$9.46 million (the carrying value of the 20% participating interest as at 30 June 2018, of US$28.8 million; less the outstanding principal and interest on loans made by PanAust's subsidiaries to Highlands as at 31 December 2018 being US$6.89 million; less all amounts which PanAust claim as payable by Highlands (which are subject of dispute and arbitration) in respect of calls under the Frieda River Joint Venture Agreement of US$12.45 million. The Scheme of Arrangement between Highlands and Cobalt 27 was successfully implemented on 17 May 2019 and the Frieda transaction was completed on 20 May 2019.

Highlands continues to seek a new joint venture partner for the Star Mountains project.

This report is made in accordance with a resolution of Directors.

Justin Cochrane
Director
29 July 2019

Craig Lennon
Managing Director
29 July 2019

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2019

	Notes	Mar 2019 US$000	Mar 2018 US$000
Finance income		10	25
Total operating income		**10**	**25**
Labour costs		269	263
Consultants and services costs		770	69
General and administration costs		297	157
Depreciation and amortisation	3	5	12
Net foreign exchange gain		(64)	47
Total operating costs		**1,277**	**548**
Net operating costs		**(1,267)**	**(523)**
Interest expense	5	(1,492)	(1,541)
Reversal of / (Provision for) exploration costs	4	(48)	69
Share of operating (loss) / profit of equity accounted investments	5	(71)	5,316
(Loss) / Profit from operations before income tax		**(2,878)**	**3,322**
Income tax expense		-	-
(Loss) / Profit for the period		**(2,878)**	**3,322**
Other comprehensive income for the period		-	-
Total comprehensive (loss) / income for the period		**(2,878)**	**3,322**
Basic (loss) / profit per share			
From continued operations		(US$0.0026)	US$0.00351
Diluted (loss) / profit per share			
From continued operations		(US$0.0026)	US$0.00351

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2019

	Contributed Equity	Fair Value & Other Reserves	Accumulated Losses	Total
	US$000	US$000	US$000	US$000
Three months ended 31 March 2019				
Balance at 1 January 2019	314,981	(3,988)	(259,006)	51,987
Net comprehensive loss	-	-	(2,878)	(2,878)
Transaction with owners in their capacity as owners				
Issue of share capital	-	-	-	-
Balance at 31 March 2019	**314,981**	**(3,988)**	**(261,884)**	**49,109**
Three months ended 31 March 2018				
Balance at 1 January 2018	303,906	(3,988)	(268,371)	31,547
Net comprehensive income	-	-	3,322	3,322
Transaction with owners in their capacity as owners				
Costs associated with issue of shares	(6)	-	-	(6)
Balance at 31 March 2018	**303,900**	**(3,988)**	**(265,049)**	**34,863**

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Note	Mar 2019 US$000	Dec 2018 US$000	Mar 2018 US$000
CURRENT ASSETS				
Cash and Cash Equivalents		13,462	14,857	7,240
Receivables	2	4,900	4,025	5,191
		18,362	18,882	12,431
NON-CURRENT ASSETS				
Property, Plant and Equipment	3	84	90	115
Exploration and Evaluation Expenditure	4	16,336	16,336	38,151
Investment in Ramu Nickle	5	141,194	142,097	109,980
		157,614	158,523	148,246
TOTAL ASSETS		**175,976**	**177,405**	**160,677**
CURRENT LIABILITIES				
Trade and Other Payables	6	636	684	1,758
Borrowings	7	9,413	9,413	9,270
Provisions		172	167	170
		10,221	10,264	11,198
NON-CURRENT LIABILITIES				
Borrowings	7	116,629	115,137	114,597
Provisions		17	17	19
		116,646	115,154	114,616
TOTAL LIABILITIES		126,867	125,418	125,814
NET ASSETS		49,109	51,987	34,863
EQUITY				
Contributed Equity	8	314,981	314,981	303,900
Reserves		(3,988)	(3,988)	(3,988)
Accumulated Losses		(261,884)	(259,006)	(265,049)
TOTAL EQUITY		49,109	51,987	34,863

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended 31 March 2019

	Mar 2019 US$000	Mar 2018 US$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest from investments	10	32
Payments to suppliers and employees	(1,421)	(540)
Net cash used in operating activities	**(1,411)**	**(508)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration, evaluation and development	(48)	(168)
Receipts from joint venture partners	-	1,154
Purchase of property, plant and equipment	-	(2)
Net cash (used in) / from investing activities	**(48)**	**984**
CASH FLOWS FROM A FINANCING ACTIVITY		
Cost associate with issue of ordinary shares	-	(6)
Net cash used in an investing activity	**-**	**(6)**
Net (decrease) / increase in cash and cash equivalents	**(1,459)**	**470**
Cash and cash equivalents at the beginning of the quarter	14,857	6,817
Effects of exchange rate changes on cash and cash equivalents	64	(47)
Cash and cash equivalents at end of the quarter	**13,462**	**7,240**

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

For the three months ended 31 March 2019

Reconciliation of net (loss) after taxation to cash flows from operating activities

	Mar 2019 US$000	Mar 2018 US$000
Reported net (loss) / profit after taxation	**(2,878)**	**3,322**
Add (less) non-cash items:		
Depreciation	5	12
Provision for exploration costs	48	(69)
Effects of exchange rate changes on cash and cash equivalents	(64)	47
Share of operating loss (profit) on equity accounted investments	71	(5,316)
Interest expense	1,492	1,541
	(1,326)	**(463)**
Add (less) movements in working capital items:		
(Increase) / Decrease in debtors and prepayments	(48)	27
Decrease in creditors and provisions	(37)	(72)
	(85)	(45)
Net Cash Flows from Operating Activities	**(1,411)**	**(508)**

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1. STATEMENT OF ACCOUNTING POLICIES

Highlands Pacific Limited (the "Company") and its subsidiaries (together the "Group") invest in and carry out exploration, evaluation and development activities in the resource industry. All the Group's current activities are carried out in Papua New Guinea, where the Company is incorporated and domiciled. The registered office is in Port Moresby, Papua New Guinea.

The Company was delisted from both the Australian Stock Exchange and the Port Moresby Stock Exchange on 20 May 2019 after the implementation of a Scheme of Arrangement with Cobalt 27.

The condensed consolidated interim financial report for the three months ended 31 March 2019 has been prepared in accordance with International Accounting Standard IAS 34: Interim Financial Reporting.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2018 and any public announcements made by Highlands Pacific Limited during the interim reporting period in accordance with the continuous disclosure requirements.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

The Group's borrowings of US$126 million include US$119 million for the Group's interest in the Ramu Nickel mine and are owing to MCC Ramu NiCo Limited. These borrowings are held in the Group's wholly owned subsidiary, Ramu Nickel Limited, and are non-recourse to the Group or Parent entity, Highlands Pacific Limited, and are to be repaid out of the Group's share of operating surpluses from the Ramu Nickel mine (sales revenue less operating costs and on-going capital expenditure) rather than operating or financing cashflows generated by the remainder of the Group. Refer notes 5 and 7.

2. RECEIVABLES

	Mar 2019	Dec 2018
	US$000	US$000
Current		
Sundry receivables	63	55
Receivable from joint ventures - sales receivables*	4,837	3,970
	4,900	**4,025**

*Represents an amount owing by MCC Ramu Nico Limited relating to Highlands' share of the MHP sales and selling costs of the Ramu Nickel mine at 31 March 2019.

3. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Plant and Equipment	Total
	US$000	US$000	US$000
Consolidated - 31 March 2019			
Balance at 1 January 2019	247	571	818
Additions	-	-	-
Balance at 31 March 2019	247	571	818
Depreciation			
Balance at 1 January 2019	184	545	729
Charge for the quarter	4	1	5
Balance at 31 March 2019	188	546	734
Net book value at 31 March 2019	**59**	**25**	**84**

4. EXPLORATION AND EVALUATION EXPENDITURE

	Frieda	Others	Total
	US$000	US$000	US$000
Balance 1 January 2019	16,336	-	16,336
Capitalised during the quarter			
Direct holding cost	5	43	48
Provision for exploration costs	(5)	(43)	(48)
Balance 31 March 2019	**16,336**	**-**	**16,336**

FRIEDA

The carrying value of the Group's interest in the Frieda River project remains US$16.3 million.

On 2 January 2019, Highlands announced that it had entered into a Scheme Implementation Agreement with Cobalt 27 to acquire all the shares in Highlands which it does not already own. Separately from this arrangement, Cobalt 27 have entered into an arrangement with PanAust and its subsidiaries, under which, if the arrangement is implemented, Cobalt 27 will cause Highlands Frieda Limited (then, a wholly owned subsidiary of Cobalt 27) to transfer 20% participating interest in the Frieda River Copper / Gold project to PanAust for US$9.46 million (the carrying value of the 20% participating interest as at 30 June 2018, of US$28.8 million; less the outstanding principal and interest on loans made by PanAust's subsidiaries to Highlands as at 31 December 2018 being US$6.89 million; less all amounts which PanAust claim as payable by Highlands (which are currently the subject of dispute and arbitration) in respect of calls under the Frieda River Joint Venture Agreement of US$12.46 million. The Scheme of Arrangement between Highlands and Cobalt 27 was successfully implemented on 17 May 2019 and the Frieda transaction was completed on 20 May 2019.

The arbitration between Highlands and PanAust was suspended while the Scheme of Arrangement, announced by Highlands and Cobalt 27 on 2 January 2019, was being processed. The Arbitration was ultimately terminated on 20 May 2019 when the Frieda transaction was completed.

In assessing the carrying value of the Group's interest in the Frieda River project the Directors have adopted a fair value less cost to sell valuation methodology.

The Group's expenditure to date on the Frieda River project is US48.3 million.

OTHER

This represents the Star Mountains project and the Sewa Bay project.

The Star Mountain's project was placed on care and maintenance in 2018 and the search for potential joint venture partners was undertaken. At 31 March 2019, no joint venture partner has been secured.

The Groups' expenditure to 31 March 2019 on the Star Mountains project is US$17.1 million.

5. INVESTMENT IN RAMU NICKEL MINE

	Mar 2019	Dec 2018	Mar 2018
	US$000	US$000	US$000
(i) Summarised financial information for Ramu Nickel Mine			
Current Assets	206,171	192,969	106,654
Non-current Assets	1,542,520	1,566,266	1,645,344
Current Liabilities	68,765	68,643	66,499
Non-current Liabilities	30,459	30,581	34,226
Net Assets	1,649,468	1,660,011	1,651,273
Group's Share of Net Assets	141,194	142,097	141,349
Provisions for impairment	-	-	(31,369)
Carrying Value of Investment	141,194	142,097	109,980
Reconciliation to Carrying Value Amounts			
Opening Net Assets	142,097	110,000	110,000
Share of Associated Entity's Production Costs	(4,471)	(15,992)	(4967)
Share of Associated Entity's Other Comprehensive Loss	(1,919)	(8,877)	(2,062)
Share of Additional Contribution	5,487	25,596	7,009
Reversal of Provision for Impairment	-	31,369	-
Closing Carrying Value	**141,194**	**142,097**	**109,980**
(ii) Interest in Ramu Nickel Mine			
Revenue	6,971	38,667	13,902
Other Indirect Costs	(619)	(2,990)	(563)
Share of Associated Entity's Production Costs	(4,471)	(15,992)	(4,967)
Share of Associated Entity's Other Comprehensive Loss	(1,919)	(8,877)	(2,062)
Direct Holding Cost	(34)	(478)	(69)
Share of Royalty (Payment)	-	(541)	(925)
Share of Associated Entity's Total Comprehensive Income	**(71)**	**9,789**	**5,316**
(iii) Sale of MHP Product			
Share of Associated Entity's MHP Product (Wet Metric Tonnes)	3,810	14,898	5,226
Revenue from Sales of MHP Products	6,971	38,667	13,902
(iv) Loan to MCC Ramu Nico Limited			
Opening Balance	117,661	115,260	115,260
Interest Accrued	1,492	5,954	1,541
(Loan Repayment)/Additional Drawdown	-	(3,553)	388
Closing Balance	**119,153**	**117,661**	**117,189**

The Loan to MCC Ramu Nico Limited is non-recourse to the Company and the Group (excluding Ramu Nickel Limited) and is to be repaid by Ramu Nickel Limited out of its share of operating surpluses less ongoing capital expenditure requirements at the rate of 80% of this net distribution. This repayment rate of 80% ended on 31 December 2018 and is now at the rate of 100%.

6. TRADE AND OTHER PAYABLES

	Consolidated	
	Mar 2019	Dec 2018
	US$000	US$000
Current		
Trade creditors	73	17
Accruals and other creditors	563	667
	636	**684**

7. BORROWINGS

	Consolidated	
	Mar 2019	Dec 2018
	US$000	US$000
Current		
Loan from MCC Ramu Nico Limited**	9,413	9,413
	9,413	**9,413**
Non-Current		
Loan from FRL*	6,889	6,889
Loan from MCC Ramu Nico Limited**	109,740	108,248
	116,629	**115,137**

*The Carried Funding Loan represents the amount owing to FRL at 31 March 2019. This loan is as a result of FRL carrying the Group's share of expenditure on the Frieda project from 23 January 2012 up until 25 August 2014, the date on which former joint venture partner Glencore divested its interest. The Carried Funding Loan has been classified as a financial liability in accordance with IAS 32 Financial Instruments - Presentation and measured at amortised cost. This loan balance will not accrue interest after 31 December 2018 according to the Frieda Rive Sale Agreement (refer Note 4).

**These borrowings relate to the Group's interest, held in the wholly owned subsidiary Ramu Nickel Limited, in the Ramu Nickel mine and are owing to MCC Ramu NiCo Limited. As part of the Joint Venture Agreement with MCC Ramu NiCo Limited, MCC Ramu NiCo Limited was responsible for development and financing of the mine. These borrowings represent the Group's 8.56% share of principal repayments (capped to a specified development threshold) and interest repayments made by MCC Ramu NiCo Limited to third party lenders on behalf of the Group, plus any accumulated interest charged by MCC Ramu Nico Limited. The borrowings are held in the Group's wholly owned subsidiary Ramu Nickel Limited and are non-recourse to the rest of the Group or Parent entity Highlands Pacific Limited. The borrowings are to be repaid out of the Group's share of operating surpluses (sales revenue less operating costs and on-going capital expenditure) rather than operating and financing cashflows generated by the group. Refer to note 5.

8. CONTRIBUTED EQUITY

	Mar 2019	Mar 2018	Mar 2019	Mar 2018
Paid Up Capital	US$000	US$000	Shares 000's	Shares 000's
Balance brought forward	314,981	303,906	1,092,734	935,916
Issued during the period	-	-	-	14,288
Less costs associated with issue	-	(6)	-	-
Balance carried forward	**314,981**	**303,900**	**1,092,734**	**950,204**

The total number of shares issued as at 31 March 2019 was 1,092,733,836. In accordance with the Papua New Guinea Companies Act 1997 the Company's shares are fully paid, have no par value and there is no authorised capital level.

9. SEGMENT REPORTING

	Exploration	Frieda	Ramu	Corporate	Group
31 March 2019	US$000	US$000	US$000	US$000	US$000
Segment revenue	-	-	-	10	10
Segment result	(43)	(5)	(1,562)	(1,268)	(2,878)
Net loss	(43)	(5)	(1,562)	(1,268)	(2,878)
Segment assets	-	16,335	141,194	18,447	175,976
Segment liabilities	(11)	(6,888)	(118,424)	(1,544)	(126,867)
Segment depreciation and amortisation	-	-	-	(5)	(5)

	Exploration	Frieda	Ramu	Corporate	Group
31 March 2018	US$000	US$000	US$000	US$000	US$000
Segment revenue	-	-	-	25	25
Segment result	69	-	3,776	(523)	3,322
Net profit / (loss)	69	-	3,776	(523)	3,322
Segment assets	9,600	28,551	109,980	12,546	160,677
Segment liabilities	(581)	(6,824)	(117,971)	(438)	(125,814)
Acquisition of segment assets	-	-	-	2	2
Segment depreciation and amortisation	-	-	-	(12)	(12)

	Exploration	Frieda	Ramu	Corporate	Group
31 December 2018	US$000	US$000	US$000	US$000	US$000
Segment assets	-	16,335	142,097	18,973	177,405
Segment liabilities	(4)	(7,670)	(117,084)	(660)	(125,418)

10. EVENTS OCCURRING AFTER BALANCE DATE

Refer note 4 in relation to the Scheme of Arrangement with Cobalt 27 and separate arrangement between Cobalt 27 and PanAust regarding the interest in the Frieda project.

DIRECTORS' DECLARATION

In the Directors' opinion:

1. the financial statements and notes set out on pages 4 to 13 are in accordance with:
   a. International Financial Reporting Standard IAS 34: Interim Financial Reporting and other mandatory professional reporting requirements; and
   b. give a true and fair view of the consolidated entity's financial position as at 31 March 2019 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the quarter ended on that date; and
2. there are reasonable grounds to believe that Highlands Pacific Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of Directors.

Justin Cochrane
Director
29 July 2019

Craig Lennon
Managing Director
29 July 2019

APPENDIX F
Pro Forma Financial Statements

See attached.

PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS OF CONIC METALS CORP.

AS AT JUNE 30, 2019
and FOR THE SIX MONTHS ENDED JUNE 30, 2019
and FOR THE YEAR ENDED DECEMBER 31, 2018

(Expressed in '000s of United States dollars)

(Unaudited)

Conic Metals Corp.
Pro Forma Consolidated Statement of Financial Position
June 30, 2019
(expressed in '000s of United States Dollars)
(Unaudited)

	Conic Metals Corp.	Conic Metals Portfolio		Pro-Forma adjustments (note 4)	Total June 30, 2019
ASSETS					
Current assets					
Cash	$ -	$ -	$		$
			(a)	5,000	5,000
Receivables	-	4,978	(b)	(190)	4,788
	-	**4,978**		**4,810**	**9,788**
Non-current assets					
Investment in Ramu Nickel Mine	-	188,172		-	**188,172**
Royalty contracts	-	26,188		-	**26,188**
Other investments	-	700		-	**700**
Property, plant and equipment	-	78		-	**78**
TOTAL ASSETS	**$ -**	**$ 220,116**	**$**	**4,810**	**$ 224,926**
LIABILITIES AND EQUITY					
Current liabilities					
Accounts payable and accrued liabilities	$ -	$ 1,368	$	-	$ 1,368
Non-recourse debt	-	9,413		-	9,413
	-	**10,781**		**-**	**10,781**
Non-current liabilities					
Non-recourse debt	-	111,251		-	111,251
TOTAL LIABILITIES	**-**	**122,032**		**-**	**122,032**
EQUITY					
Owners net investment	-	98,287	(a)	5,000	
			(b)	(190)	
			(c)	(103,097)	-
Accumulated other comprehensive loss	-	(203)		-	(203)
Common shares	-	-	(c)	103,097	103,097
TOTAL EQUITY	**-**	**98,084**		**4,810**	**102,894**
TOTAL LIABILITIES AND EQUITY	**$ -**	**$ 220,116**	**$**	**4,810**	**$ 224,926**

The accompanying notes are an integral part of these unaudited pro forma consolidated financial statements

Conic Metals Corp.
Pro Forma Consolidated Statement of Comprehensive Income (Loss)
For the six months ended June 30, 2019
(expressed in '000s of United States Dollars)
(Unaudited)

	Conic Metals Corp.	Conic Metals Portfolio	Pro-Forma adjustments (note 4 d)	Total for the Six Months ended June 30, 2019
Finance income	$ -	$ -	$ 14	$ 14
	-	**-**	**14**	**14**
Operating Expenses				
Consulting fees and salaries	-	818	3,645	4,463
Depreciation	-	-	7	7
Directors' fees	-	182	-	182
Exploration costs	-	82	76	158
General and administrative	-	534	342	876
Marketing and promotion	-	654	-	654
Professional fees	-	301	-	301
Regulatory fees	-	101	-	101
Share based compensation	-	3,220	-	3,220
	-	**5,892**	**4,070**	**9,962**
Other Expenses				
Equity loss from Highland Pacific Limited	-	1,452	(1,452)	-
Equity gain from Ramu Nickel Mine	-	(2,664)	914	(1,750)
Financing costs	-	753	2,244	2,997
Foreign exchange loss	-	74	49	123
	-	**(385)**	**1,755**	**1,370**
Loss before taxes	**-**	**(5,507)**	**(5,811)**	**(11,318)**
Deferred tax recovery	**-**	**314**	**(314)**	**-**
Net loss for the period	**-**	**(5,193)**	**(6,125)**	**(11,318)**
Other Comprehensive income				
Items that will not be reclassified subsequently				
Unrealized gain on equity investment, net of tax	**-**	**2,012**	**(2,012)**	**-**
Comprehensive loss	**$ -**	**$ (3,181)**	**$ (8,137)**	**$ (11,318)**
Weighted average number of common shares outstanding				
Basic				83,465,472
Diluted				83,465,472
Basic and diluted loss per share				**$ (0.14)**

The accompanying notes are an integral part of these unaudited pro forma consolidated financial statements

Conic Metals Corp.
Pro Forma Consolidated Statement of Comprehensive Income (Loss)
For the year ended December 31, 2018
(expressed in '000s of United States Dollars)
(Unaudited)

	Conic Metals Corp.	Conic Metals Portfolio	Highlands Pacific Limited		Pro-Forma adjustments (note 4)	Total for the year ended December 31, 2018
Finance income	$ -	$ -	$ 65		$ -	$ 65
	-	**-**	**65**		**-**	**65**
Operating Expenses						
Consulting fees and salaries	-	2,719	1,222		-	3,941
Depreciation	-	-	39	(e)	(39)	-
Directors' fees	-	197	170		-	367
General and administrative	-	572	674		-	1,246
Marketing and promotion	-	1,036	173		-	1,209
Professional fees	-	1,440	76		-	1,516
Project evaluation costs	-	1,206	-		-	1,206
Regulatory fees	-	172	89		-	261
Share based compensation	-	3,130	-		-	3,130
	-	**10,472**	**2,443**		**(39)**	**12,876**
Other expenses						
Equity income from Ramu Nickel Mine	-	-	(9,789)		-	(9,789)
Reversal of impairment	-	-	(31,369)		-	(31,369)
Financing costs	-	-	5,954		-	5,954
Provision for exploration	-	-	22,628	(e)	(12,901)	9,727
Foreign exchange loss	-	133	833		-	966
	-	**133**	**(11,743)**		**(12,901)**	**(24,511)**
Income (loss) before taxes	**-**	**(10,605)**	**9,365**		**12,940**	**11,700**
Deferred tax recovery (expense)	**-**	**-**	**-**		**-**	**-**
Net income (loss) for the period	**-**	**(10,605)**	**9,365**		**12,940**	**11,700**
Other comprehensive income						
Items that will not be reclassified subsequently						
Unrealized loss on equity investment, net of tax	-	(3,892)	-	(f)	3,892	-
Comprehensive income (loss)	**$ -**	**$ (14,497)**	**$ 9,365**		**$ 16,832**	**$ 11,700**
Weighted average number of common shares outstanding						
Basic						83,465,472
Diluted						83,465,472
Basic and diluted income per share						**$ 0.14**

The accompanying notes are an integral part of these unaudited pro forma consolidated financial statements

Conic Metals Corp.

Notes to the Pro Forma Consolidated Financial Statements
June 30, 2019
(expressed in '000s of United States Dollars)
(Unaudited)

1. Basis of Presentation

The unaudited pro forma consolidated statement of financial position of Conic Metals Corp. (the "Company" or "Conic Metals" or "Conic"), as at June 30, 2019, has been prepared by management of the Company for illustrative purposes only, to show the effect of the proposed Statutory Arrangement (the "Arrangement") (notes 3 and 4).

Completion of the Arrangement is subject to customary closing conditions, including all necessary approvals and consents and all applicable TSX Venture Exchange ("TSX-V") approvals. In the opinion of the Company's management, the unaudited pro forma consolidated financial statements include all adjustments necessary for fair presentation of the transactions subsequent to June 30, 2019 and those transactions contemplated in the Arrangement.

2. Pro Forma Assumptions

The unaudited pro forma consolidated statement of financial position as at June 30, 2019 has been prepared as if the transactions described in notes 3 and 4 had occurred on June 30, 2019. The unaudited pro forma consolidated statement of comprehensive income (loss) for the six-month period ended June 30, 2019 and the year ended December 31, 2018 have been prepared as if the transactions described in notes 3 and 4 had occurred on January 1, 2018.

The Arrangement is subject to the satisfaction of all closing conditions and receipt of regulatory and shareholder approvals.

The accounting policies used in the preparation of these unaudited pro forma consolidated financial statements are consistent with those described in the financial statements of the Conic Metals Portfolio and Highlands Pacific Limited for the year ended December 31, 2018 and period ended June 30, 2019. Management has conducted a review of the accounting policies and has not identified any differences in accounting policies that were applied historically by these entities. Additional accounting policies applicable to the resulting issuer will be included in the Conic Metals Corp. consolidated financial statements on a go forward basis.

The unaudited pro forma consolidated financial statements should be read in conjunction with the historical financial statements, including the notes thereto, of the Company, the Conic Metals Portfolio and Highlands Pacific Limited as referred to below.

2. Pro Forma Assumptions (continued)

The unaudited pro forma consolidated financial statements have been compiled from and include:

(a) the condensed interim statement of financial position of the Company as at June 30, 2019;
(b) the unaudited condensed interim carve-out statement of financial position as of June 30, 2019, the unaudited condensed interim carve-out statement of net and comprehensive income (loss) for the three and six month periods ended June 30, 2019 and 2018 and the carve-out statement of net and comprehensive income (loss) for the year ended December 31, 2018 of the Conic Metals Portfolio; and
(c) the consolidated statement of comprehensive income (loss) for the year ended December 31, 2018 of Highlands Pacific Limited.

The unaudited pro forma consolidated financial statements are not intended to reflect the financial position and financial results of the Company which would have actually resulted had the transactions been effective on the dates indicated. Actual amounts recorded upon consummation of the Arrangement will likely differ from those recorded in the unaudited pro forma consolidated financial statements.

3. Arrangement with Cobalt 27 Capital Corp. ("Cobalt 27")

Effective June 17, 2019, Cobalt 27 and a wholly owned subsidiary of Pala Investments Limited ("Pala") - 1212771 B.C. Ltd. ("Pala Subco"), entered into the Arrangement Agreement, whereby, among other things:

(a) Cobalt 27 transfers certain assets to Conic Metals, which are reflected in the unaudited condensed interim carve-out statement of financial position at June 30, 2019 and include:
- Cobalt 27's 100% interest in Highlands Pacific Limited ("HPL"). HPL holds an 8.56% joint venture interest in the producing Ramu mine;
- Cobalt 27's eleven (11) royalties; and
- Cobalt 27's equity positions in Minerva Intelligence Inc. and Giga Metals Corp.

(b) All issued and outstanding RSU's of Cobalt 27 (794,517 at June 30, 2019) will vest and Cobalt 27 shall allot and issue net 778,161 Cobalt 27 common shares to the holders, as certain RSUs are expected to be settled in cash. Certain change of control payments will be settled by the issuance of 5,264,009 Cobalt 27 common shares.

(c) Pala Subco will acquire all of the outstanding Cobalt 27 Shares other than any Cobalt 27 shares already owned by Pala;

(d) Each Cobalt 27 shareholder, other than Pala, will receive, in respect of each Cobalt 27 Share that they hold;
  (i) C$4.00 in cash;
  (ii) 1 common share of Conic Metals Corp.

(e) Pursuant to the mechanics of the Arrangement, Pala's ownership will be reduced such that, upon completion of the Arrangement, Pala will hold 9.9% of the issued and outstanding common shares of Conic Metals.

4. Pro Forma Adjustments

The unaudited pro forma consolidated statement of financial position reflects the following adjustments as if the transactions had occurred on June 30, 2019:

(a) The contribution of $5,000 of cash by Cobalt 27 as per the Arrangement;

(b) Settlement of certain accounts receivable from an officer of $190;

(c) The issuance of 75,202,390 common shares of Conic Metals (note 5) to Cobalt 27 to be distributed to the shareholders of Cobalt 27, other than Pala, on a 1 for 1 basis, and the issuance of 8,263,082 common shares of Conic Metals (note 5) to Cobalt 27 to be distributed to Pala, as per the Arrangement Agreement.

The unaudited pro forma consolidated statement of comprehensive income (loss) for the six-month period ended June 30, 2019 has been prepared as if the Arrangement had been completed and operations were consolidated from January 1, 2018. The unaudited pro forma consolidated statement of income (loss) for the six-month period ended June 30, 2019 reflects the following adjustments:

(d) The equity loss in Highlands Pacific Limited of $1,452, the unrealized gain on the equity investment in Highlands Pacific Limited of $2,012 and the deferred tax recovery of $314 were eliminated as that entity is consolidated in the pro forma consolidated statement of comprehensive income (loss).

The operations from May 18, 2019 to June 30, 2019 are reflected in the condensed interim carve-out statement of comprehensive income (loss) of the Conic Metals portfolio and the operations from January 1, 2019 to May 17, 2019 are reflected in the pro forma adjustment column.

For the period January 1, 2019 to May 17, 2019

Finance income	$	14
Consulting, fees and salaries		3,645
Depreciation		7
Exploration costs		76
General and administrative		342
Equity loss from Ramu Nickel Mine		914
Financing costs		2,244
Foreign exchange loss		49

The unaudited pro forma consolidated statement of comprehensive income (loss) for the year ended December 31, 2018 has been prepared as if the Arrangement had been completed and operations were consolidated from January 1, 2018. The unaudited pro forma consolidated statement of comprehensive income (loss) for the year ended December 31, 2018 reflects the following adjustments:

(e) Depreciation of $39 has been eliminated as the property plant and equipment held by HPL was valued at $0; the provision for exploration expenditures of $12,901 related to the Frieda River Copper/ Gold Project was reversed as that property was disposed of under the PanAust Buy-Back Agreement.

4. Pro Forma Adjustments (continued)

(f) The unrealized gain on the equity investment in Highlands Pacific Limited of $3,892 was eliminated as that entity is consolidated in the pro forma consolidated statement of comprehensive income (loss).

5. Pro Forma Share Capital

A continuity of Conic Metals' common shares after giving effect to the pro forma transactions described in notes 3 and 4 above is as follows:

June 30, 2019	**# of shares**	**Amount**
Outstanding common shares of Cobalt 27	85,427,502	
Less: owned by Pala 19.1%	(16,267,282)	
Dilutive securities issuable	6,058,526	
Dilutive securities converted to cash	(16,356)	
	75,202,390	
Adjustment of Pala's ownership interest to 9.9%	8,263,082	
Pro Forma common shares outstanding	**83,465,472**	**$ 103,097**

6. Pro Forma Stock Options and RSUs

Conic Metals will have no options, warrants, RSU's or other dilutive securities outstanding.

7. Going Concern

The unaudited pro forma consolidated financial statements have been prepared on a going concern basis and reflect assets measured at historical cost, except for certain financial instruments that are measured at fair value.

The pro forma consolidated entity reflects a net and comprehensive income of $11,700 for the year ended December 31, 2018 and a net and comprehensive loss of $11,318 for the six months ended June 30, 2019. The pro forma consolidated statement of financial position has a working capital deficit of $993 at June 30, 2019. The ability of the Company to continue as a going concern is dependent upon obtaining additional financing and achieving profitable operations in the future. Management is currently evaluating various options in order to address its financing needs. These circumstances cast significant doubt about the Company's ability to continue as a going concern and, accordingly, the ultimate use of accounting principles applicable to a going concern. There can be no assurance that the Company's financing activities will continue to be successful or sufficient.

These pro forma consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets, liabilities and reported expenses should the Company be unable to continue as a going concern. These adjustments could be material.

8. Income Taxes

The statutory consolidated pro forma tax rate is expected to approximate 27%.

APPENDIX G
Management's Discussion and Analysis – Conic Metals Corp. for the Twelve-Month Period Ended December 31, 2018 and Eight Month Period Ended December 31, 2017

See attached.

THE NICKEL 28 PORTFOLIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

PERIODS ENDED DECEMBER 31, 2018 AND 2017

(EXPRESSED IN UNITED STATES DOLLARS)

Introduction

The following management's discussion & analysis ("MD&A") of the financial condition and results of the operations of the Nickel 28 Portfolio (the "Nickel 28 Portfolio") constitutes management's review of the factors that affected the Nickel 28 Portfolio's financial and operating performance for the periods ended December 31, 2018 and 2017. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited carve-out financial statements of the Nickel 28 Portfolio for the year ended December 31, 2018 and the eight months ended December 31, 2017, together with the notes thereto. Results are reported in United States dollars, unless otherwise noted. The Nickel 28 Portfolio's financial statements and the financial information contained in this MD&A, unless otherwise indicated, are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee. Information contained herein is presented as of July 31, 2019, unless otherwise indicated.

For the purposes of preparing this MD&A, management considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the value of the Nickel 28 Portfolio; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Description of Business

On June 18, 2019, Cobalt 27 Capital Corp. ("Cobalt 27") and Pala Investments Limited ("Pala") entered into an agreement (the "Arrangement Agreement") pursuant to which Pala will acquire all of the Cobalt 27 issued and outstanding common shares other than any Cobalt 27 common shares already owned by Pala for cash and shares of a newly listed company to be named Nickel 28 Capital Corp. ("Nickel 28") (collectively, the "Consideration").

Pursuant to the Arrangement Agreement, certain assets of Cobalt 27 will be transferred to Nickel 28, the shares of which will be distributed to Cobalt 27 shareholders as part of the Consideration. The following assets, together "the Nickel 28 Portfolio" are to be held by Nickel 28:

- Cobalt 27's 100% interest in Highlands Pacific Limited ("HPL"). HPL holds an 8.56% joint venture interest in the producing Ramu mine;
- Cobalt 27's eleven (11) royalties;
- Cobalt 27's investments in Minerva Intelligence Inc. and Giga Metals Corp.; and
- US$5 million of cash to provide for initial working capital.

Nickel 28 will focus on diversified battery metals by entering into streaming contracts and net smelter royalty agreements and/or participation in producing mines or early stage exploration and development of mineral properties.

Going Concern

The Nickel 28 Portfolio reported a net loss of $6,579,739 for the eight months ended December 31, 2017 and $10,605,253 for the year ended December 31, 2018. Additionally the Nickel 28 Portfolio has a working capital deficiency of $1,710,009 at December 31, 2018 (December 31, 2017 - $974,318). The Nickel 28 Portfolio's ability to continue as a going concern is dependent upon obtaining additional financing and eventually achieving profitable operations. Management is currently evaluating various options in order to address its financing needs. These circumstances cast significant doubt about the Nickel 28 Portfolio's ability to continue as a going concern. There can be no assurance that the Nickel 28 Portfolio's financing activities will continue to be successful or sufficient.

The Nickel 28 Portfolio Highlights

Acquisition of Highlands Pacific Limited

In January 2019, Cobalt 27 acquired an additional 75,696,500 common shares of HPL at a cost of $5,615,828, which increased Cobalt 27's total ownership to 19.99%.

On May 17, 2019, Cobalt 27 acquired all of the issued ordinary shares of HPL, that it did not already own by means of a scheme of arrangement (the "Scheme"), entered into on January 1, 2019, under Part XVI of the Papua New Guinea Companies Act. Cobalt 27 acquired all the Scheme Shares for an all-cash offer price of AUD$0.105 per share. The total purchase price for all the Scheme Shares amounted to approximately $71 million, which included transaction costs of $3 million and contingent consideration of $6 million.

On May 17, 2019, in connection with the completion of the Scheme, Cobalt 27 and PanAust also completed the PanAust Buy-Back Agreement. PanAust transferred to Cobalt 27 legal and beneficial ownership of 128,865,980 Highlands ordinary shares held by PanAust and cancelled any outstanding liabilities owed by HPL to PanAust, in return for Cobalt 27 transferring to PanAust all of the interest in the Frieda project and $130,000 in cash.

As of July 19, 2019, the LME official closing cash settlement price for nickel was above US$13,220 per tonne for a period of 5 consecutive trading days which triggered the payment of the scheme contingent consideration of AUD$0.01 per share to HPL shareholders. Cobalt 27 had previously funded an escrow account on closing of the Scheme on May 17, 2019 and funds from that escrow account will be utilized to fund the contingent scheme consideration.

Based on management's judgment, the acquisition does not meet the IFRS definition of a business combination as the primary asset acquired, which is the investment in Ramu Nickel mines is an investment in associate of which HPL is not the mine operator. Consequently, the transaction was recorded as an asset acquisition.

Prior to completion of the above mentioned transaction, Cobalt 27 owned approximately 218.5 million ordinary shares of HPL, which represented 19.9% of HPL's issued ordinary shares. The investment was accounted for as an investment in an associate, using the equity method and the carrying amount on March 31, 2019 was $14,947,232.

Royalty contracts

In July 2017, Cobalt 27 acquired seven royalties on exploration-stage mineral properties containing cobalt in consideration for a total of 94,445 common shares at a market price of $6.85 valued at $647,225. The royalties relate to cobalt as a by-product associated with polymetallic and base metals exploration properties.

On March 29, 2018, Cobalt 27 acquired a 1.75% Net Smelter Return ("NSR") royalty on all future production over all metals from the Dumont Nickel-Cobalt Project (the "Dumont Project"). Cobalt 27 paid $9,819,843 in cash and issued 537,057 common shares as consideration for the 1.75% NSR.

On July 27, 2018, Cobalt 27 completed the acquisition of a 2.0% NSR royalty over Giga Metals Corporation's Turnagain project for $1 million in cash and 1,125,000 common shares of Cobalt 27. Under the terms of the royalty agreement, Giga Metals Corporation has a one-time repurchase option to repurchase 0.5% of the 2.0% royalty (resulting in a 1.5% remaining royalty) by paying Cobalt 27 $20 million in cash and by providing notice to Cobalt 27 at least 30 days prior to the fifth (5th) anniversary.

On January 18, 2019, Cobalt 27 completed the acquisition of a 1.5% Gross Revenue Royalty ("GRR") on the Flemington Cobalt-Scandium-Nickel project ("Flemington Royalty") located west of Sydney, Australia and owned by Australian Mines Ltd. and a 1.7% GRR on the Nyngan Scandium project ("Nyngan Royalty") located in Sydney, Australia and owned by Scandium International Mining Corp.

Cobalt 27 acquired the Flemington Royalty and Nyngan Royalty from Jervois Mining Limited for total consideration of $2.9 million, comprised of $1.5 million in cash and 422,856 common shares of Cobalt 27.

Other Highlights

In April 2019, Cobalt 27 acquired 3,980,000 common shares of Giga Metals Corp. for $745,988.

RSU plan and stock option grants

On January 10, 2018, Cobalt 27 granted 485,000 incentive stock options and 175,000 RSUs to certain of its directors, officers, advisors and consultants. The incentive stock options and RSUs vested on the date of grant. The incentive stock options granted are exercisable at CAD$11.80 for a period of 5 years expiring January 10, 2023.

On August 14, 2018, Cobalt 27's Long Term Incentive Plan ("LTIP") received shareholder and TSX-V approval. During the year ended December 31, 2018, Cobalt 27 issued 493,069 common shares and paid cash of $63,755 for the conversion of RSUs previously granted to certain RSU holders following approval of the LTIP.

On January 11, 2019, Cobalt 27 granted a total of 760,000 stock options to certain directors, officers, advisors and consultants of Cobalt 27 pursuant to the stock option plan. The stock options are exercisable at a price of CAD$4.44 per share and expire on January 11, 2024. These stock options will vest as follows: 1/3 immediately and 1/3 annually over 2 years. In addition, Cobalt 27 also granted a total of 913,000 RSUs to certain employees and officers. These RSUs will vest as follow: 318,000 RSUs immediately, 120,000 RSUs monthly over 1 year and 475,000 RSUs 1/3 annually over 3 years.

Plan of Operations

The focus of Nickel 28's business model and growth strategy will be to:

- establish itself as an entity that offers investors the opportunity to participate in the expected evolution and adoption of electric vehicles and broader energy storage applications, while avoiding the direct operating risks borne by auto makers, battery makers and miners;
- provide investors with direct exposure to nickel and cobalt price appreciation;
- manage and grow a nickel and cobalt focused portfolio of streams, royalties and direct interests in mineral properties with producers and developers that deliver attractive risk-adjusted returns regardless of commodity cycles;
- focus on growing cash flow per Nickel 28 Share;
- utilize management's expertise, streaming experience and global network to acquire high-quality streams, royalties and direct interests in mineral properties at valuations accretive to Nickel 28 Shareholders;
- realize economies of scale by reducing general and administrative costs; and
- as appropriate, introduce and grow dividends per Nickel 28 Share.

Nickel 28 intends to apply a disciplined investing and operating approach to execute its business plan and intends to enhance its exposure to nickel and cobalt through the acquisition of new or existing streams and royalties in producing mines, development projects and exploration properties located in conflict-free jurisdictions. Nickel 28's primary focus is on streaming opportunities that could provide shareholders near-term cash flow, and royalties on exploration-stage nickel and/or cobalt properties that could provide longer-term optionality on the price of nickel and cobalt. In the future, Nickel 28 may consider acquisitions of physical material, royalties or direct interests in other minerals. The Nickel 28 Portfolio intends to fund working capital through cash flows from Ramu and potential streams and royalties.

Highlands Pacific Limited

On May 17, 2019, Cobalt 27 acquired all of the Scheme Shares through the Scheme, entered into on January 1, 2019, under Part XVI of the Papua New Guinea Companies Act.

As a result of the acquisition, Cobalt 27 now holds an 8.56% joint venture interest in the producing Ramu mine ("Ramu"), a long-life, low-cost nickel-cobalt operation located near Madang on the north coast of Papua New Guinea ("PNG"). Ramu was financed, constructed and commissioned in 2012, by majority-owner and operator Metallurgical Corporation of China Limited ("MCC"), for US$2.1 billion which, at the time, was China's largest overseas mining investment. In 2018, the Ramu mine achieved record annual production of 35,355 tonnes of nickel and 3,275 tonnes of cobalt. Following repayment of HPL's attributable construction and development loans, Cobalt 27's ownership interest in the Ramu mine, and attributable nickel and cobalt production, would increase to 11.3%.

Current Royalties

As at the date of this MD&A, the Nickel 28 Portfolio's royalties consisted of the following:

Royalty Name	Owner	Property Location	Stage	Primary Metal(s)	Royalty Type and %	Stream ROFR
Dumont Nickel Project	RNC Minerals	Quebec	Development	Ni-Co	1.75% NSR	No
Triangle Property	New Found Gold Corp. (formerly Palisade Resources Corp.)	Ontario	Exploration	Co-Ag	2% Co NSR	Yes
Rusty Lake Property	New Found Gold Corp. (formerly Palisade Resources Corp.)	Ontario	Exploration	Co-Ag	2% Co NSR	Yes
Professor & Waldman Properties (1)	New Found Gold Corp. (formerly Palisade Resources Corp.)	Ontario	Exploration	Co-Ag	2% Co NSR	Yes
North Canol Properties (1)	Golden Ridge Resources Ltd.	Yukon	Exploration	Ag-Pb-Zn-Co	2% Co NSR	Yes
Sunset Mineral Property	Three Individuals	British Columbia	Exploration	Cu-Zn-Co	2% Co NSR	Yes
Turnagain Project	Giga Metals Corporation	British Columbia	Exploration	Ni-Co	2.0% NSR	Yes
Flemington Project	Australian Mines Ltd.	Australia	Exploration	Ni-Co-Sc	1.5% GRR	No
Nyngan Project	Scandium International Mining Corp.	Australia	Development	Sc-Ni-Co	1.7%GRR	No

(1) Two separate mineral properties to which a Co NSR applies.

Off-Balance Sheet Arrangements

As at the date of this MD&A, the Nickel 28 Portfolio did not have any off-balance sheet arrangements.

Selected Annual Financial Information

The following table sets out selected financial information for the periods indicated. The selected financial information of the Nickel 28 Portfolio as at December 31, 2018 and December 31, 2017 and for the financial year ended December 31, 2018 and eight month period ended December 2017 has been derived from the audited carve-out financial statements.

	Fiscal Year Ended December 31, 2018	Eight Months Ended December 31, 2017	Fiscal Year Ended April 30, 2017
Total Revenue	$nil	$nil	$nil
Net Loss	($10,605,253)	($6,579,739)	($729,445)
	As at December 31, 2018	**As at December 31, 2017**	**As at April 30, 2017**
Total Assets	$31,112,094	$1,176,494	$575,832
Non-Current Liabilities	$nil	$nil	$nil

Results of Operations

Year ended December 31, 2018 compared to the eight months ended December 31, 2017

The Nickel 28 Portfolio realized a net loss of $10,605,253 during the year ended December 31, 2018 as compared to a net loss of $6,579,739 for the eight months ended December 31, 2017. The increase in net loss of $4,025,514 resulted from the following significant variances:

- During the year ended December 31, 2018, the Nickel 28 Portfolio recorded share based compensation of $3,129,999 compared to $3,967,690 in the comparative period. During the current period, Cobalt 27 issued 485,000 stock options and 175,000 RSUs compared to 510,000 stock options and 700,000 RSUs granted during the eight months ended December 31, 2017. Share based compensation for the current period is impacted by the vesting of previously issued RSUs and accrual of current year incentive bonuses.
- During the year ended December 31, 2018, project evaluation costs totaled $1,206,434 compared to $nil for the eight months ended December 31, 2017. These project evaluation costs relate to the investigation of prospective transactions.
- During the year ended December 31, 2018, consulting fees and salaries totaled $2,718,394 compared to $1,510,335 for the eight months ended December 31, 2017 due to the Nickel 28 Portfolio engaging a full complement of employees and consultants to support the execution of its business strategy in the 2018 period compared to 2017 where the Nickel 28 Portfolio had only engaged some of the employees and consultants needed.
- During the year ended December 31, 2018, professional fees totaled $1,440,268 compared to $335,818 for the eight months ended December 31, 2017 due to the Nickel 28 Portfolio's need for professional services to support the execution of its business strategy.

Liquidity and Financial Position

As of December 31, 2018, the Nickel 28 Portfolio had a working capital deficiency of $1,710,009 (December 31, 2017 – deficiency of $974,318). The Nickel 28 Portfolio currently has no assets that generate cash flow, however as part of the Arrangement Agreement, the Nickel 28 Portfolio will receive $5 million of cash to provide for initial working capital. Nickel 28 Portfolio's ability to meet its ongoing obligations and execute its business strategy depends on its ability to generate cash flow through the issuance of common shares pursuant to private placements, public offerings of its shares and short term or long term loans.

There is no assurance that Nickel 28 Portfolio will be able to access equity funding at the times and in the amounts required to meet Nickel 28 Portfolio's obligations and fund activities. The outlook for the world economy remains uncertain and vulnerable to various shocks that could adversely affect Nickel 28 Portfolio's ability to raise additional funding going forward. See "Going Concern" above.

Cash flows

For the eight months ended December 31, 2017

Operating Activities

Cash used in operating activities was $1,696,437 for the eight months ended December 31, 2017.

Investing Activities

During the eight months ended December 31, 2017, the Nickel 28 Portfolio used cash to purchase an investment in Minerva Intelligence Inc. for $188,915.

Financing Activities

Cash provided by owners' contributions was $1,885,352 for the eight months ended December 31, 2017.

For the year ended December 31, 2018

Operating Activities

Cash used in operating activities was $7,838,678 for the year ended December 31, 2018 and resulted from an increase in operating expenses due to the new business model, a decrease in accounts payable and a decrease in amounts receivable and other assets.

Investing Activities

During the year ended December 31, 2018, the Nickel 28 Portfolio used $11,235,957 of cash to purchase investments and $10,965,542 to purchase the Dumont and Turnagain royalties.

Financing Activities

Cash provided by owners' contributions was $30,040,177 for the year ended December 31, 2018.

Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions are recorded at the exchange amount, being the amount agreed to between the related parties.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of Nickel 28 Portfolio directly or indirectly. Key management personnel for Nickel 28 Portfolio was considered to be the same as those for Cobalt 27 and include Cobalt 27's executive officers and members of the Board of Directors.

Remuneration of key management personnel of the Nickel 28 Portfolio was as follows:

	Year Ended December 31, 2018 ($)	Eight Months Ended December 31, 2017 ($)
Consulting fees and salaries [(1)(2)]	2,118,911	1,484,366
Directors fees [(2)]	197,293	113,746
Share based compensation	2,555,824	3,637,343
Total	**4,872,028**	**5,235,455**

[(1)] Consulting fees and salaries paid to the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer for their services.

[(2)] Included in accounts payable and accrued liabilities are fees owing to officers and directors of $852,149 as at December 31, 2018 (December 31, 2017 - $1,220,570).

[(3)] Included in amounts receivable and other assets is an amount of $199,140 owed by an officer as at December 31, 2018 (December 31, 2017 - $nil).

Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value, by reference to the reliability of the inputs used to estimate the fair values.

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the company can access at the measurement date;

Level 2: Valuations based on directly or indirectly observable inputs for the asset or liability, other than quoted Level 1 prices such as quoted interest rates or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not observable, such as discounted cash flow methodologies based on internal cash flow forecasts.

As of December 31, 2017 and 2018, the Nickel 28 Portfolio's financial instruments consist of amounts receivable, investments and accounts payable and accrued liabilities. The investment in Highlands is stated at fair value and classified within Level 1 and the investment in Minerva is stated at fair value and classified within Level 3. The fair values of amounts receivable and accounts payable and accrued liabilities approximate their carrying values because of the short term nature of these instruments.

Financial risks

The Nickel 28 Portfolio's risk exposures and the impact on the Nickel 28 Portfolio's financial instruments are summarized below:

Credit Risk

Credit risk is the risk of loss due to a counter-party's inability to meet its obligations under a financial instrument or contractual agreement that will result in a financial loss to the Nickel 28 Portfolio. As at December 31, 2017 and 2018, the Nickel 28 Portfolio has no credit risk exposure.

Liquidity risk

Financial liquidity represents the Nickel 28 Portfolio's ability to fund future operating activities. Although the Nickel 28 Portfolio may enter into commitments to purchase additional royalties, streams and direct interests in mineral properties those commitments are normally funded by use of the Nickel 28 Portfolio's available cash or are contingent on its ability to raise funds. See "Going Concern" above.

Market risk

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk is not considered to be material.

(b) Foreign currency risk

Foreign currency risk arises from transactions and recognized assets and liabilities denominated in a currency that is not the Nickel 28 Portfolio's functional currency. The Nickel 28 Portfolio's functional currency is United States dollars. The Nickel 28 Portfolio incurs expenses in Canadian dollars and Australian dollars. Foreign currency risk is considered minimal.

(c) Price risk

The Nickel 28 Portfolio is exposed to price risk with respect to the share prices of its investments. The value of the Nickel 28 Portfolio's investment in HPL and Minerva may be adversely affected by a decline in their share prices.

As at December 31, 2018, the Nickel 28 Portfolio estimated that a 5% decrease or increase in the share price of HPL and Minerva, all other variables remaining constant, would result in a corresponding decrease or increase in income before taxes of $392,182.

Newly Adopted Accounting Policies

The following summarizes changes in accounting policies including initial adoption during the year.

(i) Financial Instruments ("IFRS 9")

IFRS 9, Financial Instruments has been applied in accounting for financial instruments.

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provision of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Financial assets are classified and measured at initial recognition based on the business model in which they are held and the characteristics of their contractual cash flows. The primary measurement categories for financial assets are: measured at amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit and loss ("FVTPL").

Financial assets

Financial assets are classified as either financial assets at FVTPL, amortized cost, or FVTOCI.

- Financial assets recorded at FVTOCI

Financial assets are classified as FVTOCI if both of the following criteria are met and the financial assets are not designated as at fair value through profit and loss: 1) the objective of the business model for these financial assets is to both collect contractual cash flows and sell the financial assets; and 2) the financial asset's contractual cash flows represent "solely payments of principal and interest".

- Amortized cost

Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at fair value through profit and loss: 1) the objective of the business model for these financial assets is to collect their contractual cash flows; and 2) the asset's contractual cash flows represent "solely payments of principal and interest".

- Financial assets recorded at FVTPL

Financial assets are classified as FVTPL if they do not meet the criteria of amortized cost or FVTOCI. Gains or losses on these items are recognized in profit or loss.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or at amortized cost. The entity determines the classification of its financial liabilities at initial recognition.

- Amortized cost

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below market interest rate, or contingent consideration recognized by an acquirer in a business combination.

Accounts payable and accrued liabilities do not fall into any of the exemptions and are therefore classified as measured at amortized cost.

Transaction costs

Transaction costs associated with financial instruments carried at FVTPL, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

Below is a summary showing the classification and measurement bases of our financial instruments:

Classification	**IFRS 9**
Amounts receivable	Amortized cost
Investments	FVTOCI
Accounts payable and accrued liabilities	Amortized cost

Subsequent measurement

Instruments classified at FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss. Instruments classified at amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVTOCI are measured at fair value with unrealized gains and losses recognized in other comprehensive income.

When an instrument at FVTOCI is sold, the accumulated gains or losses are reclassified from accumulated other comprehensive income (loss) directly to deficit.

Derecognition

Financial liabilities are only derecognized when the obligations under the financial liabilities are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred, or liabilities assumed, is recognized in profit or loss.

(ii) Revenue from Contracts with Customers

Revenue may be generated from contracts with customers under each of its royalty interests. Management has determined that each unit of a commodity that is delivered to a customer under a royalty arrangement is a performance obligation for the delivery of a good that is separate from each other unit of the commodity to be delivered under the same arrangement.

- Royalty Arrangements

  The Nickel 28 Portfolio has eight exploration stage and one development stage royalty arrangements (two additional royalties were acquired after December 31, 2018). Revenue will be recorded when the commodities received under such arrangements are sold and control over those commodities transfers to the ultimate customer. Control will transfer on the date the commodity under the agreement is credited to the customer account. Revenue from royalty arrangements will be measured at the transaction price agreed with the ultimate customer.

Recent Accounting Pronouncements

Certain pronouncements issued by the IASB or the IFRIC are mandatory for future accounting periods. Those that are not applicable or do not have a significant impact to the Nickel 28 Portfolio have been excluded. The following recent accounting pronouncement has not yet been adopted in these carve-out financial statements.

(i) Leases ("IFRS 16")

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

Other areas of the lease accounting model have been impacted, including the definition of a lease. The Nickel 28 Portfolio does not expect adoption of this standard will have a material impact on the financial statements.

(ii) Uncertainty over Income Tax Treatments ("IFRIC 23")

IFRIC 23 requires an entity to assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings and to exercise judgment in determining whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision should be based on which approach provides better predictions of the resolution of the uncertainty. An entity also has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, assuming that the taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so. The interpretation has been applied on a modified retrospective basis without restatement of comparative information. The Nickel 28 Portfolio does not expect adoption of IFRIC 23 will have a material impact on the financial statements.

(iii) Business Combinations ("IFRS 3")

In October 2018, the IASB issued an amendment to IFRS 3, effective for annual periods beginning on or after January 1, 2020 with early adoption permitted. The amendment clarifies that a business must include, at minimum, an input and a substantive process that together contribute to the ability to create outputs, and assists companies in determining whether an acquisition is a business combination or an acquisition of a group of assets by providing supplemental guidance for assessing whether an acquired process is substantive. The Nickel 28 Portfolio does not expect adoption of IFRS 3 will have a material impact on the financial statements.

Disclosure of Internal Controls

Management has established processes to provide it with sufficient knowledge to support representations that it has exercised reasonable diligence to ensure that (i) the carve-out financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the financial statements, and (ii) the carve-out financial statements fairly present in all material respects the financial condition, results of operations and cash flow of Nickel 28 Portfolio, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing such certificate are not making any representations relating to the establishment and maintenance of:

(i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

(ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with the issuer's GAAP (IFRS).

Nickel 28 Portfolio's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

APPENDIX H
Management's Discussion and Analysis – Conic Metals Corp. for the Three and Six-Month Period Ended June 30, 2019

See attached.

CONIC METALS PORTFOLIO

(previously the Nickel 28 Portfolio)

MANAGEMENT'S DISCUSSION AND ANALYSIS

THREE AND SIX MONTHS ENDED JUNE 30, 2019

(EXPRESSED IN UNITED STATES DOLLARS)

Introduction

The following management's discussion & analysis ("MD&A") of the financial condition and results of the operations of the Conic Metals Portfolio (the "Conic Metals Portfolio") constitutes management's review of the factors that affected the Conic Metals Portfolio's financial and operating performance for the three and six months ended June 30, 2019. This MD&A is written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the carve-out financial statements of the Conic Metals Portfolio for the three and six months ended June 30, 2019 and 2018, together with the notes thereto. Results are reported in United States dollars, unless otherwise noted. The Conic Metals Portfolio's condensed interim carve-out financial statements and the financial information contained in this MD&A, unless otherwise indicated, are prepared in accordance with the International Accounting Standard 34, Interim Financial Reporting ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"). Information contained herein is presented as of October 31, 2019, unless otherwise indicated.

For the purposes of preparing this MD&A, management considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the value of the Conic Metals Portfolio; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Description of Business

On June 18, 2019, Cobalt 27 Capital Corp. ("Cobalt 27" or the "Company") and Pala Investments Limited ("Pala") entered into an agreement (the "Arrangement Agreement") pursuant to which Pala will acquire all of the Cobalt 27 issued and outstanding common shares other than any Cobalt 27 common shares already owned by Pala for cash and shares of a newly listed company to be named Conic Metals Corp. ("Conic Metals") (collectively, the "Consideration").

Pursuant to the Arrangement Agreement, certain assets of Cobalt 27 will be transferred to Conic Metals, the shares of which will be distributed to Cobalt 27 shareholders as part of the Consideration. The following assets, together "the Conic Metals Portfolio" are to be held by Conic Metals:

- Cobalt 27's 100% interest in Highlands Pacific Limited ("HPL"). HPL holds an 8.56% joint venture interest in the producing Ramu mine;
- Cobalt 27's eleven (11) royalties;
- Cobalt 27's investments in Minerva Intelligence Inc. and Giga Metals Corp.; and
- US$5 million of cash to provide for initial working capital.

On October 1, 2019, the Arrangement Agreement was amended to increase cash consideration to $4.00 per share from $3.57 per share, representing an additional $30 million of cash consideration to Cobalt 27 shareholders. In addition, the amendment reduced the cash change of control payments for management; reduced the termination fee payable to Pala in the event of a superior proposal; and increases Pala's interest in Conic Metals from 4.9% to 9.9%.

The Arrangement Agreement was approved by Cobalt 27's shareholders at an annual general and special meeting held on October 11, 2019, and the Supreme Court of British Columbia on October 16, 2019. The Arrangement Agreement closed on October 25, 2019.

Conic Metals will focus on diversified battery metals by entering into streaming contracts and net smelter royalty agreements and/or participation in producing mines or early stage exploration and development of mineral properties.

Going Concern

The Conic Metals Portfolio reported a net loss of $5,192,935 for the six months ended June 30, 2019. Additionally the Conic Metals Portfolio has a working capital deficiency of $5,802,265 at June 30, 2019 (December 31, 2018 – working capital deficiency of $1,710,009). The Conic Metals Portfolio's ability to continue as a going concern is dependent upon obtaining additional financing and eventually achieving profitable operations. Management is currently evaluating various options in order to address its financing needs. These circumstances cast significant doubt about the Conic Metals Portfolio's ability to continue as a going concern. There can be no assurance that the Conic Metals Portfolio's financing activities will continue to be successful or sufficient.

Company Highlights

Acquisition of Highlands Pacific Limited

On May 17, 2019, the Company acquired all of the issued ordinary shares of Highlands, that it did not already own by means of a scheme of arrangement (the "Scheme"), entered into on January 1, 2019, under Part XVI of the Papua New Guinea Companies Act.

The Company acquired all of the issued ordinary shares of Highlands that it does not already own (the "Scheme Shares") for an all-cash offer price of AUD$0.105 per share. If before December 31, 2019 the London Metal Exchange ("LME") official closing cash settlement price for nickel is US$13,220 per tonne or higher for a period of 5 consecutive trading days, Highlands' scheme shareholders will receive contingent consideration of AUD$0.01 per Scheme Share payable in cash. The total purchase price for all of the Scheme Shares (excluding the 19.9% of shares in HPL already owned before the acquisition) amounted to $75 million, which included transaction costs of $4.5 million and the contingent consideration of $6.1 million.

On May 17, 2019, in connection with the completion of the Scheme, Cobalt 27 and PanAust Limited and its subsidiaries ("PanAust") also completed the PanAust Buy-Back Agreement. PanAust transferred to the Company legal and beneficial ownership of 128,865,980 Highlands ordinary shares held by PanAust and cancelled any outstanding liabilities owed by Highlands to PanAust, in return for the Company transferring to PanAust all of the interest in the Frieda project and $130,000 in cash.

Based on management's judgment, the acquisition did not meet the IFRS definition of a business combination as the primary asset acquired, which is the investment in Ramu Nickel mines is an investment in associate of which Highlands is not the mine operator. Consequently, the transaction was recorded as an asset acquisition.

Prior to completion of the above mentioned transaction, Cobalt 27 owned approximately 218.5 million ordinary shares of Highlands, which represented approximately 19.9% of Highlands issued ordinary shares. This was accounted for as an investment in an associate, using the equity method, and the carrying amount on May 17, 2019 was $14,069,780.

As of July 19, 2019, the LME official closing cash settlement price for nickel was above US$13,220 per tonne for a period of 5 consecutive trading days which triggered the payment of $6,174,948 for the Scheme contingent consideration of AUD$0.01 per share to Highlands's shareholders. The Company had

previously funded an escrow account on closing of the Scheme on May 17, 2019 and funds from that escrow account were utilized to fund the contingent Scheme consideration.

Royalty contracts

On January 18, 2019, the Company completed the acquisition of a 1.5% Gross Revenue Royalty ("GRR") on the Flemington Cobalt-Scandium-Nickel project ("Flemington Royalty") located west of Sydney, Australia and owned by Australian Mines Ltd. and a 1.7% GRR on the Nyngan Scandium project ("Nyngan Royalty") located in Sydney, Australia and owned by Scandium International Mining Corp.

Cobalt 27 acquired the Flemington Royalty and Nyngan Royalty from Jervois Mining Limited for total consideration of approximately $3 million, comprised of $1.5 million in cash and 422,856 common shares of the Company.

See "Plan of Operations" below for more details.

Equity investment

In April 2019, Cobalt 27 acquired 3,980,000 common shares of Giga Metals Corp. for $745,988.

Other Company Highlights

RSU plan and stock option grants

On January 11, 2019, the Company granted a total of 760,000 stock options to certain directors, officers, advisors and consultants of the Company pursuant to the Company's stock option plan. The stock options are exercisable at a price of CAD$4.44 per share and expire on January 11, 2024. These stock options will vest as follows: 1/3 immediately and 1/3 annually over 2 years. In addition, the Company also granted a total of 913,000 RSUs to certain employees and officers. These RSUs will vest as follow: 318,000 RSUs immediately, 120,000 RSUs monthly over 1 year and 475,000 RSUs 1/3 annually over 3 years.

Off-Balance Sheet Arrangements

As at the date of this MD&A, the Conic Metals Portfolio did not have any off-balance sheet arrangements.

Plan of Operations

The focus of Conic Metals' business model and growth strategy will be to:

- establish itself as an entity that offers investors the opportunity to participate in the expected evolution and adoption of electric vehicles and broader energy storage applications, while avoiding the direct operating risks borne by auto makers, battery makers and miners;
- provide investors with direct exposure to nickel and cobalt price appreciation;
- manage and grow a nickel and cobalt focused portfolio of streams, royalties and direct interests in mineral properties with producers and developers that deliver attractive risk-adjusted returns regardless of commodity cycles;
- focus on growing cash flow per Conic Metals Share;
- utilize management's expertise, streaming experience and global network to acquire high-quality streams, royalties and direct interests in mineral properties at valuations accretive to Conic Metals Shareholders;
- realize economies of scale by reducing general and administrative costs; and

Conic Metals intends to apply a disciplined investing and operating approach to execute its business plan and intends to enhance its exposure to nickel and cobalt through the acquisition of new or existing streams and royalties in producing mines, development projects and exploration properties located in conflict-free jurisdictions. Conic Metals's primary focus is on streaming opportunities that could provide shareholders near-term cash flow, and royalties on exploration-stage nickel and/or cobalt properties that could provide longer-term optionality on the price of nickel and cobalt. In the future, Conic Metals may consider acquisitions of physical material, royalties or direct interests in other minerals. The Conic Metals Portfolio intends to fund working capital through cash flows from Ramu and potential streams and royalties.

Highlands Pacific Limited

On May 17, 2019, the Company acquired all of the Scheme Shares through the Scheme, entered into on January 1, 2019, under Part XVI of the Papua New Guinea Companies Act.

As a result of the acquisition, Cobalt 27 now holds an 8.56% joint venture interest in the producing Ramu mine ("Ramu"), a long-life, low-cost nickel-cobalt operation located near Madang on the north coast of Papua New Guinea ("PNG"). Ramu was financed, constructed and commissioned in 2012, by majority-owner and operator Metallurgical Corporation of China Limited ("MCC"), for US$2.1 billion which, at the time, was China's largest overseas mining investment. In 2018, the Ramu mine achieved record annual production of 35,355 tonnes of nickel and 3,275 tonnes of cobalt. Following repayment of Highlands' attributable construction and development loans, Cobalt 27's ownership interest in the Ramu mine, and attributable nickel and cobalt production, would increase to 11.3%.

Current Royalties

As at the date of this MD&A, the Conic Metal Portfolio's royalties consisted of the following:

Royalty Name	Owner	Property Location	Stage	Primary Metal(s)	Royalty Type and %	Stream ROFR
Dumont Nickel Project	RNC Minerals	Quebec	Development	Ni-Co	1.75% NSR	No
Triangle Property	New Found Gold Corp. (formerly Palisade Resources Corp.)	Ontario	Exploration	Co-Ag	2% Co NSR	Yes
Rusty Lake Property	New Found Gold Corp. (formerly Palisade Resources Corp.)	Ontario	Exploration	Co-Ag	2% Co NSR	Yes
Professor & Waldman Properties (1)	New Found Gold Corp. (formerly Palisade Resources Corp.)	Ontario	Exploration	Co-Ag	2% Co NSR	Yes
North Canol Properties (1)	Golden Ridge Resources Ltd.	Yukon	Exploration	Ag-Pb-Zn-Co	2% Co NSR	Yes
Sunset Mineral Property	Three Individuals	British Columbia	Exploration	Cu-Zn-Co	2% Co NSR	Yes
Turnagain Project	Giga Metals Corporation	British Columbia	Exploration	Ni-Co	2.0% NSR	Yes
Flemington Project	Australian Mines Ltd.	Australia	Exploration	Ni-Co-Sc	1.5% GRR	No
Nyngan Project	Scandium International Mining Corp.	Australia	Development	Sc-Ni-Co	1.7%GRR	No

(1) Two separate mineral properties to which a Co NSR applies.

Results of Operations

Three months ended June 30, 2019 compared to the three months ended June 30, 2018

The Conic Metals Portfolio realized a net loss of $3,248,429 during the three months ended June 30, 2019 as compared to a net loss of $2,946 for the three months ended June 30, 2018. The increase in net loss of $3,245,483 resulted from the following significant variances:

- During the three months ended June 30, 2019, equity income from Ramu Nickel Mine was $2,663,470 compared to $nil for the three months ended June 30, 2018. The Conic Metals Portfolio recorded its share of income from the Ramu Nickel Mine for the period May 17, 2019 to June 30, 2019.

- During the three months ended June 30, 2019, the Conic Metals Portfolio recorded share based compensation of $2,412,970 compared to a recovery of $1,449,784 in the comparative period. Share based compensation for the current period included vesting of the 760,000 stock options granted in previous periods and was impacted by the vesting of previously issued RSUs. Share based compensation for the three months ended June 30, 2018 included the vesting of 485,000 stock options and adjustment to the RSU value at each reporting period end which was required prior to August 14, 2018 (date of grant based on shareholder and TSX-V approval of the Long Term Incentive Plan).

- During the three months ended June 30, 2019, the Conic Metals Portfolio recorded deferred tax expense of $31,748 compared to $nil for the three months ended June 30, 2018. The deferred tax expense in the current period was attributable to the temporary tax differences in relation to equity investments in Giga and Minerva.

- During the three months ended June 30, 2019, financing costs totaled $752,661 compared to $nil for the three months ended June 30, 2018. The financing costs in the current period relate to interest charges related to the Ramu Nickel loan offset by interest income received.

- During the three months ended June 30, 2019, equity loss from Highlands was $877,452 compared to $nil for the three months ended June 30, 2018. The Conic Metals Portfolio accounts for its investment in Highlands as an investment in associate using the equity method until May 17, 2019 and recorded its share of loss from Highlands accordingly.

- During the three months ended June 30, 2018, the Conic Metals Portfolio recorded project evaluation costs of $601,799 compared to $nil for the three months ended June 30, 2019. These costs related to the investigation of prospective projects.

Six months ended June 30, 2019 compared to the six months ended June 30, 2018

The Conic Metals Portfolio realized a net loss of $5,192,935 during the six months ended June 30, 2019 as compared to a net loss of $5,233,593 for the six months ended June 30, 2018. The decrease in net loss of $40,658 resulted from the following significant variances:

- During the six months ended June 30, 2019, equity income from Ramu Nickel Mine was $2,663,470 compared to $nil for the six months ended June 30, 2018. The Conic Metals Portfolio recorded its share of income from the Ramu Nickel Mine for the period May 17, 2019 to June 30, 2019.

- During the six months ended June 30, 2019, the Conic Metals Portfolio recorded share based compensation of $3,219,868 compared to $2,906,956 in the comparative period. Share based compensation for the current period included vesting of the 760,000 stock options granted during the period and was impacted by the vesting of previously issued RSUs. Share based compensation for the six months ended June 30, 2018 included the vesting of 485,000 stock options and adjustment to the RSU value at each reporting period end which was required prior to August 14, 2018 (date of grant based on shareholder and TSX-V approval of the Long Term Incentive Plan).

- During the six months ended June 30, 2019, the Conic Metals Portfolio recorded deferred tax recovery of $314,113 compared to $nil for the six months ended June 30, 2018. The deferred tax recovery in the current period was mainly attributable to the temporary tax differences in relation to equity investment in Highlands.

- During the six months ended June 30, 2019, financing costs totaled $752,661 compared to $nil for the six months ended June 30, 2018. The financing costs in the current period relate to interest charges related to the Ramu Nickel loan offset by interest income received.

- During the six months ended June 30, 2019, equity loss from Highlands was $1,451,629 compared to $nil for the six months ended June 30, 2018. On January 2, 2019, the Conic Metals Portfolio increased its holdings in Highlands to 19.9% and started accounting for its investment in Highlands as an investment in associate using the equity method up until May 17, 2019 when the Conic Metals Portfolio acquired 100% of Highlands.

- During the six months ended June 30, 2018, the Conic Metals Portfolio recorded project evaluation costs of $601,799 compared to $nil for the six months ended June 30, 2019. These costs related to the investigation of prospective projects.

Liquidity and Financial Position

As of June 30, 2019, the Conic Metals Portfolio had working capital deficiency of $5,802,265 (December 31, 2018 - working capital deficiency - $1,710,009). The Conic Metals Portfolio currently has no assets that generate cash flow, however as part of the Arrangement Agreement, the Conic Metals Portfolio will receive $5 million of cash to provide for initial working capital. Conic Metals Portfolio's ability to meet its ongoing obligations and execute its business strategy depends on its ability to generate cash flow through the issuance of common shares and short term or long-term loans.

There is no assurance that Conic Metals Portfolio will be able to access equity funding at the times and in the amounts required to meet Conic Metals Portfolio's obligations and fund activities. The outlook for the world economy remains uncertain and vulnerable to various shocks that could adversely affect Conic Metals Portfolio's ability to raise additional funding going forward. See "Going Concern" above.

Cash flows

Operating Activities

Cash used in operating activities was $4,193,510 for the six months ended June 30, 2019 and resulted from operating expenses during the normal course of business, a decrease in accounts payable and an increase in amounts receivable and other assets.

Investing Activities

During the six months ended June 30, 2019, the Conic Metals Portfolio used cash of $5,615,828 to purchase additional shares in Highlands, $745,988 to purchase common shares of Giga Metals Corporation, $1,500,000 relating to the purchase of the Flemington royalty and Nyngan royalty and $65,778,654 to acquire the remaining shares of Highlands offset by $10,524,382 of cash acquired from Highlands on its acquisition.

Financing Activities

Cash provided by owners' contributions was $67,309,598 for the six months ended June 30, 2019.

Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions are recorded at the exchange amount, being the amount agreed to between the related parties.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Conic Metals Portfolio, directly or indirectly. Key management personnel include the Conic Metals Portfolio's executive officers and members of the Board.

Remuneration of key management personnel of the Conic Metals Portfolio was as follows:

	Three Months Ended June 30, 2019 ($)	Three Months Ended June 30, 2018 ($)	Six Months Ended June 30, 2019 ($)	Six Months Ended June 30, 2018 ($)
Consulting fees and salaries [(1)(2)]	217,894	104,697	438,252	209,395
Directors fees [(2)]	102,489	41,864	181,591	88,185
Share based compensation	1,516,448	(1,449,784)	2,371,223	2,528,132
Total	**1,836,831**	**(1,303,223)**	**2,991,066**	**2,825,712**

[(1)] Consulting fees and salaries paid to the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer for their services.

[(2)] Included in accounts payable and accrued liabilities are fees owing to officers and directors of $53,210 as at June 30, 2019 (December 31, 2018 - $852,149).

[(3)] Included in amounts receivable and other assets is an amount of $189,698 owed by an officer as at June 30, 2019 (December 31, 2018 - $199,140).

Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value, by reference to the reliability of the inputs used to estimate the fair values.

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the Conic Metals Portfolio can access at the measurement date;

Level 2: Valuations based on directly or indirectly observable inputs for the asset or liability, other than quoted Level 1 prices, such as quoted interest rates or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not observable, such as discounted cash flow methodologies based on internal cash flow forecasts.

As of June 30, 2019, the Conic Metals Portfolio's financial instruments consist of amounts receivable, investments and accounts payable and accrued liabilities and non-recourse debt. The fair values of amounts receivable and accounts payable and accrued liabilities approximate their carrying values because of the short-term nature of these instruments. The non-recourse debt is stated at amortized cost.

Financial risks

The Conic Metals Portfolio's risk exposures and the impact on the Conic Metals Portfolio's financial instruments are summarized below:

Credit Risk
Credit risk is the risk of loss due to a counter-party's inability to meet its obligations under a financial instrument or contractual agreement that will result in a financial loss to the Conic Metals Portfolio. The Conic Metals Portfolio's credit risk exposure includes the carrying amounts of amounts receivable. The Conic Metals Portfolio believes no impairment is necessary in respect of amount receivable from MCC Ramu NiCo Limited and other receivables as balances are monitored on a regular basis with the result that exposure to bad debt is insignificant.

Liquidity risk
Financial liquidity represents the Conic Metals Portfolio's ability to fund future operating activities. Although the Conic Metals Portfolio may enter into commitments to purchase additional royalties, streams and direct interests in mineral properties those commitments are normally funded by use of the Conic Metals Portfolio's available cash or are contingent on its ability to raise funds. See "Going Concern" above. The Conic Metals Portfolio's accounts payable and accrued liabilities are due within the next 12 months. The loan from MCC Ramu Nico Limited is due as follows: $9,413,000 within the next 12 months and $111,251,503 after 12 months, however this loan is repayable from the Conic Metals Portfolio's share of operating surplus from the Ramu Nickel mine.

Market risk

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Conic Metals Portfolio is exposed to interest rate fluctuations as a result of its borrowings. As at June 30, 2019, the Conic Metals Portfolio has estimated that a 1% decrease or increase in the interest rate, all other variables remaining constant, the result would be a decrease or increase in net income before taxes of $603,000.

(b) Foreign currency risk

Foreign currency risk arises from transactions and recognized assets and liabilities denominated in a currency that is not the Conic Metals Portfolio's functional currency. The Conic Metals Portfolio's functional currency is United States dollars. The Conic Metals Portfolio incurs expenses in Canadian dollars, Australian dollars and European Euro. As at June 30, 2019, the Conic Metals Portfolio had approximately CAD$495,000 of net assets and AUD$162,000 of net liabilities. As at June 30, 2019, the Conic Metals Portfolio has estimated that a 5% decrease or increase in the value of the Canadian and Australian dollars, all other variables remaining constant, the result would be a decrease or increase in net income before taxes of $13,000.

(c) Price risk

The Conic Metals Portfolio is exposed to price risk with respect to share prices. The value of the Conic Metals Portfolio's investments in Minerva and Giga may be adversely affected by a decline in share price of Minerva and Giga.

As at June 30, 2019, the Conic Metals Portfolio estimated that a 5% decrease or increase in the share price of Minerva and Giga, all other variables remaining constant, would result in a corresponding decrease or increase in income before taxes of $35,000.

Newly Adopted Accounting Policies

The following summarizes changes in accounting policies including initial adoption during the period.

(i) Interest in associates

Associates are entities, including unincorporated entities such as partnerships, over which the Conic Metals Portfolio has significant influence and that are neither subsidiaries nor interests in joint arrangements. Significant influence is the ability to participate in the financial and operating policy decisions of the investee without having control or joint control over those policies. In general, significant influence is presumed to exist when the Conic Metals Portfolio has between 20% and 50% of voting power. Significant influence may also be evidenced by factors such as the Conic Metals Portfolio's representation on the board of directors, participation in policy-making of the investee, material transactions with the investee, interchange of managerial personnel, or the provision of essential technical information. Associates are equity accounted for from the effective date of commencement of significant influence to the date that the Conic Metals Portfolio ceases to have significant influence.

Results of associates are equity accounted for using the results of their most recent annual financial statements or interim financial statements, as applicable. Losses from associates are recognized in the consolidated financial statements until the interest in the associate is written down to nil. Thereafter,

losses are recognized only to the extent that the Conic Metals Portfolio is committed to providing financial support to such associates.

The carrying value of the investment in an associate represents the cost of the investment, a share of the post-acquisition retained earnings and losses and any impairment losses. At the end of each reporting period, the Conic Metals Portfolio assesses whether there is any objective evidence that its investments in associates are impaired.

Upon obtaining control of an existing associate that does not meet the definition of a business, the Conic Metals Portfolio does not remeasure its existing interest in the associate and accounts for its existing interest at cost.

(ii) Leases ("IFRS 16")

The Conic Metals Portfolio adopted IFRS 16, which replaced IAS 17, Leases. IFRS 16 eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and a lease liability in the statement of financial position for all leases, with exemptions permitted for short-term leases and leases of low value assets. In addition, IFRS 16 changes the definition of a lease; sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and option periods; changes the accounting for sale and leaseback arrangements; and introduces new disclosure requirements.

The Conic Metals Portfolio adopted IFRS 16 on January 1, 2019 using the modified retrospective approach without restatement of comparative amounts, electing to measure the right-of-use asset at an amount equal to the lease liability. The modified retrospective approach offers the option, on a lease by lease basis, to either measure the right-of-use asset retrospectively using the discount rate as at the date of initial application or to measure the right-of-use asset at an amount equal to the lease liability.

An assessment was made and there was no impact to the Conic Metals Portfolio's financial statements as at January 1, 2019. Certain contracts qualified as short-term or low value leases and met the scope exemption for disclosure. As a result of applying this scope exemption, the Conic Metals Portfolio recognizes the lease payments associated with these short-term or low value leases as an expense on a straight-line basis over the lease term. No other significant differences have been identified in relation to the adoption of IFRS 16.

Accounting policy

As a result of adopting this standard, the Conic Metals Portfolio's accounting policy for leases is stated below. At inception of a contract, the Conic Metals Portfolio assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Conic Metals Portfolio assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.
- the Conic Metals Portfolio has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- the Conic Metals Portfolio has the right to direct the use of the asset. The Conic Metals Portfolio has this right when it has the decision- making rights that are most relevant to changing how and for what purpose the asset is used.

The Conic Metals Portfolio recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain re-measurements of the lease liability. The cost of the right of use asset includes the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs; and if applicable, an estimate of costs to be incurred by the Conic Metals Portfolio in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Conic Metals Portfolio's incremental borrowing rate. The incremental borrowing rate reflects the rate of interest that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Generally, the Conic Metals Portfolio uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Conic Metals Portfolio does not recognize right-of-use assets and lease liabilities for leases of low-value assets and leases with lease terms that are less than 12 months. Lease payments associated with these leases are instead recognized as an expense over the lease term on either a straight-line basis, or another systematic basis if more representative of the pattern of benefit.

The Conic Metals Portfolio has applied judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Conic Metals Portfolio is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

(iii) Uncertainty over Income Tax Treatments ("IFRIC 23")

The Conic Metals Portfolio adopted IFRIC 23 on January 1, 2019. The interpretation requires an entity to assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings and to exercise judgment in determining whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision should be based on which approach provides better predictions of the resolution of the uncertainty. An entity also has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, assuming that the taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so. The interpretation has been applied on a modified retrospective basis without restatement of comparative information. The adoption of IFRIC 23 had no material impact on the Conic Metals Portfolio's carve-out financial statements.

(iv) Business Combinations ("IFRS 3")

In October 2018, the IASB issued an amendment to IFRS 3, effective for annual periods beginning on or after January 1, 2020 with early adoption permitted. The amendment clarifies that a business must include, at minimum, an input and a substantive process that together contribute to the ability to create

outputs, and assists companies in determining whether an acquisition is a business combination or an acquisition of a group of assets by providing supplemental guidance for assessing whether an acquired process is substantive. The Conic Metals Portfolio has decided to early adopt the amendments to IFRS 3 effective January 1, 2019 and shall apply the amended standard in assessing business combinations on a prospective basis. For acquisitions that are determined to be acquisitions of assets as opposed to business combinations, the Conic Metals Portfolio allocates the transaction price to the individual identifiable assets acquired and liabilities assumed based on their relative fair values, and no goodwill is recognized. Acquisitions that continue to meet the definition of a business combination are accounted for under the acquisition method, without any changes to the Conic Metals Portfolio's accounting policy. The updated policy was applied in the Conic Metals Portfolio's accounting for its acquisition of HPL.

(v) Debt

Debt is initially recognised at fair value, net of transaction cost incurred. Debt is subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit and loss over the period of the borrowings using the effective interest method.

Key Sources of Estimation Uncertainty and Critical Accounting Judgments

The preparation of the Conic Metals Portfolio's condensed interim carve-out financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The significant judgments made by management in applying Conic Metals Portfolio's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Nickel 28 Portfolio carve-out financial statements as at and for the year ended December 31, 2018, in addition to the significant judgment discussed below:

Business combinations

Determination of whether a set of assets acquired and liabilities assumed constitute the acquisition of a business or an asset may require the Conic Metals Portfolio to make certain judgments as to whether or not the assets acquired and liabilities assumed include the inputs, processes and outputs necessary to constitute a business as defined in IFRS 3 – Business Combinations. Based on an assessment of the relevant facts and circumstances, the Conic Metals Portfolio concluded that the acquisition of Highlands on May 17, 2019 did not meet the definition of a business and the transaction has been accounted for as an asset acquisition.

Disclosure of Internal Controls

Management has established processes to provide it with sufficient knowledge to support representations that it has exercised reasonable diligence to ensure that (i) the unaudited condensed interim carve-out financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the financial statements, and (ii) the unaudited condensed interim carve-out financial statements fairly present in all material respects the financial condition, results of operations and cash flow of the Conic Metals Portfolio, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing such certificate are not making any representations relating to the establishment and maintenance of:

(i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

(ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with the issuer's GAAP (IFRS).

The Conic Metals Portfolio's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

APPENDIX I
Conic Metals Audit Committee Charter

Section 1 - Purpose

The Audit Committee (the "**Committee**") is a committee of the board of directors (the "**Board**") of Conic Metals Corp. (the "**Corporation**"). The primary function of the Committee is to assist the Board by:

(a) working with the Chief Executive Officer to recruit persons to hold key positions in the financial management of the Corporation including the Chief Financial Officer, the Controller and any other persons hired to be the primary interface between the Corporation and its financial agents, lenders or shareholders;

(b) recommending to the Board for consideration and further recommendation to the shareholders the appointment and compensation of the external auditor;

(c) overseeing the work of the external auditor, including gaining an understanding of disagreements between the external auditor and management;

(d) overseeing the assignment of non-audit services to the external auditor, including but not restricted to pre-approving all non-audit services (or delegating such pre-approval, if and to the extent permitted by law) to be provided to the Corporation or its subsidiary entities ("**subsidiaries**") by the external auditor;

(e) reviewing and approving any proposed hiring of any current or former partner or employee of the current or former external auditor of the Corporation or its subsidiaries;

(f) establishing procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal controls or auditing matters, and for anything that may be required beyond the Corporation's Whistleblower Policy for the confidential, anonymous submission by employees of the Corporation or its subsidiaries of concerns regarding questionable accounting or auditing matters;

(g) reviewing and approving the quarterly financial statements, the related Management Discussion and Analysis ("**MD&A**"), and similar financial information provided by the Corporation to any governmental body, the shareholders of the Corporation or the public, including by way of press release;

(h) reviewing and recommending that the Board approve annual financial statements, the related MD&A, and similar financial information provided by the Corporation to any governmental body, the shareholders of the Corporation or the public, including by way of press release; and

(i) satisfying itself that adequate procedures are in place for the compilation, calculation and review of the Corporation's disclosure of financial information, other than as described in (g) above, extracted or derived from its financial statements, including periodically assessing the adequacy of such procedures.

The Committee should primarily fulfill these roles by carrying out the activities enumerated in this Charter.

Section 2 - Composition and Meetings

(a) The Committee must be comprised of a minimum of three directors, as appointed by the Board, each of whom shall be independent within the meaning of National Instrument 52-110 — Audit Committees ("**NI 52-110**") of the Canadian Securities Administrators unless the Board determines that an exemption contained in NI 52-110 is available and determines to rely thereon, and free of any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee.

(b) All of the members of the Committee must be financially literate within the meaning of NI 52-110 unless the Board has determined to rely on an exemption in NI 52-110. Being "financially literate" means members have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation's financial statements.

(c) The members of the Committee and its Chair shall be elected by the Board on an annual basis, or until they are removed or their successors are duly appointed.

(d) The members of the Committee may be removed or replaced by the Board at any time. The Chair of the Committee may be removed by the Board at any time. Any member shall automatically cease to be a member of the Committee upon ceasing to be a director. The Board may fill vacancies on the Committee. If

and whenever a vacancy shall exist on the Committee, the remaining members may exercise all of the powers of the Committee, so long as a quorum remains.

(e) The Committee shall meet at least four times annually, or more frequently as circumstances require. The Committee should meet within 42 days following the end of the first three financial quarters to review and discuss the unaudited financial results for the preceding quarter and the related MD&A, and should meet within 85 days following the end of the fiscal year end to review and discuss the audited financial results for the preceding quarter and year and the related MD&A.

(f) The Committee may ask members of management or others to attend meetings and provide pertinent information as necessary. For purposes of performing their duties, members of the Committee shall have full access to all corporate information and any other information deemed appropriate by them, and shall be permitted to discuss such information and any other matters relating to the financial position of the Corporation with senior employees, officers and the external auditor, and others as they consider appropriate. For greater certainty, corporate information includes information relating to the Corporation's affiliates, subsidiaries and their respective operations.

(g) In order to foster open communication, the Committee or its Chair should meet at least annually with management and the external auditor in separate sessions to discuss any matters that the Committee or each of these groups believes should be discussed privately. In addition, the Committee or its Chair should meet with management quarterly in connection with the Corporation's interim financial statements and the Committee should meet not less than quarterly with the auditor, independent of the presence of management.

(h) At all meetings of the Committee, every question shall be decided by a majority of the votes cast. In case of an equality of votes, the Chair of the meeting shall not be entitled to a second or casting vote and in such cases the undecided matter should be referred to the Board as a whole.

(i) A quorum for the transaction of business at any meeting of the Committee shall be a majority of the number of members of the Committee or such greater number as the Committee shall by resolution determine.

(j) Meetings of the Committee shall be held from time to time and at such place as any member of the Committee shall determine upon 48 hours' notice to each of its members. The notice period may be waived by all members of the Committee. Each of the Chair of the Board, the external auditor, the Chief Executive Officer, the Chief Financial Officer or the Corporate Secretary shall also be entitled to call a meeting.

(k) Agendas shall be circulated to Committee members along with background information on a timely basis prior to the Committee meetings. Minutes of each meeting will be recorded and reviewed for errors or omissions and then filed with the Corporate Secretary and made available to any director at any time. The Committee should report on its activities at each quarterly meeting of the Board or more frequently as material issues are addressed by the Committee. It will be the responsibility of the Chair to report to the Board or delegate such reporting.

(l) Any issue arising from these meetings that bear on the relationship between the Board and management should be communicated to the Board by a member of the Committee, the Committee being responsible to designate the member responsible for such report.

Section 3 - Role

In addition to the matters described in Section 1, and any other duties and authorities delegated to it by the Board from time to time, the role of the Committee is to:

(1) General

(a) Review and recommend to the Board changes to this Charter, as considered appropriate from time to time.

(b) Review any and all disclosure regarding the Committee as contemplated by NI 52-110.

(c) Oversee by direct involvement or by delegation to the Disclosure Committee of management the disclosure of the Corporation's quarterly and annual financial statements and related filings.

(d) Summarize in the Corporation's disclosure materials the Committee's composition and activities, as required.

(2) Internal Controls

(a) Satisfy itself on behalf of the Board with respect to the Corporation's internal control systems, including in particular but not exclusively:

(i) matters relating to derivative instruments;

(ii) management's identification, monitoring and development of strategies to avoid and/or mitigate business risks;

(iii) the adequacy of the security measures that are in place in respect of the Corporation's information systems and the information technology that is utilized by the Corporation; and

(iv) ensuring compliance with legal and regulatory requirements.

(3) Documents/Reports Review

(a) Review and recommend to the Board for approval the Corporation's annual financial statements, and review and approve the Corporation's quarterly financial statements, including in each case any certification, report, opinion or review rendered by the external auditor, and related MD&A. The process of reviewing annual and quarterly financial statements should include but not be limited to:

(i) reviewing changes in accounting principles, or in their application, which may have a material impact on the current or future years' financial statements;

(ii) reviewing significant accruals, reserves or other estimates;

(iii) reviewing accounting treatment of unusual or non-recurring transactions;

(iv) ascertaining compliance with covenants under loan agreements;

(v) reviewing financial reporting relating to asset retirement obligations;

(vi) reviewing disclosure requirements for commitments and contingencies;

(vii) reviewing adjustments raised by the external auditor, whether or not included in the financial statements;

(viii) reviewing unresolved differences between management and the external auditor;

(ix) obtaining explanations of significant variances with comparative reporting periods; and

(x) determining through inquiry if there are any related party transactions and ensure the nature and extent of such transactions are properly disclosed.

(b) Review the financial statements, prospectuses, MD&As, annual information forms and all public disclosure containing financial information that is based upon the financial statements of the Corporation that has not previously been released, before release and prior to Board approval, if required.

(c) Seek to ensure that adequate procedures are in place for the review of the Corporation's disclosure of financial information extracted or derived from the Corporation's financial statements and periodically assess the adequacy of those procedures.

(4) External Auditor

(a) Recommend to the Board the nomination of the external auditor for shareholder approval, considering independence and effectiveness, and review the fees and other compensation to be paid to the external auditor. Instruct the external auditor that its ultimate client is the shareholders of the Corporation as a group.

(b) Advise the external auditor that it is required to report directly to the Committee, and not to management of the Corporation and, if it has any concerns regarding the conduct of the Committee or any member thereof, it should contact the Chair of the Board or any other director.

(c) Monitor the relationship between management and the external auditor including reviewing any management letters or other reports of the external auditor and discussing any material differences of opinion between management and the external auditor.

(d) Review and discuss, on an annual basis, with the external auditor all significant relationships they have with the Corporation, its management or employees to determine their independence.

(e) Review and approve requests for any material management consulting or other engagement to be performed by the external auditor and be advised of any other material study undertaken by the external auditor at the request of management that is beyond the scope of the audit engagement letter and related fees.

(f) Review the performance of the external auditor and any proposed dismissal or non-renewal of the external auditor when circumstances warrant.

(g) Periodically consult with the external auditor out of the presence of management about significant risks or exposures, internal controls and other steps that management has or has not taken to control such risks, and the fullness and accuracy of the financial statements, including the adequacy of internal controls to expose any payments, transactions or procedures that might be deemed illegal or otherwise improper.

(h) Review with external auditor (and an internal auditor if one is appointed by the Corporation) their assessment of the internal controls of the Corporation, their written reports containing recommendations for improvement, and management's response and follow-up to any identified weaknesses.

(i) Communicate directly with the external auditor, and arrange for the external auditor to report directly to the Committee and to be available to the Committee and the full Board as needed.

(5) Financial Reporting Processes

(a) Review the integrity of the financial reporting processes, both internal and external, in consultation with the external auditor as the Committee sees fit.

(b) Consider the external auditor's judgments about the quality, transparency and appropriateness, not just the acceptability, of the Corporation's accounting principles and financial disclosure practices, as applied in its financial reporting, including the degree of aggressiveness or conservatism of its accounting principles and underlying estimates, and whether those principles are common practices or are minority practices relative to the Corporation's peers.

(c) Review all material balance sheet issues, material contingent obligations (including those associated with material acquisitions or dispositions) and material related party transactions.

(d) Consider proposed major changes to the Corporation's accounting principles and practices.

(6) Reporting Process

(a) If considered appropriate, establish separate systems of reporting to the Committee by each of management and the external auditor.

(b) Review the scope and plans of the external auditor's audit and reviews. The Committee may authorize the external auditor to perform supplemental reviews or audits as the Committee may deem desirable.

(c) Review annually with the external auditor their plan for their audit and, upon completion of the audit, their reports upon the financial statements of the Corporation and its subsidiaries.

(d) Periodically consider the need for an internal audit function, if not present.

(e) Following completion of the annual audit and quarterly reviews, review separately with each of management and the external auditor any significant changes to planned procedures, any difficulties encountered during the course of the audit and, if applicable, reviews, including any restrictions on the scope of work or access to required information and the cooperation that the external auditor received during the course of the audit and, if applicable, reviews.

(f) Review any significant disagreements between management and the external auditor in connection with the preparation of the financial statements.

(g) Where there are significant unsettled issues between management and the external auditor that do not affect the audited financial statements, the Committee shall seek to ensure that there is an agreed course of action leading to the resolution of such matters.

(h) Review with the external auditor and management significant findings during the year and the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented. This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Committee.

(i) Review the system in place to seek to ensure that the financial statements, related MD&A and other financial information disseminated to governmental organizations and the public satisfy applicable requirements.

(j) When there is to be a change in auditor, review the issues related to the change and the information to be included in the required notice to securities regulators of such change.

(7) Risk Management

(a) Review program of risk assessment and steps taken to address significant risks or exposures of all types, including insurance coverage and tax compliance.

(b) Review, not less than quarterly, a mark to market assessment of the Corporation's hedge positions and counterparty credit risk and exposure.

(8) General

(a) If considered appropriate, conduct or authorize investigations into any matters within the Committee's scope of activities. The Committee is empowered to retain independent counsel, accountants and other professionals to assist it in the conduct of any such investigation or otherwise as it determines necessary to carry out its duties. The Committee may set and pay (at the expense of the Corporation) the compensation for any such advisors.

(b) Perform any other activities as the Committee deems necessary or appropriate.

Section 4 - Complaint Procedures

(1) Submitting a Complaint

Anyone may submit a whistleblower notice or complaint regarding conduct by the Corporation or its subsidiaries or their respective employees or agents (including its independent auditor) reasonably believed to involve questionable accounting, internal accounting controls or auditing matters. The Chair, or in his/her absence or by his/her delegation, any other member of the Committee should oversee the treatment of such complaints.

(2) Procedures

(a) The Chair of the Committee is designated to receive and administer or supervise the administration of employee complaints with respect to accounting or financial control matters.

(b) In order to preserve anonymity when submitting a complaint regarding questionable accounting or auditing matters, the employee may submit a complaint in accordance with the Corporation's Whistleblower Policy, and such complaint shall be addressed in accordance with that policy.

(3) Records and Report

The Chair of the Committee should maintain a log of complaints, tracking their receipt, investigation, findings and resolution, and should prepare a summary report for the Committee.

APPENDIX J
CONIC METALS OMNIBUS LONG-TERM INCENTIVE PLAN

See attached.

CONIC METALS CORP.

OMNIBUS LONG-TERM INCENTIVE PLAN

November 4, 2019

TABLE OF CONTENTS

Article 1 —DEFINITIONS 1

Section 1.1 Definitions. 1

Article 2 —PURPOSE AND ADMINISTRATION OF THE PLAN; GRANTING OF AWARDS 5

Section 2.1 Purpose of the Plan. 5
Section 2.2 Implementation and Administration of the Plan. 5
Section 2.3 Delegation to Committee. 6
Section 2.4 Eligible Participants. 6
Section 2.5 Shares Subject to the Plan. 6
Section 2.6 Participation Limits. 7
Section 2.7 Additional TSXV Limits. 7

Article 3 —OPTIONS 8

Section 3.1 Nature of Options. 8
Section 3.2 Option Awards. 8
Section 3.3 Exercise Price. 8
Section 3.4 Expiry Date; Blackout Period. 8
Section 3.5 Exercise of Options. 9
Section 3.6 Method of Exercise and Payment of Purchase Price. 9

Article 4 —SHARE UNITS 10

Section 4.1 Nature of Share Units. 10
Section 4.2 Share Unit Awards. 10
Section 4.3 Restriction Period Applicable to Share Units. 11
Section 4.4 Performance Criteria and Performance Period Applicable to PSU Awards. 11
Section 4.5 Share Unit Vesting Determination Date. 11
Section 4.6 Settlement of Share Unit Awards. 12
Section 4.7 Determination of Amounts. 13

Article 5 —GENERAL CONDITIONS 13

Section 5.1 General Conditions applicable to Awards. 13
Section 5.2 Dividend Share Units. 14
Section 5.3 Termination of Employment. 14
Section 5.4 Unfunded Plan. 15

Article 6 —ADJUSTMENTS AND AMENDMENTS 15

Section 6.1 Adjustment to Shares Subject to Outstanding Awards. 15
Section 6.2 Amendment or Discontinuance of the Plan. 16
Section 6.3 Change of Control. 18

Article 7 —MISCELLANEOUS 19

Section 7.1 Currency. 19
Section 7.2 Compliance and Award Restrictions. 19
Section 7.3 Use of an Administrative Agent and Trustee. 20
Section 7.4 Tax Withholding. 20
Section 7.5 Reorganization of the Corporation. 20
Section 7.6 Governing Laws. 21
Section 7.7 Severability. 21
Section 7.8 Effective Date of the Plan. 21

CONIC METALS CORP.
OMNIBUS LONG-TERM INCENTIVE PLAN

Conic Metals Corp. (the "**Corporation**") hereby establishes an Omnibus Long-Term Incentive Plan for certain qualified directors, officers, employees, consultants and management company employees providing ongoing services to the Corporation and its Affiliates (as defined herein) that can have a significant impact on the Corporation's long-term results.

ARTICLE 1—DEFINITIONS

Section 1.1 Definitions.

Where used herein or in any amendments hereto or in any communication required or permitted to be given hereunder, the following terms shall have the following meanings, respectively, unless the context otherwise requires:

"**Affiliates**" has the meaning given to this term in the *Securities Act* (Ontario), as such legislation may be amended, supplemented or replaced from time to time;

"**Awards**" means Options, RSUs and PSUs granted to a Participant pursuant to the terms of the Plan;

"**Award Agreement**" means an Option Agreement, RSU Agreement, PSU Agreement, or an Employment Agreement, as the context requires;

"**Black-Out Period**" means the period of time required by applicable law when, pursuant to any policies or determinations of the Corporation, securities of the Corporation may not be traded by Insiders or other specified persons;

"**Board**" means the board of directors of the Corporation as constituted from time to time;

"**Broker**" has the meaning ascribed thereto in Section 7.4(2) hereof;

"**Business Day**" means a day other than a Saturday, Sunday or statutory holiday, when banks are generally open for business in Toronto, Ontario, Canada, or Vancouver, British Columbia, Canada for the transaction of banking business;

"**Cancellation**" has the meaning ascribed thereto in Section 2.5(1) hereof;

"**Cash Equivalent**" means in the case of Share Units, the amount of money equal to the Market Value multiplied by the number of vested Share Units in the Participant's Account, net of any applicable taxes in accordance with Section 7.4, on the Share Unit Settlement Date;

"**Change of Control**" means unless the Board determines otherwise, the happening, in a single transaction or in a series of related transactions, of any of the following events:

(a) any transaction (other than a transaction described in clause (b) below) pursuant to which any person or group of persons acting jointly or in concert acquires the direct or indirect beneficial ownership of securities of the Corporation representing 50% or more of the aggregate voting power of all of the Corporation's then issued and outstanding securities entitled to vote in the election of directors of the Corporation,

other than any such acquisition that occurs (A) upon the exercise or settlement of options or other securities granted by the Corporation under any of the Corporation's equity incentive plans; or (B) as a result of the conversion of the multiple voting shares in the capital of the Corporation into Shares;

(b) there is consummated an arrangement, amalgamation, merger, consolidation or similar transaction involving (directly or indirectly) the Corporation and, immediately after the consummation of such arrangement, amalgamation, merger, consolidation or similar transaction, the shareholders of the Corporation immediately prior thereto do not beneficially own, directly or indirectly, either (A) outstanding voting securities representing more than 50% of the combined outstanding voting power of the surviving or resulting entity in such amalgamation, merger, consolidation or similar transaction, or (B) more than 50% of the combined outstanding voting power of the parent of the surviving or resulting entity in such arrangement, amalgamation merger, consolidation or similar transaction, in each case in substantially the same proportions as their beneficial ownership of the outstanding voting securities of the Corporation immediately prior to such transaction;

(c) the sale, lease, exchange, license or other disposition of all or substantially all of the Corporation's assets to a person other than a person that was an Affiliate of the Corporation at the time of such sale, lease, exchange, license or other disposition, other than a sale, lease, exchange, license or other disposition to an entity, more than fifty percent (50%) of the combined voting power of the voting securities of which are beneficially owned by shareholders of the Corporation in substantially the same proportions as their beneficial ownership of the outstanding voting securities of the Corporation immediately prior to such sale, lease, exchange, license or other disposition;

(d) the passing of a resolution by the Board or shareholders of the Corporation to substantially liquidate the assets of the Corporation or wind up the Corporation's business or significantly rearrange its affairs in one or more transactions or series of transactions or the commencement of proceedings for such a liquidation, winding-up or re-arrangement (except where such re-arrangement is part of a bona fide reorganization of the Corporation in circumstances where the business of the Corporation is continued and the shareholdings remain substantially the same following the re-arrangement); or

(e) individuals who, on the effective date, are members of the Board (the "**Incumbent Board**") cease for any reason to constitute at least a majority of the members of the Board; provided, however, that if the appointment or election (or nomination for election) of any new Board member was approved or recommended by a majority vote of the members of the Incumbent Board then still in office, such new member will, for purposes of this Plan, be considered as a member of the Incumbent Board;

"**Code**" means the U.S. Internal Revenue Code of 1986, as amended from time to time and the Treasury Regulations promulgated thereunder;

"**Code of Ethics**" means any code of ethics adopted by the Corporation, as modified from time to time;

"**Corporation**" means Conic Metals Corp. (formerly known as Nickel 28 Capital Corp.), a corporation existing under the *Business Corporations Act* (British Columbia), as amended from time to time;

"**Discounted Market Price**" has the meaning given to such term in TSXV Policy 1.1, as amended, supplemented or replaced from time to time;

"**Dividend Share Units**" has the meaning ascribed thereto in Section 5.2 hereof;

"**Eligible Participants**" has the meaning ascribed thereto in Section 2.4(1) hereof;

"**Employment Agreement**" means, with respect to any Participant, any written employment agreement between the Corporation or an Affiliate and such Participant;

"**Exercise Notice**" means a notice in writing signed by a Participant and stating the Participant's intention to exercise a particular Award, if applicable;

"**Exercise Price**" has the meaning ascribed thereto in Section 3.3 hereof;

"**Expiry Date**" has the meaning ascribed thereto in Section 3.4 hereof;

"**Insider**" has the meaning attributed thereto in the TSX Company Manual in respect of the rules governing security-based compensation arrangements, as amended from time to time;

"**Investor Relations Activities**" has the meaning given to such term in TSXV Policy 1.1, as amended, supplemented or replaced from time to time;

"**Market Value**" means at any date when the market value of Shares of the Corporation is to be determined, the three-day volume weighted average trading price of the Shares on the Trading Day prior to the date of grant on the principal stock exchange on which the Shares are listed, or if the Shares of the Corporation are not listed on any stock exchange, the value as is determined solely by the Board, acting reasonably and in good faith;

"**Non-Employee Directors**" means members of the Board who, at the time of execution of an Award Agreement, if applicable, and at all times thereafter while they continue to serve as a member of the Board, are not officers, senior executives or other employees of the Corporation or a Subsidiary, consultants or service providers providing ongoing services to the Corporation or its Affiliates;

"**Option**" means an option granted to the Corporation to a Participant entitling such Participant to acquire a designated number of Shares from treasury at the Exercise Price, but subject to the provisions hereof;

"**Option Agreement**" means a written notice from the Corporation to a Participant evidencing the grant of Options and the terms and conditions thereof, substantially in the form set out in Appendix "A", or such other form as the Board may approve from time to time;

"**Participants**" means Eligible Participants that are granted Awards under the Plan;

"**Participant's Account**" means an account maintained to reflect each Participant's participation in RSUs and/or PSUs under the Plan;

"**Performance Criteria**" means criteria established by the Board which, without limitation, may include criteria based on the Participant's personal performance and/or the financial performance of the Corporation and/or of its Affiliates, and that may be used to determine the vesting of the Awards, when applicable;

"**Performance Period**" means the period determined by the Board pursuant to Section 4.4 hereof;

"**Person**" means an individual, corporation, company, cooperative, partnership, trust, unincorporated association, entity with juridical personality or governmental authority or body, and pronouns which refer to a Person shall have a similarly extended meaning;

"**Plan**" means this Omnibus Long-Term Incentive Plan, as amended and restated from time to time;

"**PSU**" means a right awarded to a Participant to receive a payment in the form of Shares as provided in Article 4 hereof and subject to the terms and conditions of this Plan;

"**PSU Agreement**" means a written notice from the Corporation to a Participant evidencing the grant of PSUs and the terms and conditions thereof, substantially in the form of Appendix "D", or such other form as the Board may approve from time to time;

"**Restriction Period**" means the period determined by the Board pursuant to Section 4.3 hereof;

"**RSU**" means a right awarded to a Participant to receive a payment in the form of Shares as provided in Article 4 hereof and subject to the terms and conditions of this Plan;

"**RSU Agreement**" means a written notice from the Corporation to a Participant evidencing the grant of RSUs and the terms and conditions thereof, substantially in the form of Appendix "C", or such other form as the Board may approve from time to time;

"**Share Compensation Arrangement**" means a stock option, stock option plan, employee stock purchase plan, long-term incentive plan or any other compensation or incentive mechanism involving the issuance or potential issuance of Shares to one or more employees, directors, officers or insiders of the Corporation or a Subsidiary. For greater certainty, a "Share Compensation Arrangement" does not include a security based compensation arrangement used as an inducement to person(s) or company(ies) not previously employed by and not previously an insider of the Corporation;

"**Shares**" means the common shares in the capital of the Corporation;

"**Share Unit**" means a RSU or PSU, as the context requires;

"**Share Unit Settlement Date**" has the meaning determined in Section 4.6(1)(a);

"**Share Unit Settlement Notice**" means a notice by a Participant to the Corporation electing the desired form of settlement of vested RSUs or PSUs;

"**Share Unit Vesting Determination Date**" has the meaning described thereto in Section 4.5 hereof;

"**Stock Exchange**" means the TSXV or the TSX, as applicable from time to time;

"**Subsidiary**" means a corporation, company, partnership or other body corporate that is controlled, directly or indirectly, by the Corporation;

"**Successor Corporation**" has the meaning ascribed thereto in Section 6.1(3) hereof;

"**Surrender**" has the meaning ascribed thereto in Section 3.6(3);

"**Surrender Notice**" has the meaning ascribed thereto in Section 3.6(3);

"**Tax Act**" means the *Income Tax Act* (Canada) and its regulations thereunder, as amended from time to time;

"**Termination Date**" means the date on which a Participant ceases to be an Eligible Participant;

"**Trading Day**" means any day on which the Stock Exchange is opened for trading;

"**TSX**" means the Toronto Stock Exchange;

"**TSXV**" means the TSX Venture Exchange;

"**TSXV Policy**" means the TSXV Corporate Finance Policies; and

"**U.S. Participant**" means any Participant who is a United States citizen or United States resident alien as defined for purposes of Section 7701(b)(1)(A) of the Code or for whom an Award is otherwise subject to taxation under the Code.

ARTICLE 2—PURPOSE AND ADMINISTRATION OF THE PLAN; GRANTING OF AWARDS

Section 2.1 Purpose of the Plan.

The purpose of this Plan is to advance the interests of the Corporation by: (i) providing Eligible Participants with additional incentives; (ii) encouraging stock ownership by such Eligible Participants; (iii) increasing the proprietary interest of Eligible Participants in the success of the Corporation; (iv) promoting growth and profitability of the Corporation; (v) encouraging Eligible Participants to take into account long-term corporate performance; (vi) rewarding Eligible Participants for sustained contributions to the Corporation and/or significant performance achievements of the Corporation; and (vii) enhancing the Corporation's ability to attract, retain and motivate Eligible Participants.

Section 2.2 Implementation and Administration of the Plan.

(1) Subject to Section 2.3, this Plan will be administered by the Board.

(2) Subject to the terms and conditions set forth in this Plan, the Board is authorized to provide for the granting, exercise and method of exercise of Awards, all at such times and on such terms (which may vary between Awards granted from time to time) as it determines. In addition, the Board has the authority to (i) construe and interpret this Plan and all certificates, agreements or other documents provided or entered into under this Plan; (ii) prescribe, amend and rescind rules and regulations relating to this Plan; and (iii) make all

other determinations necessary or advisable for the administration of this Plan. All determinations and interpretations made by the Board will be binding on all Participants and on their legal, personal representatives and beneficiaries.

(3) No member of the Board will be liable for any action or determination taken or made in good faith in the administration, interpretation, construction or application of this Plan, any Award Agreement or other document or any Awards granted pursuant to this Plan.

(4) The day-to-day administration of the Plan may be delegated to such committee of the Board and/or such officers and employees of the Corporation as the Board determines from time to time.

(5) Subject to the provisions of this Plan, the Board has the authority to determine the limitations, restrictions and conditions, if any, applicable to the exercise of an Award.

Section 2.3 Delegation to Committee.

Despite Section 2.2 or any other provision contained in this Plan, the Board has the right to delegate the administration and operation of this Plan, in whole or in part, to a committee of the Board and/or to any member of the Board. In such circumstances, all references to the Board in this Plan include reference to such committee and/or member of the Board, as applicable.

Section 2.4 Eligible Participants.

(1) The Persons who shall be eligible to receive Awards ("**Eligible Participants**") shall be the bona fide directors, officers, senior executives, consultants, management company employees and other employees of the Corporation or a Subsidiary, providing ongoing services to the Corporation and its Affiliates; notwithstanding the foregoing, providers of Investor Relations Activities shall not be included as Eligible Participants entitled to receive Share Units related to RSU Agreements or PSU Agreements.

(2) Participation in the Plan shall be entirely voluntary and any decision not to participate shall not affect an Eligible Participant's relationship, employment or appointment with the Corporation.

(3) Notwithstanding any express or implied term of this Plan to the contrary, the granting of an Award pursuant to the Plan shall in no way be construed as a guarantee of employment or appointment by the Corporation.

Section 2.5 Shares Subject to the Plan.

(1) Subject to adjustment pursuant to provisions of Article 6 hereof, the total number of Shares reserved and available for grant and issuance pursuant to Awards under the Plan shall not exceed ten percent (10%) of the total issued and outstanding Shares from time to time or such other number as may be approved by the Stock Exchange and the shareholders of the Corporation from time to time, provided that at all times when the Corporation is listed on the TSXV, the shareholder approval referred to herein must be obtained on a "disinterested" basis in compliance with the applicable policies of the TSXV. For the purposes of this Section 2.5(1), in the event that the Corporation cancels or purchases to cancel any of its issued and outstanding Shares ("**Cancellation**") and as a result of such Cancellation the Corporation exceeds the limit set out in this Section 2.5(1), no approval of the Corporation's shareholders will be required for the issuance of Shares on the exercise of any Options which were granted prior to such Cancellation.

(2) Shares in respect of which an Award is granted under the Plan, but not exercised prior to the termination of such Award or not vested or settled prior to the termination of such Award due to the expiration, termination, cancellation or lapse of such Award, shall be available for Awards to be granted thereafter pursuant to the provisions of the Plan. All Shares issued pursuant to the exercise or the vesting of the Awards granted under the Plan shall be so issued as fully paid and non-assessable Shares.

Section 2.6 Participation Limits.

(1) Subject to adjustment pursuant to provisions of Article 6 hereof, the aggregate number of Shares reserved and available for grant and issuance pursuant to Awards under the Plan to the Non-Employee Directors shall not exceed one percent (1%) of the total issued and outstanding Shares from time to time. For greater certainty, the Shares reserved and available for grant and issuance to the Non-Employee Directors, shall be included in the ten percent (10%) of the total issued and outstanding Shares from time to time generally available for grant and issuance pursuant Section 2.5(1). The total Market Value of annual Award(s) to any individual Non-Employee Directors under the Plan shall not exceed $150,000, of which no more than $100,000 of value may be comprised of Options.

(2) Subject to adjustment pursuant to provisions of Article 6 hereof, the aggregate number of Shares (i) issued to Insiders under the Plan or any other proposed or established Share Compensation Arrangement within any one-year period and (ii) issuable to Insiders at any time under the Plan or any other proposed or established Share Compensation Arrangement, shall in each case not exceed ten percent (10%) of the total issued and outstanding Shares from time to time. Any Awards granted pursuant to the Plan, prior to the Participant becoming an Insider, shall be excluded for the purposes of the limits set out in this Section 2.6(2).

Section 2.7 Additional TSXV Limits.

(1) In addition to the requirements in Section 2.5 and Section 2.6, subject to Section 4.2(7), and notwithstanding any other provision of this Plan, at all times when the Corporation is listed on the TSXV:

(a) the total number of Shares which may be reserved for issuance to any one Eligible Participant under the Plan together with all of the Corporation's other previously established or proposed share compensation arrangements shall not exceed 5% of the issued and outstanding Shares on the grant date or within any 12-month period (in each case on a non-diluted basis);

(b) the aggregate number of Awards to any one Eligible Participant that is a consultant of the Corporation in any 12 month period must not exceed 2% of the issued Shares calculated at the first such grant date;

(c) the aggregate number of Options to all persons retained to provide Investor Relations Activities must not exceed 2% of the issued Shares in any 12-month period calculated at the first such grant date (and including any Eligible Participant that performs Investor Relations Activities and/or whose role or duties primarily consist of Investor Relations Activities);

(d) Options granted to any person retained to provide Investor Relations Activities must vest in a period of not less than 12 months from the date of grant of the Award and with no more the 25% of the Options vesting in any three (3) month period notwithstanding any other provision of this Plan;

(e) the aggregate number of Share Units to any one Eligible Particpant must not exceed (i) 1% of the issued Shares at the each such grant date and (ii) 2% of the total issued and outstanding Shares within the last 12-month period calculated at the each such grant date; and

(f) the aggregate number of Share Units issuable to all Eligible Participants under the Plan must not exceed 8,346,546.

(2) At all times when the Corporation is listed on the TSXV, the Corporation shall seek annual TSXV and shareholder approval for this rolling Plan in conformity with TSXV Policy 4.4.

ARTICLE 3—OPTIONS

Section 3.1 Nature of Options.

An Option is an option granted by the Corporation to a Participant entitling such Participant to acquire a designated number of Shares from treasury at the Exercise Price, subject to the provisions hereof.

Section 3.2 Option Awards.

(1) The Board shall, from time to time, in its sole discretion, (i) designate the Eligible Participants who may receive Options under the Plan, (ii) determine the number of Options, if any, to be granted to each Eligible Participant and the date or dates on which such Options shall be granted, (iii) determine the price per Share to be payable upon the exercise of each such Option (the "**Exercise Price**"), (iv) determine the relevant vesting provisions (including Performance Criteria, if applicable) and (v) determine the Expiry Date, the whole subject to the terms and conditions prescribed in this Plan, in any Option Agreement and any applicable rules of the Stock Exchange.

(2) Subject to the terms of any Employment Agreement or other agreement between the Participant and the Corporation, or the Board expressly providing to the contrary, and except as otherwise provided in a Option Agreement, each Option shall vest as to 1/3 on the first anniversary date of the grant, 1/3 on the second anniversary of the date of grant, and 1/3 on the third anniversary of the date of grant.

(3) Notwithstanding any other provision of this Plan, at all times when the Corporation is listed on the TSXV, the Corporation shall maintain timely disclosure and file appropriate documentation in connection with Option grants made under this Plan in accordance with TSXV Policy 4.4.

Section 3.3 Exercise Price.

The Exercise Price for Shares that are the subject of any Option shall be fixed by the Board when such Option is granted, but shall not be less than the Market Value of such Shares at the time of the grant and in any event shall not be less than the Discounted Market Price.

Section 3.4 Expiry Date; Blackout Period.

Subject to Section 6.2, each Option must be exercised no later than ten (10) years after the date the Option is granted or such shorter period as set out in the Participant's Option Agreement, at which time such Option will expire (the "**Expiry Date**"). Notwithstanding any other provision of this Plan, each Option that would expire during or within ten (10) Business Days immediately following a Black-Out Period shall expire on the date that is ten (10) Business Days immediately following the

expiration of the Black-Out Period. Where an Option will expire on a date that falls immediately after a Black-Out Period, and for greater certainty, not later than ten (10) Business Days after the Black-Out Period, then the date such Option will expire will be automatically extended by such number of days equal to ten (10) Business Days less the number of Business Days after the Black-Out Period that the Option expires.

Section 3.5 Exercise of Options.

(1) Subject to the provisions of this Plan, a Participant shall be entitled to exercise an Option granted to such Participant, subject to vesting limitations which may be imposed by the Board at the time such Option is granted.

(2) Prior to its expiration or earlier termination in accordance with the Plan, each Option shall be exercisable as to all or such part or parts of the optioned Shares and at such time or times and/or pursuant to the achievement of such Performance Criteria and/or other vesting conditions as the Board may determine in its sole discretion.

(3) No fractional Shares will be issued upon the exercise of Options granted under this Plan and, accordingly, if a Participant would become entitled to a fractional Share upon the exercise of an Option, or from an adjustment pursuant to Section 6.1, such Participant will only have the right to acquire the next lowest whole number of Shares, and no payment or other adjustment will be made with respect to the fractional interest so disregarded.

Section 3.6 Method of Exercise and Payment of Purchase Price.

(1) Subject to the provisions of the Plan and the alternative exercise procedures set out herein, an Option granted under the Plan may be exercisable (from time to time as provided in Section 3.5 hereof) by the Participant (or by the liquidator, executor or administrator, as the case may be, of the estate of the Participant) by delivering an Exercise Notice to the Corporation in the form and manner determined by the Board from time to time, together with cash, a bank draft or certified cheque in an amount equal to the aggregate Exercise Price of the Shares to be purchased pursuant to the exercise of the Options and any applicable tax withholdings.

(2) Subject to Section 3.6(5), pursuant to the Exercise Notice and subject to the approval of the Board, a Participant may choose to undertake a "cashless exercise" with the assistance of a broker in order to facilitate the exercise of such Participant's Options. The "cashless exercise" procedure may include a sale of such number of Shares as is necessary to raise an amount equal to the aggregate Exercise Price for all Options being exercised by that Participant under an Exercise Notice and any applicable tax withholdings. Pursuant to the Exercise Notice, the Participant may authorize the broker to sell Shares on the open market by means of a short sale and forward the proceeds of such short sale to the Corporation to satisfy the Exercise Price and any applicable tax withholdings, promptly following which the Corporation shall issue the Shares underlying the number of Options as provided for in the Exercise Notice.

(3) Subject to Section 3.6(5), in addition, in lieu of exercising any vested Option in the manner described in this Section 3.6(1) or Section 3.6(2), and pursuant to the terms of this Article 3, a Participant may, by surrendering an Option ("**Surrender**") with a properly endorsed notice of Surrender to the Corporate Secretary of the Corporation, substantially in the form of Schedule "B" to the Option Agreement (a "**Surrender Notice**"), elect to receive that number of Shares calculated using the following formula:

X = (Y * (A-B)) / A

Where:

X = the number of Shares to be issued to the Participant upon exercising such Options; provided that if the foregoing calculation results in a negative number, then no Shares shall be issued

Y = the number of Shares underlying the Options to be Surrendered

A = the Market Value of the Shares as at the date of the Surrender

B = the Exercise Price of such Options

(4) Subject to Section 3.6(5), upon the exercise of an Option pursuant to Section 3.6(1) or Section 3.6(3), the Corporation shall, as soon as practicable after such exercise but no later than ten (10) Business Days following such exercise, forthwith cause the transfer agent and registrar of the Shares to deliver to the Participant such number of Shares as the Participant shall have then paid for and as are specified in such Exercise Notice.

(5) Notwithstanding any other provision of this Plan, the "cashless exercise" provisions contained in each of Section 3.6(2), Section 3.6(3) and Section 3.6(4) shall not apply at all times when the Corporation is listed on the TSXV, and such provisions shall be of no force and effect during such period.

ARTICLE 4 —SHARE UNITS

Section 4.1 Nature of Share Units.

A Share Unit is an Award entitling the recipient to acquire Shares, at such purchase price (which may be zero) as determined by the Board, subject to such restrictions and conditions as the Board may determine at the time of grant. Conditions may be based on continuing employment (or other service relationship) and/or achievement of pre-established performance goals and objectives.

Section 4.2 Share Unit Awards.

(1) Subject to the provisions herein set forth and any shareholder or regulatory approval which may be required, the Board shall, from time to time, in its sole discretion, (i) designate the Eligible Participants who may receive RSUs and/or PSUs under the Plan, (ii) fix the number of RSUs and/or PSUs, if any, to be granted to each Eligible Participant and the date or dates on which such RSUs and/or PSUs shall be granted, and (iii) determine the relevant conditions and vesting provisions (including, in the case of PSUs, the applicable Performance Period and Performance Criteria, if any) and Restriction Period of such RSUs and/or PSUs, the whole subject to the terms and conditions prescribed in this Plan and in any RSU Agreement.

(2) The RSUs and PSUs are structured so as to be considered to be a plan described in Section 7 of the Tax Act or any successor to such provision.

(3) Subject to the vesting and other conditions and provisions set forth herein and in the RSU Agreement and/or PSU Agreement, the Board shall determine whether each RSU and/or PSU awarded to a Participant shall entitle the Participant: (i) to receive one Share issued from

treasury; (ii) to receive the Cash Equivalent of one Share; or (iii) to elect to receive either one Share from treasury, the Cash Equivalent of one Share or a combination of cash and Shares.

(4) Share Units shall be settled by the Participant at any time beginning on the first Business Day following their Share Unit Vesting Determination Date but no later than the Share Unit Settlement Date.

(5) Unless otherwise specified in the RSU Agreements, one-third of RSUs awarded pursuant to a RSU Agreement shall vest on each of the first three anniversaries of the date of grant.

(6) Each Non-Employee Director may elect to receive all or a portion his or her annual retainer fee in the form of a grant of RSUs in each fiscal year. The number of RSUs shall be calculated as the amount of the Non-Employee Director's annual retainer fee elected to be paid by way of RSUs divided by the Market Value. At the discretion of the Board, fractional RSUs will not be issued and any fractional entitlements will be rounded down to the nearest whole number.

(7) Notwithstanding any other provision of this Plan, at all times when the Corporation is listed on the TSXV, no person retained to provide Investor Relations Activities shall receive any grant of Share Units in compliance with TSXV Policy 3.4.

Section 4.3 Restriction Period Applicable to Share Units.

The applicable restriction period in respect of a particular Share Unit shall be determined by the Board but in all cases shall end no later than December 31 of the calendar year which is three (3) years after the calendar year in which the Award is granted ("**Restriction Period**"). For example, the Restriction Period for a grant made in June 2019 shall end no later than December 31, 2022. Subject to the Board's determination, any vested Share Units with respect to a Restriction Period will be paid to Participants in accordance with Article 4, no later than the end of the Restriction Period. Unless otherwise determined by the Board, all unvested Share Units shall be cancelled on the Share Unit Vesting Determination Date (as such term is defined in Section 4.5) and, in any event, no later than the last day of the Restriction Period.

Section 4.4 Performance Criteria and Performance Period Applicable to PSU Awards.

(1) For each award of PSUs, the Board shall establish the period in which any Performance Criteria and other vesting conditions must be met in order for a Participant to be entitled to receive Shares in exchange for all or a portion of the PSUs held by such Participant (the "**Performance Period**"), provided that such Performance Period may not expire after the end of the Restriction Period, being no longer than three (3) years after the calendar year in which the Award was granted. For example, a Performance Period determined by the Board to be for a period of three (3) financial years will start on the first day of the financial year in which the award is granted and will end on the last day of the second financial year after the year in which the grant was made. In such a case, for a grant made on January 4, 2019, the Performance Period will start on January 1, 2019 and will end on December 31, 2021.

(2) For each award of PSUs, the Board shall establish any Performance Criteria and other vesting conditions in order for a Participant to be entitled to receive Shares in exchange for his or her PSUs.

Section 4.5 Share Unit Vesting Determination Date.

The vesting determination date means the date on which the Board determines if the Performance Criteria and/or other vesting conditions with respect to a RSU and/or PSU have been

met (the "**Share Unit Vesting Determination Date**"), and as a result, establishes the number of RSUs and/or PSUs that become vested, if any. For greater certainty, the Share Unit Vesting Determination Date in respect of Share Units must fall after the end of the Performance Period, if applicable, but no later than the last day of the Restriction Period.

Section 4.6 Settlement of Share Unit Awards.

(1) Subject to the terms of any Employment Agreement or other agreement between the Participant and the Corporation, or the Board expressly providing to the contrary, and except as otherwise provided in a RSU Agreement and/or PSU Agreement, in the event that the vesting conditions, the Performance Criteria and Performance Period, if applicable, of a Share Unit are satisfied:

(a) all of the vested Share Units covered by a particular grant may, subject to Section 4.6(4), be settled at any time beginning on the first Business Day following their Share Unit Vesting Determination Date but no later than the date that is five (5) years from their Share Unit Vesting Determination Date (the "**Share Unit Settlement Date**"); and

(b) a Participant is entitled to deliver to the Corporation, on or before the Share Unit Settlement Date, a Share Unit Settlement Notice in respect of any or all vested Share Units held by such Participant.

(2) Subject to Section 4.6(4), settlement of Share Units shall take place promptly following the Share Unit Settlement Date and take the form set out in the Share Unit Settlement Notice through:

(a) in the case of settlement of Share Units for their Cash Equivalent, delivery of a bank draft, certified cheque or other acceptable form of payment to the Participant representing the Cash Equivalent;

(b) in the case of settlement of Share Units for Shares, delivery of Shares to the Participant; or

(c) in the case of settlement of the Share Units for a combination of Shares and the Cash Equivalent, a combination of (a) and (b) above.

(3) If a Share Unit Settlement Notice is not received by the Corporation on or before the Share Unit Settlement Date, settlement shall take the form of Shares issued from treasury as set out in Section 4.7(2).

(4) Notwithstanding any other provision of this Plan, in the event that a Share Unit Settlement Date falls during a Black-Out Period and the Participant has not delivered a Share Unit Settlement Notice, then such Share Unit Settlement Date shall be automatically extended to the tenth (10^{th}) Business Day following the date that such Black-Out Period is terminated. Where a Share Unit Settlement Date falls immediately after a Black-Out Period, and for greater certainty, not later than ten (10) Business Days after the Black-Out Period, then the Share Unit Settlement Date will be automatically extended by such number of days equal to ten (10) Business Days less the number of Business Days that a Share Unit Settlement Date is after the Black-Out Period.

Section 4.7 Determination of Amounts.

(1) Cash Equivalent of Share Units. For purposes of determining the Cash Equivalent of Share Units to be made pursuant to Section 4.6, such calculation will be made on the Share Unit Settlement Date and shall equal the Market Value on the Share Unit Settlement Date multiplied by the number of vested Share Units in the Participant's Account which the Participant desires to settle in cash pursuant to the Share Unit Settlement Notice.

(2) Payment in Shares; Issuance of Shares from Treasury. For the purposes of determining the number of Shares from treasury to be issued and delivered to a Participant upon settlement of Share Units pursuant to Section 4.6, such calculation will be made on the Share Unit Settlement Date and be the whole number of Shares equal to the whole number of vested Share Units then recorded in the Participant's Account which the Participant desires to settle pursuant to the Share Unit Settlement Notice. Shares issued from treasury will be issued in consideration for the past services of the Participant to the Corporation and the entitlement of the Participant under this Plan in respect of such Share Units settled for Shares shall be satisfied in full by such issuance of Shares.

ARTICLE 5—GENERAL CONDITIONS

Section 5.1 General Conditions applicable to Awards.

Each Award, as applicable, shall be subject to the following conditions:

(1) **Employment** - The granting of an Award to a Participant shall not impose upon the Corporation or a Subsidiary any obligation to retain the Participant in its employ in any capacity. For greater certainty, the granting of Awards to a Participant shall not impose any obligation on the Corporation to grant any awards in the future nor shall it entitle the Participant to receive future grants.

(2) **Rights as a Shareholder** - Neither the Participant nor such Participant's personal representatives or legatees shall have any rights whatsoever as shareholder in respect of any Shares covered by such Participant's Awards until the date of issuance of a share certificate to such Participant (or to the liquidator, executor or administrator, as the case may be, of the estate of the Participant) or the entry of such person's name on the share register for the Shares. Without in any way limiting the generality of the foregoing, no adjustment shall be made for dividends or other rights for which the record date is prior to the date such share certificate is issued or entry of such person's name on the share register for the Shares.

(3) **Conformity to Plan** – In the event that an Award is granted or an Award Agreement is executed which does not conform in all particulars with the provisions of the Plan, or purports to grant Awards on terms different from those set out in the Plan, the Award or the grant of such Award shall not be in any way void or invalidated, but the Award so granted will be adjusted to become, in all respects, in conformity with the Plan.

(4) **Non-Transferability** – Except as set forth herein, Awards are not transferable. Awards may be exercised only upon the Participant's death, by the legal representative of the Participant's estate, provided that any such legal representative shall first deliver evidence satisfactory to the Corporation of entitlement to exercise any Award. A person exercising an Award may subscribe for Shares only in the person's own name or in the person's capacity as a legal representative.

(5) **Hold Period** – The granting of an Award (i) to Insiders, or (ii) where the exercise price is at a discount to the Market Price, shall be subject to a four-month hold period in compliance with the applicable policies of the TSXV.

Section 5.2 Dividend Share Units.

When dividends (other than stock dividends) are paid on Shares, Participants shall receive additional RSUs and/or PSUs, as applicable ("**Dividend Share Units**") as of the dividend payment date. The number of Dividend Share Units to be granted to the Participant shall be determined by multiplying the aggregate number of RSUs and/or PSUs, as applicable, held by the Participant on the relevant record date by the amount of the dividend paid by the Corporation on each Share, and dividing the result by the Market Value on the dividend payment date, which Dividend Share Units shall be in the form of RSUs and/or PSUs, as applicable. Dividend Share Units granted to a Participant in accordance with this Section 5.2 shall be subject to the same vesting conditions applicable to the related RSUs and/or PSUs.

Section 5.3 Termination of Employment.

(1) Subject to a written Employment Agreement of a Participant and as otherwise determined by the Board, each Share Unit and Option shall be subject to the following conditions:

(a) **Termination for Cause.** Upon a Participant ceasing to be an Eligible Participant for "cause", all unexercised vested or unvested Share Units and Options granted to such Participant shall terminate on the effective date of the termination as specified in the notice of termination. For the purposes of the Plan, the determination by the Corporation that the Participant was discharged for cause shall be binding on the Participant. "Cause" shall include, among other things, gross misconduct, theft, fraud, breach of confidentiality or breach of the Corporation's Code of Ethics and any reason determined by the Corporation to be cause for termination.

(b) **Retirement.** In the case of a Participant's retirement, any unvested Share Units and/or Options held by the Participant as at the Termination Date will continue to vest in accordance with their vesting schedules, and all vested Share Units and Options held by the Participant at the Termination Date may be exercised until the earlier of the expiry date of such Share Units and Options or one (1) year following the Termination Date, provided that if the Participant is determined to have breached any post-employment restrictive covenants in favour of the Corporation, then any Share Units and/or Options held by the Participant, whether vested or unvested, will immediately expire and the Participant shall pay to the Corporation any "in-the-money" amounts realized upon exercise of Share Units and/or Options following the Termination Date.

(c) **Resignation**. In the case of a Participant ceasing to be an Eligible Participant due to such Participant's resignation, subject to any later expiration dates determined by the Board, all Share Units and Options shall expire on the earlier of ninety (90) days after the effective date of such resignation, or the expiry date of such Share Unit or Option, to the extent such Share Unit or Option was vested and exercisable by the Participant on the effective date of such resignation and all unexercised unvested Share Units and/or Options granted to such Participant shall terminate on the effective date of such resignation.

(d) **Termination or Cessation.** In the case of a Participant ceasing to be an Eligible Participant for any reason (other than for "cause", resignation or death) the number

of Share Units and/or Options that may vest is subject to pro ration over the applicable vesting or performance period and shall expire on the earlier of ninety (90) days after the effective date of the Termination Date, or the expiry date of such Share Units and Options. For greater certainty, the pro ration calculation referred to above shall be net of previously vested Share Units and/or Options.

(e) **Death.** If a Participant dies while in his or her capacity as an Eligible Participant, all unvested Share Units and Options will immediately vest and all Share Units and Options will expire one hundred eighty (180) days after the death of such Participant.

(f) **Change of Control.** If a participant is terminated without "cause" or resigns for good reason during the 12 month period following a Change of Control, or after the Corporation has signed a written agreement to effect a change of control but before the change of control is completed, then any unvested Share Units and/or Options will immediately vest and may be exercised prior to the earlier of thirty (30) days of such date or the expiry date of such Options.

(2) For the purposes of this Plan, a Participant's employment with the Corporation or an Affiliate is considered to have terminated effective on the last day of the Participant's actual and active employment with the Corporation or Affiliate, whether such day is selected by agreement with the individual, unilaterally by the Corporation or Affiliate and whether with or without advance notice to the Participant. For the avoidance of doubt, no period of notice, if any, or payment instead of notice that is given or that ought to have been given under applicable law, whether by statute, imposed by a court or otherwise, in respect of such termination of employment that follows or is in respect of a period after the Participant's last day of actual and active employment will be considered as extending the Participant's period of employment for the purposes of determining his entitlement under this Plan.

(3) The Participant shall have no entitlement to damages or other compensation arising from or related to not receiving any awards which would have settled or vested or accrued to the Participant after the date of cessation of employment or if working notice of termination had been given.

Section 5.4 Unfunded Plan.

Unless otherwise determined by the Board, this Plan shall be unfunded. To the extent any Participant or his or her estate holds any rights by virtue of a grant of Awards under this Plan, such rights (unless otherwise determined by the Board) shall be no greater than the rights of an unsecured creditor of the Corporation. Notwithstanding the foregoing, any determinations made shall be such that the Plan continuously meets the requirements of paragraph 6801(d) of the Income Tax Regulations, adopted under the Tax Act or any successor provision thereto.

ARTICLE 6—ADJUSTMENTS AND AMENDMENTS

Section 6.1 Adjustment to Shares Subject to Outstanding Awards.

(1) In the event of any subdivision of the Shares into a greater number of Shares at any time after the grant of an Award to a Participant and prior to the expiration of the term of such Award, the Corporation shall deliver to such Participant, at the time of any subsequent exercise or vesting of such Award in accordance with the terms hereof, in lieu of the number of Shares to which such Participant was theretofore entitled upon such exercise or vesting of such Award, but for the same aggregate consideration payable therefor, such number of

Shares as such Participant would have held as a result of such subdivision if on the record date thereof the Participant had been the registered holder of the number of Shares to which such Participant was theretofore entitled upon such exercise or vesting of such Award.

(2) In the event of any consolidation of Shares into a lesser number of Shares at any time after the grant of an Award to any Participant and prior to the expiration of the term of such Award, the Corporation shall deliver to such Participant at the time of any subsequent exercise or vesting of such Award in accordance with the terms hereof in lieu of the number of Shares to which such Participant was theretofore entitled upon such exercise or vesting of such Award, but for the same aggregate consideration payable therefor, such number of Shares as such Participant would have held as a result of such consideration if on the record date thereof the Participant had been the registered holder of the number of Shares to which such Participant was theretofore entitled upon such exercise or vesting of such Award.

(3) If at any time after the grant of an Award to any Participant and prior to the expiration of the term of such Award, the Shares shall be reclassified, reorganized or otherwise changed, otherwise than as specified in Section 6.1(1) or Section 6.1(2) hereof or, subject to the provisions of Section 6.2(3) hereof, the Corporation shall consolidate, merge or amalgamate with or into another corporation (the corporation resulting or continuing from such consolidation, merger or amalgamation being herein called the "**Successor Corporation**"), the Participant shall be entitled to receive upon the subsequent exercise or vesting of Award, in accordance with the terms hereof and shall accept in lieu of the number of Shares then subscribed for but for the same aggregate consideration payable therefor, the aggregate number of shares of the appropriate class or other securities of the Corporation or the Successor Corporation (as the case may be) or other consideration from the Corporation or the Successor Corporation (as the case may be) that such Participant would have been entitled to receive as a result of such reclassification, reorganization or other change of shares or, subject to the provisions of Section 6.2(3) hereof, as a result of such consolidation, merger or amalgamation, if on the record date of such reclassification, reorganization or other change of shares or the effective date of such consolidation, merger or amalgamation, as the case may be, such Participant had been the registered holder of the number of Shares to which such Participant was immediately theretofore entitled upon such exercise or vesting of such Award.

(4) If, at any time after the grant of an Award to any Participant and prior to the expiration of the term of such Award, the Corporation shall make a distribution to all holders of Shares or other securities in the capital of the Corporation, or cash, evidences of indebtedness or other assets of the Corporation (excluding an ordinary course dividend in cash or shares, but including for greater certainty shares or equity interests in a subsidiary or business unit of the Corporation or one of its subsidiaries or cash proceeds of the disposition of such a subsidiary or business unit), or should the Corporation effect any transaction or change having a similar effect, then the price or the number of Shares to which the Participant is entitled upon exercise or vesting of Award shall be adjusted to take into account such distribution, transaction or change. The Board shall determine the appropriate adjustments to be made in such circumstances in order to maintain the Participants' economic rights in respect of their Awards in connection with such distribution, transaction or change.

Section 6.2 Amendment or Discontinuance of the Plan.

(1) The Board may amend the Plan or any Award at any time without the consent of the Participants provided that such amendment shall:

(a) not adversely alter or impair any Award previously granted except as permitted by the provisions of Article 6 hereof;

(b) be in compliance with applicable law and subject to any regulatory approvals including, where required, the approval of the Stock Exchange; and

(c) be subject to shareholder approval, where required by law, the requirements of the Stock Exchange or the provisions of the Plan, provided that shareholder approval shall not be required for the following amendments and the Board may make any such amendments:

(i) amendments of a general "housekeeping" or clerical nature that, among others, clarify, correct or rectify any ambiguity, defective provision, error or omission in the Plan;

(ii) changes that alter, extend or accelerate the terms of vesting or settlement applicable to any Award (other than in respect of any Options held by persons retained to provide Investor Relations Activities for which prior approval of the TSXV shall be required at all times when the Corporation is listed on the TSXV);

(iii) a change to the assignability provisions under this Plan;

(iv) any amendment regarding the effect of termination of a Participant's employment or engagement;

(v) any amendment to add or amend provisions relating to the granting of cash-settled awards, provision of financial assistance or clawbacks and any amendment to a cash-settled award, financial assistance or clawbacks provisions which are adopted;

(vi) any amendment regarding the administration of this Plan;

(vii) any amendment necessary to comply with applicable law or the requirements of the Stock Exchange or any other regulatory body having authority over the Corporation, this Plan or the shareholders of the Corporation (provided, however, that any Stock Exchange shall have the overriding right in such circumstances to require shareholder of any such amendments); and

(viii) any other amendment that does not require the shareholder approval under Section 6.2(2).

(2) Notwithstanding Section 6.2(1)(c), the Board shall be required to obtain shareholder approval to make the following amendments:

(a) any change to the maximum number of Shares issuable from treasury under the Plan, except such increase by operation of Section 2.5 and in the event of an adjustment pursuant to Article 6;

(b) any amendment which reduces the exercise price of any Award, except in the case of an adjustment pursuant to Article 6;

(c) any amendment that would permit the introduction or reintroduction of Non-Employee Directors as Eligible Participants on a discretionary basis or any amendment that increases the limits previously imposed on Non-Employee Director participation;

(d) any amendment to remove or to exceed the insider participation limit set out in Section 2.6(2);

(e) any amendment to the amendment provisions of the Plan.

At all times when the Corporation is listed on the TSXV, the shareholder approval referred to in Section 6.2(2)(b) (if any such Award is held by an Insider) and Section 6.2(2)(d) above must be obtained on a "disinterested" basis in compliance with the applicable policies of the TSXV.

(3) The Board may, subject to applicable regulatory approvals, decide that any of the provisions hereof concerning the effect of termination of the Participant's employment shall not apply for any reason acceptable to the Board.

(4) Notwithstanding any other provision of this Plan, at all times when the Corporation is listed on the TSXV:

(a) the Corporation shall be required to obtain prior TSXV acceptance of any amendment to this Plan; and

(b) The Corporation shall be requried to obtain disinterested shareholder approval in compliance with the applicable policies of the TSXV for this Plan if, together with all of the Corporation's previously established and outstanding equity compensation plans or grants, could permit at any time: (1) the aggregate number of Shares reserved for issuance under Awards granted to Insiders (as a group) at any point in time exceeding 10% of the issued Shares; and (2) the grant to Insiders (as a group), within a 12 month period, of an aggregate number of Awards exceeding 10% of the issued Shares, calculated at the date an Award is granted to any Insider.

Section 6.3 Change of Control.

(1) Notwithstanding any other provision of this Plan, in the event of a Change of Control, the surviving, successor or acquiring entity shall assume any Awards or shall substitute similar options or share units for the outstanding Awards, as applicable. If the surviving, successor or acquiring entity does not assume the outstanding Awards or substitute similar options or share units for the outstanding Awards, as applicable, or if the Board otherwise determines in its discretion, the Corporation shall give written notice to all Participants advising that the Plan shall be terminated effective immediately prior to the Change of Control and all Options, RSUs (and related Dividend Share Units) and a specified number of PSUs (and related Dividend Share Units) shall be deemed to be vested and, unless otherwise exercised, settled, forfeited or cancelled prior to the termination of the Plan, shall expire or, with respect to RSUs and PSUs be settled, immediately prior to the termination of the Plan. The number of PSUs which are deemed to be vested shall be determined by the Board, in its sole discretion, having regard to the level of achievement of the Performance Criteria prior to the Change of Control.

(2) In the event of a Change of Control, the Board has the power to: (i) make such other changes to the terms of the Awards as it considers fair and appropriate in the circumstances, provided such changes are not adverse to the Participants; (ii) otherwise modify the terms of the Awards to assist the Participants to tender into a takeover bid or other arrangement leading to a Change of Control, and thereafter; and (iii) terminate, conditionally or otherwise, the Awards not exercised or settled, as applicable, following successful completion of such Change of Control. If the Change of Control is not completed within the time specified therein (as the same may be extended), the Awards which vest pursuant to this Section 6.3 shall be returned by the Corporation to the Participant and, if exercised or settled, as applicable, the Shares issued on such exercise or settlement shall be reinstated as authorized but unissued Shares and the original terms applicable to such Awards shall be reinstated.

ARTICLE 7—MISCELLANEOUS

Section 7.1 Currency.

Unless otherwise specifically provided, all references to dollars in this Plan are references to Canadian dollars.

Section 7.2 Compliance and Award Restrictions.

(1) The Corporation's obligation to issue and deliver Shares under any Award is subject to: (i) the completion of such registration or other qualification of such Shares or obtaining approval of such regulatory authority as the Corporation shall determine to be necessary or advisable in connection with the authorization, issuance or sale thereof; (ii) the admission of such Shares to listing on any stock exchange on which such Shares may then be listed; and (iii) the receipt from the Participant of such representations, agreements and undertakings as to future dealings in such Shares as the Corporation determines to be necessary or advisable in order to safeguard against the violation of the securities laws of any jurisdiction. The Corporation shall take all reasonable steps to obtain such approvals, registrations and qualifications as may be necessary for the issuance of such Shares in compliance with applicable securities laws and for the listing of such Shares on any stock exchange on which such Shares are then listed.

(2) The Participant agrees to fully cooperate with the Corporation in doing all such things, including executing and delivering all such agreements, undertakings or other documents or furnishing all such information as is reasonably necessary to facilitate compliance by the Corporation with such laws, rule and requirements, including all tax withholding and remittance obligations.

(3) No Awards will be granted where such grant is restricted pursuant to the terms of any trading policies or other restrictions imposed by the Corporation.

(4) The Corporation is not obliged by any provision of this Plan or the grant of any Award under this Plan to issue or sell Shares if, in the opinion of the Board, such action would constitute a violation by the Corporation or a Participant of any laws, rules and regulations or any condition of such approvals.

(5) If Shares cannot be issued to a Participant upon the exercise or settlement of an Award due to legal or regulatory restrictions, the obligation of the Corporation to issue such Shares will

terminate and, if applicable, any funds paid to the Corporation in connection with the exercise of any Options will be returned to the applicable Participant as soon as practicable.

Section 7.3 Use of an Administrative Agent and Trustee.

The Board may in its sole discretion appoint from time to time one or more entities to act as administrative agent to administer the Awards granted under the Plan and to act as trustee to hold and administer the assets that may be held in respect of Awards granted under the Plan, the whole in accordance with the terms and conditions determined by the Board in its sole discretion. The Corporation and the administrative agent will maintain records showing the number of Awards granted to each Participant under the Plan.

Section 7.4 Tax Withholding.

(1) Notwithstanding any other provision of this Plan, all distributions, delivery of Shares or payments to a Participant (or to the liquidator, executor or administrator, as the case may be, of the estate of the Participant) under the Plan shall be made net of applicable source deductions. If the event giving rise to the withholding obligation involves an issuance or delivery of Shares, then, the withholding obligation may be satisfied by (a) having the Participant elect to have the appropriate number of such Shares sold by the Corporation, the Corporation's transfer agent and registrar or any trustee appointed by the Corporation pursuant to Section 7.1 hereof, on behalf of and as agent for the Participant as soon as permissible and practicable, with the proceeds of such sale being delivered to the Corporation, which will in turn remit such amounts to the appropriate governmental authorities, or (b) any other mechanism as may be required or appropriate to conform with local tax and other rules.

(2) The sale of Shares by the Corporation, or by a broker engaged by the Corporation (the "**Broker**"), under Section 7.4(1) or under any other provision of the Plan will be made on the Stock Exchange. The Participant consents to such sale and grants to the Corporation an irrevocable power of attorney to effect the sale of such Shares on his behalf and acknowledges and agrees that (i) the number of Shares sold will be, at a minimum, sufficient to fund the withholding obligations net of all selling costs, which costs are the responsibility of the Participant and which the Participant hereby authorizes to be deducted from the proceeds of such sale; (ii) in effecting the sale of any such Shares, the Corporation or the Broker will exercise its sole judgment as to the timing and the manner of sale and will not be obligated to seek or obtain a minimum price; and (iii) neither the Corporation nor the Broker will be liable for any loss arising out of such sale of the Shares including any loss relating to the pricing, manner or timing of the sales or any delay in transferring any Shares to a Participant or otherwise.

(3) The Participant further acknowledges that the sale price of the Shares will fluctuate with the market price of the Shares and no assurance can be given that any particular price will be received upon any sale.

(4) Notwithstanding the first paragraph of this Section 7.4, the applicable tax withholdings may be waived where the Participant directs in writing that a payment be made directly to the Participant's registered retirement savings plan in circumstances to which regulation 100(3) of the regulations of the Tax Act apply.

Section 7.5 Reorganization of the Corporation.

The existence of any Awards shall not affect in any way the right or power of the Corporation or its shareholders to make or authorize any adjustment, recapitalization, reorganization or other

change in the Corporation's capital structure or its business, or any amalgamation, combination, merger or consolidation involving the Corporation or to create or issue any bonds, debentures, shares or other securities of the Corporation or the rights and conditions attaching thereto or to affect the dissolution or liquidation of the Corporation or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar nature or otherwise.

Section 7.6 Governing Laws.

The Plan and all matters to which reference is made herein shall be governed by and interpreted in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

Section 7.7 Severability.

The invalidity or unenforceability of any provision of the Plan shall not affect the validity or enforceability of any other provision and any invalid or unenforceable provision shall be severed from the Plan.

Section 7.8 Effective Date of the Plan.

The Plan was approved by the Board and shall take effect as of November 4, 2019.

ADDENDUM FOR U.S. PARTICIPANTS
CONIC METALS CORP.
OMNIBUS LONG-TERM INCENTIVE PLAN

The provisions of this Addendum apply to Awards held by a U.S. Participant. All capitalized terms used in this Addendum but not defined in Section 1 below have the meanings attributed to them in the Plan. The Section references set forth below match the Section references in the Plan. This Addendum shall have no other effect on any other terms and provisions of the Plan except as set forth below.

1. Definitions

"**cause**" has the meaning attributed under Section 5.3(1)(a) of the Plan, provided however that the Participant has provided the Corporation (or applicable Subsidiary) with written notice of the acts or omissions constituting grounds for "cause" within 90 days of such act or omission and the Corporation (or applicable Subsidiary) shall have failed to rectify, as determined by the Board acting reasonably, any such acts or omissions within 30 days of the Corporation's (or applicable Subsidiary's) receipt of such notice.

"**Separation from Service**" means, with respect to a U.S. Participant, any event that may qualify as a separation from service under Treasury Regulation Section 1.409A-1(h). A U.S. Participant shall be deemed to have separated from service if he or she dies, retires, or otherwise has a termination of employment as defined under Treasury Regulation Section 1.409A-1(h).

"Specified Employee" has the meaning set forth in Treasury Regulation Section 1.409A-1(i).

2. Expiry Date of Options

Notwithstanding anything to the contrary in Section 3.4 of the Plan or otherwise, in no event, including as a result of any Black- Out Period or any termination of employment, shall the expiration of any Option issued to a U.S. Participant be extended beyond the original Expiry Date if such Option has an Exercise Price that is less than the Market Value on the date of the proposed extension.

3. Non-Employee Directors

A Non-Employee Director who is also a U.S. Participant and wishes to have all or any part of his or her annual retainer fees paid in the form of RSUs shall irrevocably elect such payment form by December 31 of the year prior to the calendar year during which the annual retainer fees are to be earned. Any election made under this Section 3 shall be irrevocable during the calendar year to which it applies, and shall apply to annual retainers earned in future calendar years unless and until the U.S. Participant makes a later election in accordance with the terms of this Section 3 of the Addendum. With respect to the calendar year in which a U.S. Participant becomes a Non-Employee Director, so long as such individual has never previously been eligible to participate in any deferred compensation plan sponsored by the Corporation, such individual may make the election described in this Section 3 of the Addendum within the first 30 days of becoming eligible to participate in the Plan, but solely with respect to the portion of the annual retainer not earned before the date such election is made. Notwithstanding anything to the contrary in Article 4 of the Plan and except as otherwise set forth herein, any RSUs issued to a U.S. Participant that is a Non-Employee Director in lieu of retainer fees shall be settled on earlier of (i) the U.S. Participant's Separation from Service, or (ii) a Change of Control provided that such change of control event constitutes a change of control within the meaning of Section 409A.

4. Settlement of Share Unit Awards.

(a) Notwithstanding anything to the contrary in Article 4 of the Plan and except as otherwise set forth herein, all of the vested Share Units subject to any RSU or PSU shall be settled on earlier of (i) the date set forth in the U.S. Participant's Share Unit Settlement Notice which shall be no later than the fifth anniversary of the applicable Share Unit Vesting Determination Date, (ii) the U.S. Participant's Separation from Service, or (iii) a Change of Control provided that such change of control event constitutes a change of control within the meaning of Section 409A.

(b) Notwithstanding Section 4.6(1)(b) of the Plan, any U.S. Participant must deliver to the Corporation a Share Unit Settlement Notice specifying the Share Unit Settlement Date and form of settlement for his or her RSUs or PSUs on or prior to December 31 of the calendar year prior to the calendar year of the grant; provided that, the Share Unit Settlement Date may be specified at any time prior to the grant date, if the award requires the U.S. Participant's continued service for not less than 12 months after the grant date in order to vest in such Award. Any such election of Share Unit Settlement Date shall be irrevocable as of the last date in which it is permitted to be made in accordance with the forgoing sentence. Notwithstanding the foregoing, if any U.S. Participant fails to timely submit a Share Unit Settlement Notice in accordance with the foregoing, then such U.S. Participant's Share Unit Settlement Date shall be deemed to be the fifth anniversary of the Share Unit Vesting Determination Date, in addition, such settlement shall be in the form of Shares, Cash Equivalent, or a combination of both as determined by the Corporation in its sole discretion.

(c) For the avoidance of doubt, Section 4.6(4) of the Plan shall not apply to any Award issued to a U.S. Participant.

5. Dividend Share Units

For purposes of clarity, any Dividend Share Units issued to any U.S. Participant shall be settled at the same time as the underlying RSUs or PSUs for which they were awarded.

6. Termination of Employment

(a) Notwithstanding Section 5.3(1)(b) of the Plan, any unvested Share Units held by a Participant that retires shall be deemed vested as of the Termination Date and shall be settled at such time as set forth in Section 3 to this Addendum.

(b) For the avoidance of doubt, in the event that a U.S. Participant dies, his or her vested Options shall expire on the earlier of the original expiry date or one hundred and eighty days after the death of such Participant.

7. Specified Employee

Each grant of Share Units to a U.S. Participant is intended to be exempt from or comply with Code Section 409A. To the extent any Award is subject to Section 409A, then

(a) all payments to be made upon a U.S. Participant's Termination Date shall only be made upon such individual's Separation from Service.

(b) if on the date of the U.S. Participant's Separation from Service the Corporation's shares (or shares of any other Corporation that is required to be aggregated with the Corporation in accordance with the requirements of Code Section 409A) is publicly traded on an established securities market or otherwise and the U.S. Participant is a Specified Employee, then the benefits payable to the Participant under the Plan that are payable due to the U.S. Participant's Separation from Service shall be postponed until the earlier of the originally scheduled date and six months following the U.S. Participant's Separation from Service. The postponed amount shall be paid to the U.S. Participant in a lump sum within 30 days after the earlier of the originally scheduled date and the date that is six months following the U.S. Participant's Separation from Service. If the U.S. Participant dies during such six month period and prior to the payment of the postponed amounts hereunder, the amounts delayed on account of Code Section 409A shall be paid to the U.S. Participant's estate within 60 days following the U.S. Participant's death.

8. Adjustments.

Notwithstanding anything to the contrary in Article 6 of the Plan, any adjustment to an Option held by any U.S. Participant shall be made in compliance with the Code which for the avoidance of doubt may include an adjustment to the number of Shares subject thereto, in addition to an adjustment to the Exercise Price thereof.

9. General

Notwithstanding any provision of the Plan to the contrary, all provisions of the Plan shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A. If any provision of the Plan contravenes Code Section 409A or could cause the U.S. Participant to incur any tax, interest or penalties under Code Section 409A, the Board may, in its sole discretion and without the U.S. Participant's consent, modify such provision to: (i) comply with, or avoid being subject to, Code Section 409A, or to avoid incurring taxes, interest and penalties under Code Section 409A; and/or (ii) maintain, to the maximum extent practicable, the original intent and economic benefit to the U.S. Participant of the applicable provision without materially increasing the cost to the Corporation or contravening Code Section 409A. However, the Corporation shall have no obligation to modify the Plan or any Share Unit and does not guarantee that Share Units will not be subject to taxes, interest and penalties under Code Section 409A. Each U.S. Participant is solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on or for the account of such U.S. Participant in connection with the Plan or any other plan maintained by the Corporation (including any taxes and penalties under Section 409A), and neither the Corporation nor any Subsidiary of the Corporation shall have any obligation to indemnify or otherwise hold such U.S. Participant (or any beneficiary) harmless from any or all of such taxes or penalties.

APPENDIX "A"

FORM OF OPTION AGREEMENT

CONIC METALS CORP.

OPTION AGREEMENT

This Stock Option Agreement (the "**Option Agreement**") is granted by Conic Metals Corp. (the "**Corporation**"), in favour of the optionee named below (the "**Optionee**") pursuant to and on the terms and subject to the conditions of the Corporation's Omnibus Long-Term Incentive Plan (the "**Plan**"). Capitalized terms used and not otherwise defined in this Option Agreement shall have the meanings set forth in the Plan.

The terms of the option (the "**Option**"), in addition to those terms set forth in the Plan, are as follows:

1. **Optionee**. The Optionee is [●] and the address of the Optionee is currently [●].

2. **Number of Shares**. The Optionee may purchase up to [●] Shares of the Corporation (the "**Option Shares**") pursuant to this Option, as and to the extent that the Option vests and becomes exercisable as set forth in Section 6 of this Option Agreement.

3. **Exercise Price**. The exercise price is Cdn $ [●] per Option Share (the "**Exercise Price**").

4. **Date Option Granted**. The Option was granted on [●].

5. **Expiry Date**. The Option terminates on [●]. (the "**Expiry Date**").

6. **Vesting**. The Option to purchase Option Shares shall vest and become exercisable as follows:

   [●]

7. **Exercise of Options**. In order to exercise the Option, the Optionee shall notify the Corporation in the form annexed hereto as Schedule "A", whereupon the Corporation shall use reasonable efforts to cause the Optionee to receive a certificate representing the relevant number of fully paid and non-assessable Shares in the Corporation.

8. **Transfer of Option**. The Option is not-transferable or assignable except in accordance with the Plan.

9. **Inconsistency**. This Option Agreement is subject to the terms and conditions of the Plan and, in the event of any inconsistency or contradiction between the terms of this Option Agreement and the Plan, the terms of the Plan shall govern.

10. **Severability**. Wherever possible, each provision of this Option Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Option Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this Option Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

11. **Entire Agreement**. This Option Agreement and the Plan embody the entire agreement and understanding among the parties and supersede and preempt any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

12. **Successors and Assigns**. This Option Agreement shall bind and enure to the benefit of the Optionee and the Corporation and their respective successors and permitted assigns.

13. **Time of the Essence**. Time shall be of the essence of this Agreement and of every part hereof.

14. **Governing Law**. This Agreement and the Option shall be governed by and interpreted and enforced in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

15. **Counterparts**. This Option Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

By signing this Agreement, the Optionee acknowledges that the Optionee has been provided a copy of and has read and understands the Plan and agrees to the terms and conditions of the Plan and this Option Agreement.

IN WITNESS WHEREOF the parties hereof have executed this Option Agreement as of the _____ day of _____, 20__.

CONIC METALS CORP.

By: _____

Name:

Title:

_____ _____

Witness [Insert Participant's Name]

SCHEDULE "A"
ELECTION TO EXERCISE STOCK OPTIONS

TO: CONIC METALS CORP. (the "Corporation")

The undersigned Optionee hereby elects to exercise Options granted by the Corporation to the undersigned pursuant to an Award Agreement dated _____, 20___ under the Corporation's Omnibus Long-Term Incentive Plan (the "**Plan**"), for the number Shares set forth below. Capitalized terms used herein and not otherwise defined shall have the meanings given to them in the Plan.

Number of Shares to be Acquired: _____

Exercise Price (per Share): Cdn.$_____

Aggregate Purchase Price: Cdn.$_____

Amount enclosed that is payable on account of any source deductions relating to this Option exercise (contact the Corporation for details of such amount):

Cdn.$_____

□ Or check here if alternative arrangements have been made with the Corporation;

and hereby tenders a certified cheque, bank draft or other form of payment confirmed as acceptable by the Corporation for such aggregate purchase price, and, if applicable, all source deductions, and directs such Shares to be registered in the name of _____ _____.

I hereby agree to file or cause the Corporation to file on my behalf, on a timely basis, all insider reports and other reports that I may be required to file under applicable securities laws. I understand that this request to exercise my Options is irrevocable.

DATED this ____ day of _____, _____.

_____
Signature of Participant

_____
Name of Participant (Please Print)

SCHEDULE "B"
SURRENDER NOTICE

TO: CONIC METALS CORP. (the "Corporation")

The undersigned Optionee hereby elects to surrender _____ Options granted by the Corporation to the undersigned pursuant to an Award Agreement dated _____, 20___ under the Corporation's Omnibus Long-Term Incentive Plan (the "Plan") in exchange for Shares as calculated in accordance with Section 3.6(3) of the Plan. Capitalized terms used herein and not otherwise defined shall have the meanings given to them in the Plan.

Please issue a certificate or certificates representing the Shares in the name of _____.

I hereby agree to file or cause the Corporation to file on my behalf, on a timely basis, all insider reports and other reports that I may be required to file under applicable securities laws. I understand that this request to exercise my Options is irrevocable.

DATED this ____ day of _____, _____.

_____
Signature of Participant

_____
Name of Participant (Please Print)

APPENDIX "B"

FORM OF RSU AGREEMENT

CONIC METALS CORP.

RESTRICTED SHARE UNIT AGREEMENT

This restricted share unit agreement ("**RSU Agreement**") is granted by Conic Metals Corp. (the "**Corporation**") in favour of the Participant named below (the "**Recipient**") of the restricted share units ("**RSUs**") pursuant to the Corporation's Omnibus Long-Term Incentive Plan (the "**Plan**"). Capitalized terms used and not otherwise defined in this RSU Agreement shall have the meanings set forth in the Plan.

The terms of the RSUs, in addition to those terms set forth in the Plan, are as follows:

1. **Recipient**. The Recipient is [●] and the address of the Recipient is currently [●].

2. **Grant of RSUs**. The Recipient is hereby granted [●] RSUs.

3. **Restriction Period**. In accordance with Section 4.3 of the Plan, the restriction period in respect of the RSUs granted hereunder, as determined by the Board, shall commence on [●] and terminate on [●].

4. **Performance Criteria**. [●].

5. **Performance Period**. [●].

6. **Vesting**. The RSUs will vest as follows:

   [●].

7. **Transfer of RSUs**. The RSUs granted hereunder are not-transferable or assignable except in accordance with the Plan.

8. **Inconsistency**. This RSU Agreement is subject to the terms and conditions of the Plan and, in the event of any inconsistency or contradiction between the terms of this RSU Agreement and the Plan, the terms of the Plan shall govern.

9. **Severability**. Wherever possible, each provision of this RSU Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this RSU Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this RSU Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

10. **Entire Agreement**. This RSU Agreement and the Plan embody the entire agreement and understanding among the parties and supersede and pre-empt any prior

understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

11. **Successors and Assigns**. This RSU Agreement shall bind and enure to the benefit of the Recipient and the Corporation and their respective successors and permitted assigns.

12. **Time of the Essence**. Time shall be of the essence of this Agreement and of every part hereof.

13. **Governing Law**. This RSU Agreement and the RSUs shall be governed by and interpreted and enforced in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

14. **Counterparts**. This RSU Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

By signing this RSU Agreement, the Participant acknowledges that he or she has been provided with, has read and understands the Plan and this RSU Agreement.

IN WITNESS WHEREOF the parties hereof have executed this RSU Agreement as of the _____ day of _____, 20__.

CONIC METALS CORP.

By: _____

Name:

Title:

_____ _____

Witness **[Insert Participant's Name]**

APPENDIX "C"

FORM OF PSU AGREEMENT

CONIC METALS CORP.

PERFORMANCE SHARE UNIT AGREEMENT

This performance share unit agreement ("**PSU Agreement**") is granted by Conic Metals Corp. (the "**Corporation**") in favour of the Participant named below (the "**Recipient**") of the performance share units ("**PSUs**") pursuant to the Corporation's Omnibus Long-Term Incentive Plan (the "**Plan**"). Capitalized terms used and not otherwise defined in this PSU Agreement shall have the meanings set forth in the Plan.

The terms of the PSUs, in addition to those terms set forth in the Plan, are as follows:

1. **Recipient**. The Recipient is [●] and the address of the Recipient is currently [●].

2. **Grant of PSUs**. The Recipient is hereby granted [●] PSUs.

3. **Restriction Period**. In accordance with Section 4.3 of the Plan, the restriction period in respect of the PSUs granted hereunder, as determined by the Board, shall commence on [●] and terminate on [●].

4. **Performance Criteria**. [●].

5. **Performance Period**. [●].

6. **Vesting**. The PSUs will vest as follows:

   [●].

7. **Transfer of PSUs**. The PSUs granted hereunder are not-transferable or assignable except in accordance with the Plan.

8. **Inconsistency**. This PSU Agreement is subject to the terms and conditions of the Plan and, in the event of any inconsistency or contradiction between the terms of this PSU Agreement and the Plan, the terms of the Plan shall govern.

9. **Severability**. Wherever possible, each provision of this PSU Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this PSU Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this PSU Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

10. **Entire Agreement**. This PSU Agreement and the Plan embody the entire agreement and understanding among the parties and supersede and pre-empt any prior

understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way.

11. **Successors and Assigns**. This PSU Agreement shall bind and enure to the benefit of the Recipient and the Corporation and their respective successors and permitted assigns.

12. **Time of the Essence**. Time shall be of the essence of this Agreement and of every part hereof.

13. **Governing Law**. This PSU Agreement and the PSUs shall be governed by and interpreted and enforced in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

14. **Counterparts**. This PSU Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

By signing this PSU Agreement, the Participant acknowledges that he or she has been provided with, has read and understands the Plan and this PSU Agreement.

IN WITNESS WHEREOF the parties hereof have executed this PSU Agreement as of the _____ day of _____, 20__.

CONIC METALS CORP.

By: _____

Name:

Title:

_____ _____

Witness **[Insert Participant's Name]**

APPENDIX "D"

FORM OF U.S. PARTICIPANT/NON-EMPLOYEE DIRECTOR ELECTION FORM

CONIC METALS CORP.

I _____[name] wish to defer 100% of my annual retainer (including any annual retainers or fees for service on committees of the Board) for the calendar year [_____] and any future calendar years unless and until I make a new election in accordance with the Plan and the Addendum. I, do hereby elect to have a Share Unit Settlement Date of [____] anniversary of the grant date of such RSUs, or if earlier upon my Separation from Service in respect of all of such RSUs (including any accumulated Dividend Share Units), and otherwise in accordance with the Plan and the special provisions of the Addendum to the Plan applicable to U.S. Participants.

I understand that this election shall be irrevocable as of the last date in which I am permitted to make such election in accordance with Section 3 of the Addendum to the Plan and I shall only be permitted to revoke or modify this election up to such date. I understand that this election shall apply to any other grants of RSUs that I may be granted in the future (if any) in respect of any retainer fees payable in future calendar years (and will become irrevocable as of December 31 of the prior calendar year) until I make a later election, which election shall be made no later than the date set forth in Section 3 of the Addendum to the Plan.

All capitalized terms not defined in this Election Form have the meaning set out in the Plan.

I understand and agree that the granting and settlement of RSUs are subject to the terms and conditions of the Plan which are incorporated into and form a part of this Election Form.

_____ _____

Non-Employee Director Name Date

_____ _____

Witness Date

APPENDIX K
Conic Metals Board Mandate

The members of the board of directors (respectively, the "**Directors**" and the "**Board**") have the responsibility to oversee the conduct of the business of Conic Metals Corp. (the "**Corporation**") and to oversee the activities of management who are responsible for the day-to-day conduct of the business.

Article 1 - Composition

The Board shall be comprised of at least three independent Directors. The definition of independence is as provided by applicable law and stock exchange listing standards. No Director will be considered independent unless the Director has no "material relationship" (as such term is defined in National Instrument 52-110 of the Canadian Securities Administrators) with the Corporation, either directly or indirectly as a partner, shareholder or officer of an organization that has a relationship with the Corporation.

The Board shall appoint a Chair from among its members. The role of the Chair is to act as the leader of the Board, to manage and coordinate the activities of the Board and to oversee execution by the Board of this written mandate. If the Chair is not independent, a majority of the Board's independent Directors shall appoint (and if the Chair is in a conflict of interest with respect to a particular matter or matters, a majority of the Board's independent Directors may appoint) an independent lead Director from among the Directors, who will be responsible for ensuring that the Directors who are independent (or non-conflicted) and management have opportunities to meet without management and non-independent (or conflicted, as applicable) Directors, as required, and will assume such other responsibilities as the independent Directors may designate in accordance with any applicable position descriptions or other applicable guidelines that may be adopted by the Board from time to time.

The Board may, from time to time, engage consultants or members of the Corporation's management team that are not directors of the Corporation and these persons may attend meetings or portions of meetings as invited guests of the Board. Otherwise, the Board will consist only of Directors and only Directors and a Corporate Secretary, appointed by the Board, may attend meetings of the Board.

Article 2 - Operation

The Board operates by delegating certain of its authorities to management and by reserving certain powers to itself. The Board retains the responsibility of managing its own affairs including selecting its Chair, nominating candidates for election to the Board, constituting Committees of the full Board and determining Director compensation. Subject to the Corporation's Articles and the *Business Corporations Act* (British Columbia), the Board may constitute, seek the advice of and delegate powers, duties and responsibilities to Committees of the Board.

The full Board considers all major decisions of the Corporation, except that certain analyses and work of the Board will be performed by standing Committees empowered to act on behalf of the Board. The Corporation may have a number of standing Committees, including the Audit Committee and the Compensation and Corporate Governance Committee, and has the authority to appoint other committees to steward certain other matters.

Each Committee shall operate according to the mandate approved by the Board and outlining its duties, responsibilities and the limits of authority delegated to it by the Board. The Board shall review and reassess the adequacy of the mandate of each Committee on a regular basis and, with respect to the Audit Committee, at least once a year.

The Chair of the Board shall annually propose the leadership and membership of each Committee. In preparing recommendations, the Chair of the Board will take into account the preferences, skills and experience of each Director. Committee Chairs and members are appointed by the Board at the first Board meeting after the annual shareholder meeting or as needed to fill vacancies during the year.

The Board will hold four regularly scheduled meetings each year. The Board shall meet at the end of its regular quarterly meetings without members of management being present. Special meetings will be called as necessary.

Directors are expected to attend all Board meetings and all Committee meetings where such Director is a member of such Committee, although it is understood that conflicts may occasionally arise that prevent a Director from attending a meeting. Attendance in person at Board meetings and Committee meetings is preferred, but attendance by teleconference or other electronic communication established by the Board or such Committee is permitted. In advance of each regular Board and Committee meeting and, to the extent feasible each special meeting, information and presentation materials relating to matters to be addressed at the meeting will be distributed to each Director. It is expected that each Director will review presentation materials in advance of a meeting.

The Chair of the Board presides at all meetings of the Board and shareholders. Minutes of each meeting shall be prepared by the Corporate Secretary (or in his or her absence, a secretary who has been appointed for the purposes of the meeting). The Chief Executive Officer (the "**CEO**"), if he or she is not a Director, shall be available to attend all meetings of the Board or Committees of the Board upon invitation by the Board or any such Committee. Members of management and such other staff as appropriate to provide information to the Board shall attend meetings at the invitation of the Board. Following each meeting, the Corporate Secretary will promptly report to the Board by way of providing draft copies of the minutes of the meetings. Supporting schedules and information reviewed by the Board at any meeting shall be available for examination by any Director upon request to the CEO or Corporate Secretary.

Article 3- Responsibilities

The Board is responsible under law to supervise the management of the business and affairs of the Corporation. In broad terms the stewardship of the Corporation involves the Board in strategic planning, risk identification, management and mitigation, senior management determination and succession planning, communication planning and internal control integrity.

Article 4 - Specific Duties

Without limiting the foregoing, the Board shall have the following specific duties and responsibilities:

(1) Legal Requirements

(a) The Board has the oversight responsibility for meeting the Corporation's legal requirements and for approving and maintaining the Corporation's documents and records;

(b) The Board has the statutory responsibility to:

(i) manage or supervise the management of the business and affairs of the Corporation;

(ii) act honestly and in good faith with a view to the best interests of the Corporation;

(iii) exercise the care, diligence and skill that responsible, prudent people would exercise in comparable circumstances; and

(iv) act in accordance with its obligations contained in the *Business Corporations Act* (British Columbia) and the regulations thereto, the Corporation's Articles, and other relevant legislation and regulations.

(c) The Board has the statutory responsibility for considering the following matters as a full Board which in law may not be delegated to management or to a committee of the Board:

(i) any submission to the shareholders of a question or matter requiring the approval of the shareholders;

(ii) the filling of a vacancy among the Directors;

(iii) the issuance of securities;

(iv) the declaration of dividends;

(v) the purchase, redemption or any other form of acquisition of shares issued by the Corporation;

(vi) the payment of a commission to any person in consideration of his or her purchasing or agreeing to purchase shares of the Corporation from the Corporation or from any other person, or procuring or agreeing to procure purchasers for any such shares;

(vii) the approval of management proxy circulars;

(viii) the approval of any take-over bid circular or directors' circular; and

(ix) the approval of financial statements of the Corporation.

(2) Strategy Determination

The Board has the responsibility to adopt a strategic planning process for the Corporation and to participate with management directly or through its Committees in approving goals and the strategic plan for the Corporation by which the Corporation proposes to achieve its goals. The Board shall monitor the implementation and execution of the tasks constituent to the corporate strategy.

To be effective, the strategy will result in creation of value over the long term while always preserving the Corporation's ability to conduct its business while balancing the interests of its various stakeholders. For the purpose of this clause, "stakeholder" will mean any party, group or institution whose reasonable approval is required for the Corporation to execute its Board approved strategy.

(3) Managing Risk

The Board has the responsibility to identify and understand the principal risks of the business in which the Corporation is engaged, to achieve a proper balance between risks incurred and the potential return to shareholders, and to establish systems to monitor and manage those risks with a view to the long-term viability of the Corporation. It is the responsibility of management to ensure that the Board and its Committees are kept well informed of changing risks. The principle mechanisms through which the Board reviews risks are through the execution of the duties of its Committees and through the strategic planning process. It is important that the Board understands and supports the key risk decisions of management.

(4) Appointment, Training and Monitoring Senior Management

The Board has the responsibility to:

(a) appoint the CEO and establish a description of the CEO's responsibilities and other senior management's responsibilities, monitor and assess the CEO's performance, determine the CEO's compensation, and provide advice and counsel in the execution of the CEO's duties;

(b) approve the appointment and remuneration of the Corporation's senior management; and

(c) establish provisions for the training and development of management and for the orderly succession of management.

(5) Reporting and Communication

The Board has the responsibility to:

(a) ensure compliance with the reporting obligations of the Corporation, including that the financial performance of the Corporation is properly reported to shareholders, other security holders and regulators on a timely and regular basis;

(b) recommend to shareholders of the Corporation a firm of certified professional accountants to be appointed as the Corporation's auditors;

(c) ensure that the financial results of the Corporation are reported fairly and in accordance with generally accepted accounting principles;

(d) ensure the timely reporting of any change in the business, operations or capital of the Corporation that would reasonably be expected to have a significant effect on the market price or value of the common shares of the Corporation;

(e) establish a process for direct communications with shareholders and other stakeholders through appropriate Directors, including through a Whistleblower Policy;

(f) ensure that the Corporation has in place a policy to enable the Corporation to communicate effectively with its shareholders and the public generally; and

(g) report annually to shareholders on its stewardship of the affairs of the Corporation for the preceding year.

(6) Monitoring and Acting

The Board has the responsibility to:

(a) establish policies and processes for the Corporation to operate at all times within applicable laws and regulations to the highest ethical and moral standards (advancing the interests of the Corporation, including the pursuit of differentiating performance in meeting the reasonable needs of all stakeholders of the Corporation);

(b) ensure that management has and implements procedures to comply with, and to monitor compliance with, significant policies and procedures by which the Corporation is operated;

(c) monitor the Corporation's progress towards its goals and objectives and to revise and alter its direction through management in response to changing circumstances;

(d) take action when performance falls short of its goals and objectives or when other special circumstances warrant or when changing circumstances in the business environment create risks or opportunities for the Corporation;

(e) approve annual (or more frequent, as the Board feels to be prudent from time to time) operating and capital budgets and review and consider amendments or departures proposed by management from established strategy, capital and operating budgets or matters of policy which diverge from the ordinary course of business that may significantly impact the value of or opportunities available to the Corporation; and

(f) implement internal control and information systems and to monitor the effectiveness of same so as to allow the Board to conclude that management is discharging its responsibilities with a high degree of integrity and effectiveness. The confidence of the Board in the ability and integrity of management is the paramount control mechanism.

(7) Governance

The Board has the responsibility to:

(a) develop a position description for the Chair of the Board;

(b) facilitate the continuity, effectiveness and independence of the Board by, among other things:

(i) appointing from among the Directors an Audit Committee, a Compensation and Corporate Governance Committee, and such other committees as the Board deems appropriate;

(ii) defining the mandate, including both responsibilities and delegated authorities, of each Committee of the Board;

(iii) establishing a system to enable any Director to engage an outside adviser at the expense of the Corporation;

(iv) ensuring that processes are in place and are utilized to assess the effectiveness of the Chair of the Board, the Board as a whole, each Director, each Committee and each Committee's Chair;

(v) reviewing annually the composition of the Board and its Committees and assess Directors' performance on an ongoing basis, and propose new members to the Board; and

(vi) reviewing annually the adequacy and form of the compensation of the Directors.

Article 5 - New Director Orientation

New Directors will be provided with an orientation which will include written information about the duties and obligations of Directors and the business and operations of the Corporation, documents from recent Board meetings and opportunities for meetings and discussion with senior management and other Directors.

Article 6 - Conflicts of Interest

(a) Directors have a duty to act honestly and in good faith with a view to the best interests of the Corporation and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Each Director serves in his or her personal capacity and not as an employee, agent or representative of any other company, organization or institution, even if the Director is employed by a shareholder or any other entity which does business with the Corporation. In providing direction to the Corporation, Directors acknowledge that the well-being of the Corporation is their sole concern. Any Director must not be affected in his or her deliberations and decision-making by any relationship with any outside person or party, including any specific shareholder, no matter which one and no matter what the relationship is between the Director and that Shareholder. Directors shall not allow personal interests to conflict with their duties to the Corporation and shall avoid and refrain from involvement in situations of conflict of interest.

(b) A Director shall disclose promptly any circumstances such as an office, property, duty or interest, which might create a conflict or perceived conflict with that Director's duty to the Corporation.

(c) A Director shall disclose promptly any interest that Director may have in an existing or proposed contract or transaction of or with the Corporation.

(d) The disclosures contemplated in paragraphs (b) and (c) above shall be immediate if the perception of a possible conflict of interest arises during a meeting of the Board or any Committee of the Board, or if the perception of a possible conflict arises at another time then the disclosure shall occur by e -mail to the other Directors immediately upon realization of the conflicting situation and then confirmed at the first Board and/or Committee meeting after the Director becomes aware of the potential conflict of interest that is attended by the conflicted Director.

(e) Each Director will, on an annual basis, disclose all entities to which it is related, affiliated or in which it holds a direct or indirect interest that may do business with the Corporation or operate in the same industry.

(f) A Director's disclosure to the Board or a Committee of the Board shall disclose the full nature and extent of that Director's interest either in writing or by having the interest entered in the minutes of the meeting of the Board or such Committee of the Board.

(g) A Director with a conflict of interest or who may be perceived as being in a conflict of interest with respect to the Corporation shall abstain from discussion and voting by the Board or any Committee of the Board on any motion to recommend or approve the subject matter of such conflict unless the matter relates primarily to the Director's remuneration or benefits or as otherwise permitted by applicable law or regulation. If the conflict of interest is obvious and direct, the Director shall withdraw while the item is being considered.

(h) Without limiting the generality of "conflict of interest", it shall be deemed a conflict of interest if a Director, a Director's relative, a member of the Director's household in which any relative or member of the household is involved, has a direct or indirect financial interest in, or obligation to, or is a party to a proposed or existing contract or transaction with, the Corporation.

(i) Directors shall not use information obtained as a result of acting as a Director for personal benefit or for the benefit of others.

(j) Any Director shall not use or provide to the Corporation any information known by the Director that, through a relationship with a third party, the Director is not legally able to use or provide.

(k) Directors shall maintain the confidentiality of all information and records obtained as a result of acting as a Director.

Article 7 - Mandate Review

This Mandate shall be reviewed and approved by the Board each year after the annual general shareholder meeting of the Corporation.

Article 8 - General

The Board may perform any other activities consistent with this Mandate, the Corporation's Articles and any governing laws as the Board deems necessary or appropriate.