

ASX QUARTERLY REPORT
FOR PERIOD ENDED 30TH SEPTEMBER 2018

HIGHLIGHTS:

MT THIRSTY COBALT PROJECT:

- PFS level metallurgical test work results of the whole ore leach case by Wood independently validated the Scoping Study assumptions.
- Whole ore leach case selected over the beneficiation case as the go-forward case for the PFS.
- Optimisation of leach conditions underway aiming to further increase leach recoveries.
- Engineering to a PFS level of accuracy scheduled for Q1 2019.

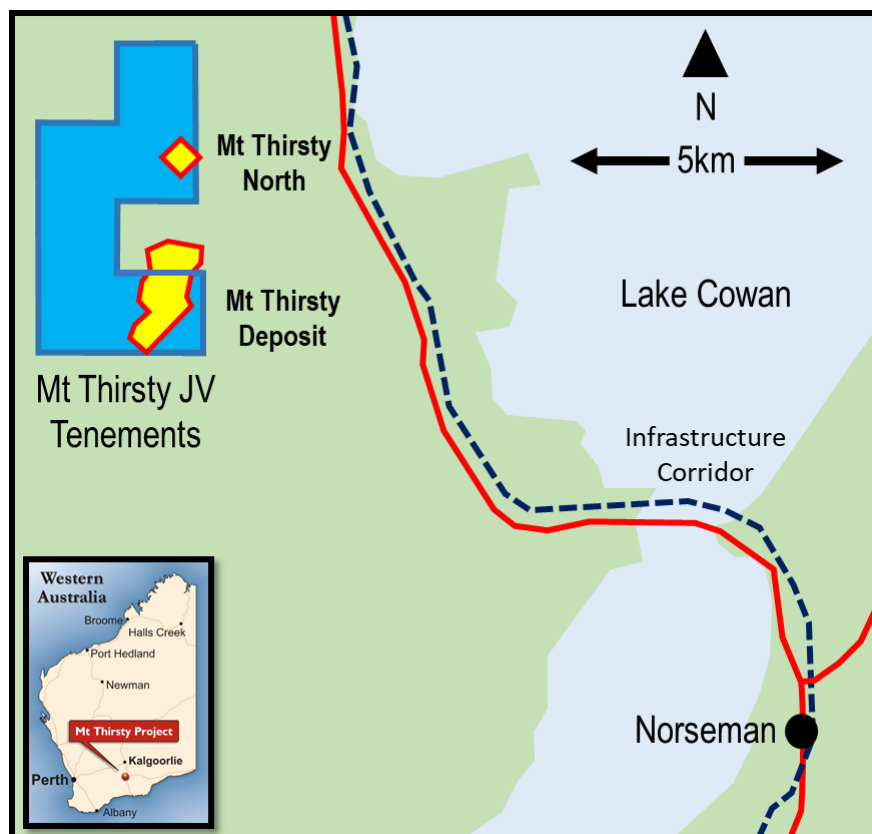


Figure 1: Mt Thirsty Project location

MT THIRSTY COBALT PROJECT**(50% Conico Ltd: 50% Barra Resources Ltd— *Joint Venture, MTJV*)**

The Mt Thirsty Cobalt Project is located 20km north-northwest of Norseman, Western Australia (Figure 1).

The Project contains the Mt Thirsty Cobalt-Nickel (Co-Ni) Oxide Deposit that has the potential to emerge as a significant cobalt producer. In addition to the Co-Ni Oxide Deposit, the Project also hosts nickel sulphide (Ni-S) mineralisation.

Demand for cobalt looks very encouraging as the world becomes more dependent on rechargeable power sources for portable electronics and electric vehicles. In addition, the battery industry is also competing with demand for cobalt from producers of superalloys, aircraft turbines and chemical industries.

The undeveloped Mt Thirsty Cobalt Project has a significant resource with a potential to have a long mine life. The Project is close to all necessary infrastructure (rail, road, power, water, and sea port) and, being in a mining orientated state, has the potential to attract a variety of interested parties including end users of cobalt. Mt Thirsty has the potential to become a major supplier to the burgeoning battery supply chain.

The great advantage of Mt Thirsty compared to other potential cobalt operations is the nature of the resource, being a flat lying, continuous and thick deposit starting from near surface to around 70 metres below surface. Due to intense oxidation, the deposit is very soft, fine grained and low in silica.

The Mount Thirsty Joint Venture (MTJV) is progressing a Pre-Feasibility Study (PFS) on the project utilising industry leading consultants led by Amec Foster Wheeler Australia Pty Ltd, trading as Wood.

The Mt Thirsty Project is highly leveraged to cobalt prices with approximately 80% of potential revenue being from cobalt; far higher than other nickel laterite projects.

Conico Ltd is the operator of the MTJV and the Joint Venture has appointed Mr Sean Gregory, MD and CEO of Barra Resources Ltd as Manager of the Mt Thirsty Project Prefeasibility Study (PFS).

ACTIVITIES**Front-End Flowsheet Selection**

During the quarter the MTJV conducted significant metallurgical testwork at ALS laboratories in Balcatta, Perth under the direction of eminent process engineers from Wood.

The testwork was conducted on existing sample inventory from 2016 as well as additional fresh sample collected from 3 new Air Core (AC) holes drilled during the quarter.

The aim of the test work conducted for the PFS to date has been to enable the front-end of the flowsheet to be selected. The base case is for the whole of the ore to be fed into the leaching process (whole ore leach case). The alternative case is for the ore feed to be beneficiated by rejecting the fine slimes component to reduce the volume and increase the feed grade of the leach feed (beneficiation case).

Leach recoveries of the whole ore confirmed the leaching results used in the Scoping Study. The additional resolution provided by the upper and lower composites has shown that the upper domain has superior leaching performance compared to the lower domain (Table 1). As the upper domain sits above the lower domain, the higher recoveries and associated higher revenues will be able to be targeted and preferentially scheduled in the early years of the mine plan.

Sample Details	Co Leach Recovery %	Ni Leach Recovery %
Upper Saprolite Composite 1 (RC)	90	35
Upper Saprolite Composite 2 (AC)	86	32
Lower Saprolite Composite 1 (RC)	67	21
Lower Saprolite Composite 2 (AC)	69	27

Table 1 – Mt Thirsty Metallurgical Test Work Results. Note that recovery losses during precipitation of 3-4% have not been included in this table.

Metallurgical tests on the beneficiation case were successfully able to concentrate the target asbolane mineral prior to leaching. However, when the beneficiation recoveries are multiplied by the corresponding leaching recoveries, the beneficiation case delivers significantly lower overall recoveries when compared to whole ore leach case (refer ASX announcement 22/10/2018).

Economic analysis of multiple financial and non-financial criteria enabled the MTJV to confidently select the whole ore leach case for the front-end go-forward flowsheet for the project. The PFS and subsequent studies can move forward knowing that the beneficiation case has been thoroughly investigated and eliminated from further study.

Other Studies

New mining tenements have been pegged for the mine, associated infrastructure and groundwater drilling. Access negotiations have commenced with underlying land holders and the traditional owners. These negotiations are progressing very well. Once the groundwater licences have been granted, hydrogeological drilling of our planned bore fields will commence.

During September, biological surveys were completed over the planned development areas. No rare flora or fauna were identified confirming previous surveys from 2007. These survey results together with the small scale and environmental risk of the project reinforce the MTJV's view that the environmental approvals pathway for the project will be straight forward.

Golder have been commissioned to upgrade the Mt Thirsty resource from JORC 2004 to JORC 2012 to enable an Ore Reserve to be declared at the completion of a positive PFS.

Next Steps

Now that the leach feed type has been determined, optimisation of leach conditions on this feed will occur during Q4 2018. This will include parameters such as feed grade, sulphur dioxide (SO₂) concentration, temperature, process water salinity, grind size, agitator sizing, and H₂SO₄ acid addition. Optimisation of these parameters is expected to further improve the metal recoveries. In particular, the addition of acid has great potential to significantly improve the recoveries based on previous results from 2009-2010.

Engineering of the processing plant, and capital and operating cost estimating to a PFS level of accuracy at optimised conditions will occur during Q1 2019.

Cobalt Market Outlook

The long-term demand for cobalt looks very encouraging with the emergence of main stream electric vehicles. In addition, the battery industry is also competing with demand for cobalt from producers of superalloys, aircraft turbines and chemical industries.

While there has been some short-term softening in the spot price for cobalt from about US\$90,000/t back to about US\$60,000/t, somewhat offset by a lower Australian dollar, the medium- and long-term fundamentals remain exceptional.

Demand is likely to escalate exponentially with battery production; however, supply is uncertain as 68% of global supply comes from the politically unstable African countries such the Democratic Republic of Congo, typically as a by-product of nickel and copper mining.

With potential supply constraints and surging demand, many commentators see pricing pressure as a likely eventuality.

A handwritten signature in black ink, reading 'Guy T Le Page'.

Guy T Le Page
Director

Disclaimer

The interpretations and conclusions reached in this report are based on current geological theory and the best evidence available to the authors at the time of writing. It is the nature of all scientific conclusions that they are founded on an assessment of probabilities and, however high these probabilities might be, they make no claim for complete certainty. Any economic decisions that might be taken based on interpretations or conclusions contained in this report will therefore carry an element of risk.

This report contains forward-looking statements that involve a number of risks and uncertainties. These forward-looking statements are expressed in good faith and believed to have a reasonable basis. These statements reflect current expectations, intentions or strategies regarding the future and assumptions based on currently available information. Should one or more of the risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary from the expectations, intentions and strategies described in this report. No obligation is assumed to update forward-looking statements if these beliefs, opinions and estimates should change or to reflect other future developments.

Competent Persons Statements

The information in this report which relates to the collection of samples for Exploration Results for the Mt Thirsty Project is based on and fairly represents information compiled by Mr Michael J Glasson who is a Member of the Australian Institute of Geoscientists contracted to Conico Limited. Mr Glasson holds shares in Conico Ltd.

The information in this report which relates to the metallurgical test work for Exploration Results for the Mt Thirsty Project is based on and fairly represents information compiled by Mr Dean David who is a Fellow and Chartered Professional of the Australian Institute of Mining and Metallurgy and a full-time employee of Wood.

Messers Glasson and David have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (the JORC Code). They consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Interests in Mining Tenements

Tenements	Location	Interest held at end of quarter	Acquired during the quarter	Disposed during the quarter
E63/1267	WA	50%		
R63/4	WA	50%		
E63/1790	WA	50%		
P63/2045	WA	50%		
M(A) 63/669*	WA	50%	50%	
M(A) 63/670 [#]	WA	50%	50%	
G(A) 63/93 [^]	WA	50%	50%	
L(A) 63/79	WA	50%	50%	
L(A) 63/80	WA	50%	50%	
L(A) 63/81	WA	50%	50%	

Notes:

*MLA over P63/1267, [#]MLA over R63/4, [^]GLA over E63/1790 & P63/2045

A 63/79 for haul road and services. LA63/80 & 81 for ground water search.