ACN 119 057 457

ASX QUARTERLY REPORT

FOR PERIOD ENDED 31ST MARCH 2019

HIGHLIGHTS:

MT THIRSTY COBALT NICKEL PROJECT:

- **Leach optimisation test work identifies significant increases in cobalt and nickel extractions, improving project economics**
- **JORC 2012 Mineral Resource estimated for both Mt Thirsty Main and Mt Thirsty North Deposits:**

	Mineral Resource	Dry Tonnes (Mdt)	Co (%)	Ni (%)
Mt Thirsty Main	Indicated	22.6	0.116	0.53
	Inferred	2.5	0.099	0.44
Mt Thirsty North	Inferred	1.5	0.092	0.55
Total	**Ind. & Inf.**	**26.6**	**0.113**	**0.52**

Table 1: Mt Thirsty Mineral Resource Summary (0.06% Co cut off)[1]

- **Bulk leach testwork ongoing**
- **3rd and final phase of the Pre-Feasibility Study is ready to commence subject to JV approval of work programs and budgets**

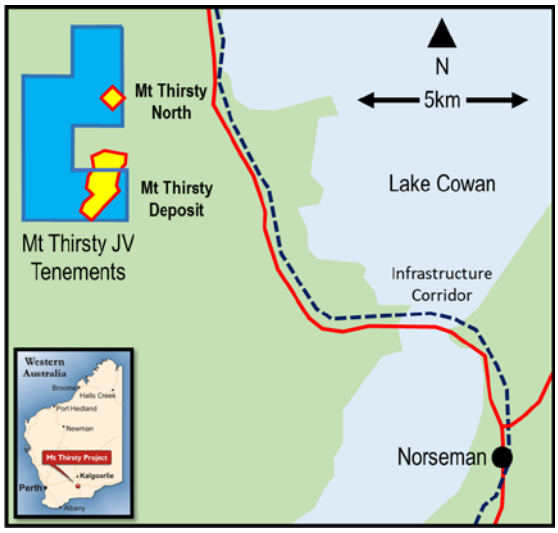


Figure 1: Mt Thirsty Project Location

1 Refer to ASX:CNJ Announcements 4/3/19 and 12/4/19

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

Mineral Resource Upgrades

The Mineral Resource estimates for the project were upgraded to JORC 2012 status during the quarter. Importantly, 90% of the main Mt Thirsty Mineral Resource is now classified as Indicated, which makes it eligible for Ore Reserve status at the successful completion of the PFS where all economic and other modifying factors will be considered.

A maiden Inferred Mineral Resource was also estimated for Mt Thirsty North, a small satellite deposit 3km to the north of the main deposit. Mt Thirsty North is expected to provide useful blending material towards the end of the main Mt Thirsty mine life, subject to further detailed studies.

The total Mineral Resource[1] now stands at 26.1Mdt @ 0.113% Co and 0.52% Ni as detailed in Table 1.

Leaching Optimisation Testwork

As announced during the quarter, metallurgical test work at ALS laboratories in Balcatta identified significant improvements in leach extractions[2]. Cobalt extractions were increased from 79% in the 2017 Scoping Study[3] to an average of 85%, with some results as high as 88%. Nickel extractions were increased from 26% to an average of 32% with some results as high as 37%.

The improvements are due to a greater understanding of the mineralogy and particularly that there are two key reactions taking place; an initial reductive leach targeting the manganese-oxide asbolane and a second acidic leach targeting the iron-oxide goethite. This knowledge allowed the conditions of the leach to be varied and optimised at different stages during the 16-30 hour leach duration. The extractions were achieved using modest quantities of SO_2 for leaching without requiring the addition of expensive supplemental acid.

Downstream losses during precipitation and neutralisation are targeted at 3-4%, another improvement against the 5-6% assumed in the scoping study.

Based on the significantly higher metal recoveries, commensurately higher project revenues are expected to be available for minimal additional reagents and costs.

Variability test work was also conducted; albeit at un-optimised Scoping Study conditions. This identified a correlation between feed-grade and recovery, consistent with the higher-grade samples being richer in the more easily leached asbolane mineral.

Bulk Leaching Testwork

Two bulk leach tests have recently been completed. The bulk leaches are nominally 20kg dry master composite samples, mixed up to 40% solids, i.e. 50kg wet. A third bulk leach test is now underway. The liquor solution from the bulk leaches will then be available for bulk downstream neutralisation and precipitation test work. Residues from the bulk leaches will also be available for tailings test work. This work will continue throughout the quarter with results announced when complete.

Cobalt Nickel Market

The price for cobalt metal has corrected over the last 12 months from a high of US$90,000/t in March 2018 to US$35,000/t today. This has been due to short term supply exceeding demand as evident by LME warehouse levels which remain at high levels. The supply growth has been led by producers from the Democratic Republic of Congo, increasing their dominance of the market to above 70% and further exacerbating future supply shock risk.

Electric Vehicle (EV) sales are growing exponentially from a low base, particularly in China where EV sales accounted for 5% of all new vehicles in the most recent quarterly data, however the mass adoption of EVs is still ahead of us. When this inevitably occurs, supply growth will be unable to keep pace with demand. Hence the rampant speculation that saw the cobalt price unsustainably rise this time last year.

Substitution away from cobalt through the adoption of 811 cathode chemistry (8 parts nickel, 1 part manganese, 1 part cobalt) to displace 622 cathodes has proved more difficult than major battery manufacturers forecast. Even if this thrifting away from cobalt can be safely implemented, the demand growth is still forecast to significantly outstrip supply. The challenges of 811 highlight the

2 Refer to ASX:CNJ Announcement 15/2/19

3 Refer to ASX:CNJ Announcement 5/10/17

difficultly of technological change disrupting the need for cobalt in batteries within any reasonable investment time frame.

Many commentators have now identified nickel as a commodity to watch during 2019. Nickel inventory levels halved from approximately 400,000t to 200,000t during 2018. Growth in the use of stainless steel has been strong, and when the demand from the battery industry is overlayed, nickel demand is expected to outstrip supply.

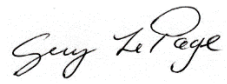
Longer term, the fundamentals of the cobalt and nickel markets remain exceptional with very few high-quality projects such as Mt Thirsty being expected to be available to meet the demand driven by EVs.

PFS Final Phase

The final 3rd phase of the PFS is now ready to commence. The scope includes:

- Mine plan optimisation informed by the new Mineral Resource block model and metallurgical regressions from the latest test-work.
- Hydrogeological drilling to confirm the water source for the project.
- Tailings test work on residue samples from the bulk leaches; and
- PFS level engineering, capital and operating cost estimation.

The work program and budget for phase 3 is currently under consideration by the MTJV management committee.



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 that relates to Exploration Results for the Mt Thirsty project is based on and fairly represents information compiled by Michael J Glasson, a Competent Person who is a member of the Australian Institute of Geoscientists. Mr Glasson is an employee of Tasman Resources Ltd and in this capacity acts as part time consultant to Conico Ltd and the MTJV. Mr Glasson holds shares in Conico Ltd. Mr Glasson has sufficient relevant experience to the style of mineralisation and type of deposits under consideration and to the activity for which he is undertaking to qualify as a Competent Person as defined in the JORC Code (2012 Edition).

The information in this report which relates to Mineral Resources at Mt Thirsty is based on information provided to and compiled by Mr David Reid, a Competent Person who is a full-time employee of Golder Associates Pty Ltd, and a Member of the Australasian Institute of Mining and Metallurgy. Mr Reid has sufficient relevant experience to the style of mineralisation and type of deposits under consideration and to the activity for which he is undertaking to qualify as a Competent Person as defined in the JORC Code (2012 Edition).

The company is not aware of any new information or data that materially affects the information presented and that the material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Persons' findings are presented have not been materially modified from the original market announcements.

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%		
M(A) 63/670#	WA	50%		
G(A) 63/93^	WA	50%		
L(A) 63/80	WA	50%		
L(A) 63/81	WA	50%		
L(A) 63/91	WA	50%		
L(A) 63/92	WA	50%		

Notes:
*MLA over P63/1267, #MLA over R63/4, ^GLA over E63/1790 & P63/2045
LA 63/91&92 for haul roads and services. LA63/80 & 81 for ground water search.