

ASX QUARTERLY REPORT
FOR PERIOD ENDED 30TH JUNE 2018

HIGHLIGHTS:

MT THIRSTY COBALT PROJECT:

- PFS in progress with top engineers at Wood, Snowden, Golder and Talis Consultants
- Three themes selected for study; all optimisations of the scoping study SO₂ flowsheet
- Product strategy confirmed as a mixed sulphide product

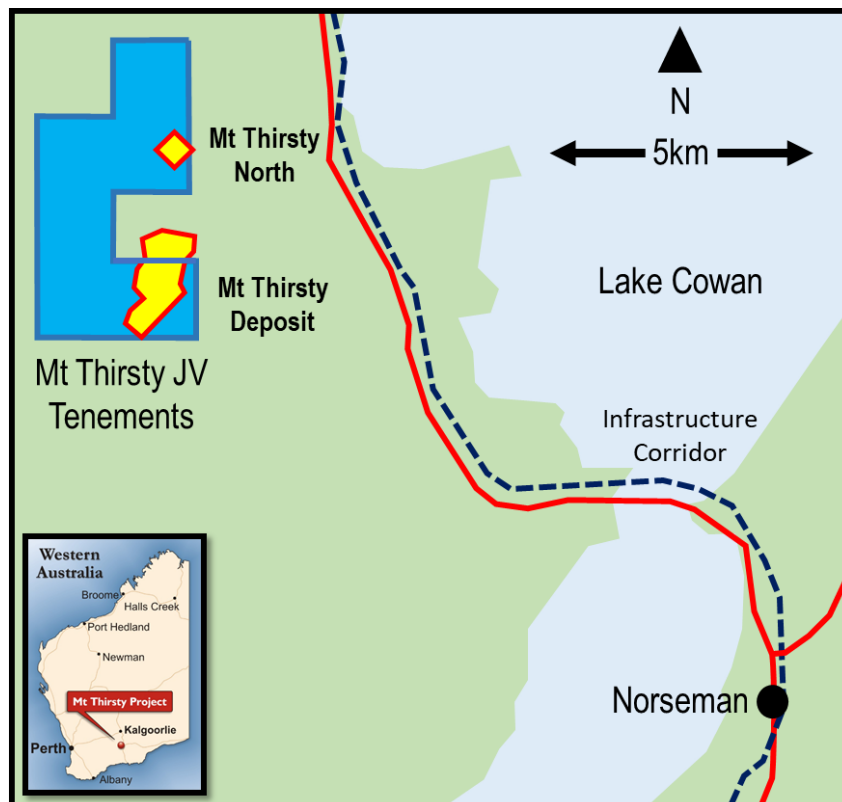


Figure 1: Mt Thirsty Project location

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.

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 Joint Venture partners are working collaboratively to exploit this joint opportunity and remain confident Mt Thirsty has the potential to become a major supplier to the burgeoning battery supply chain.

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 of Barra Resources Ltd as Manager of the Mt Thirsty Project Prefeasibility Study (PFS).

ACTIVITIES

Mt Thirsty PFS Underway

Top tier engineering houses AMEC Foster Wheeler (**Wood**), Snowden, Golder and Talis as well as relevant expert independent consultants are all rapidly progressing their respective scopes for the Pre-Feasibility Study (**PFS**). Following detailed collaboration between these consultants and the owners' team the MTJV has agreed several outcomes to firm up the definition of the project.

Value Adding Themes Under Study

The MTJV has selected three processing themes for study during the PFS; an optimised scoping study flowsheet as the base case, and two potentially value adding variations to this; beneficiation and the addition of varying amounts of sulphuric acid. The scoping study base case has been endorsed by our expert metallurgical consultants as having no fatal flaws and it is agreed that the scoping study flowsheet is a sound basis for the project to move forward on.

The beneficiation option has been put forward by Wood as an opportunity to significantly add value to the project. The option involves screening the ore feed at 10 micron using a process of low energy attrition, screening, and cyclosizing. This will have the effect of significantly increasing the grade and reducing the volume of feed going to the leach circuit, thereby reducing capital and operating costs. It is anticipated that most of the cobalt will report to the coarse size fraction, and importantly, it is expected that the easily leached asbolane will preferentially report to the coarse fraction due to the grain size and due to its high mineral density, which the cyclosizing will also target.

The addition of sulphuric acid has been long known to the MTJV as being a method to increase cobalt and nickel recoveries at Mt Thirsty. The PFS will test a range of acid addition at varying concentrations to optimise the additional reagent costs and potential materials of construction costs against the significant increases to metal recovery and revenue expected.

To enable all cases to be compared on equivalent terms and to maximise the NPV of the project, a 12-year initial mine life will be targeted. This nominally corresponds with a 2.5Mwmtpa (million wet metric tonnes per annum) feed rate in all cases, and a proportionately lower leach feed rate for the beneficiation case.

The PFS has also been able to eliminate options at this stage to frame a sensible number of options for study. Expensive High-Pressure Acid Leaching (HPAL) and the production of metal or battery sulphates on site at Mt Thirsty as part of this project have been eliminated as study options during the PFS.

Metallurgical testwork programs have been developed to test these themes in detail and are presently proceeding at full pace (Figure 2).



Figure 2: Laboratory scale low energy deagglomeration of -38 micron sample utilising glass beads as grinding media

Mt Thirsty Mineralogy

Mineralogical studies at Mt Thirsty have improved the understanding of the orebody and likely beneficiation and metallurgical performance. The cobalt is known to exist at Mt Thirsty in veins of the manganese mineral asbolane evident at varying scales as shown in Figures 3, 4, and 5. The rock exhibits the relict texture from the precursor peridotite bedrock including pseudomorphs of olivine. A horizontal fabric is consistent with the volume reduction that has occurred during weathering. Back-scatter electron images in Figure 5 illustrate that the nickel is more broadly dispersed in the goethitic matrix as well as being concentrated in the asbolane veins, although not to the same extent as the manganese and therefore cobalt. As the asbolane is more readily leached than the stronger chemical

bonds of the goethite, this explains why the leach yields of nickel are lower than the leach yields of the higher value cobalt.



Figure 3: Asbolane veining in costean at Mt Thirsty. Image is 1m across.



Figure 4: Photomicrograph of Polished Mt Thirsty drill core illustrating asbolane veins. Image is 4mm across.

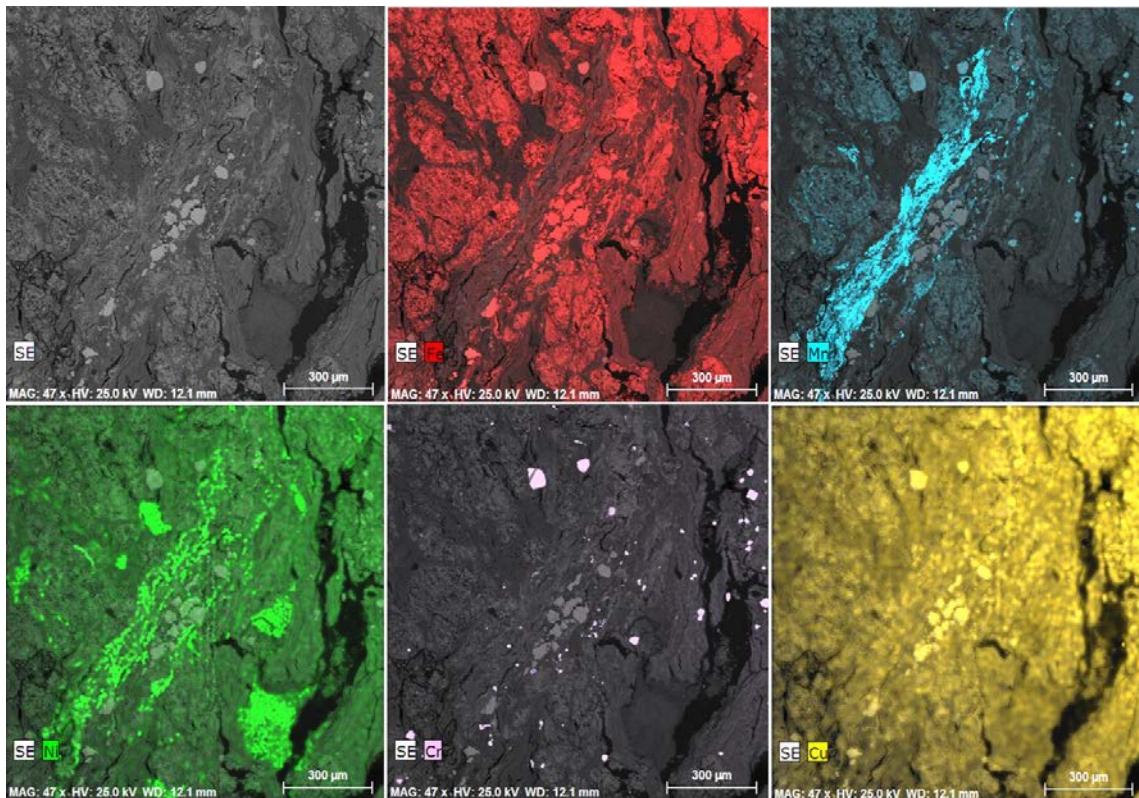


Figure 5: Back Scatter Electron Images of Mt Thirsty drill core. The manganese mineral asbolane, which hosts the cobalt, is shown highlighted in blue.

Other Studies

A desktop hydrogeological study for Mt Thirsty has been completed and identified several potentially suitable water sources within 30km of the project. Drilling programs to test these targets are now being planned.

Environmental studies have now commenced with fieldwork anticipated in early Spring.

Preliminary work on the upgrading of 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 is underway by Golder.

Snowden attended the PFS options selection workshop and are expected to play a key role in assessing the economic benefits of the three options under study.

Product Strategy

The product strategy from the 2017 scoping study to produce a mixed sulphide product (MSP) has now been ratified. The advice from our expert marketing consultants indicates that the lion's share of the value can be captured by producing an intermediary product such as an MSP for a low capital cost. The MSP is a very suitable feedstock into numerous downstream processes in both the burgeoning batteries market and the presently undersupplied metals market, including into refineries both overseas and within Australia. The practicalities of producing final battery grade specifications in outback Western Australia are also a consideration, although pleasingly this option remains open as the MSP product would be a necessary intermediary step for potential value adding future downstream investments, even if they were made on site at Mt Thirsty. Other intermediaries such as mixed hydroxide products (MHP) were also considered, however the manganese mineralogy and

metallurgical process employed at Mt Thirsty lend themselves to the MSP product and market intelligence suggests that MSP products would attract a pricing premium over MHP products.

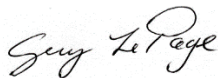
Cobalt Market Outlook

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\$70,000/t, the medium- and long-term fundamentals remain exceptional.

Demand is likely to escalate exponentially with battery production; however, supply is uncertain as 56% 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 that reads '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.

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%		

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

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

Name of entity

Conico Ltd

ABN

49 119 057 457

Quarter ended ("current quarter")

30 June 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(36)	(159)
(b) development	-	-
(c) production	-	-
(d) staff costs	(45)	(126)
(e) administration and corporate costs	(88)	(270)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	40
1.8 Other (provide details if material)	1	8
1.9 Net cash from / (used in) operating activities	(168)	(507)

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

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	-	-

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	375
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	-	375

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	334	466
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(168)	(507)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	375
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of period	166	334

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	166	334
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	166	334

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	124
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Director fees and superannuation were paid during the quarter.

Management Fees, as per agreement, were paid during the quarter to a company of which Mr GH Solomon and Mr DH Solomon are directors.

Corporate advisory fees paid to RM Corporate Finance Pty Ltd, a company of which Mr GT Le Page and Mr J Richardson have an interest.

Legal fees paid to Solomon Brothers, a law firm in which Mr GH Solomon and Mr DH Solomon are partners.

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

Mining exploration entity and oil and gas exploration entity quarterly report

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

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	120
9.2 Development	-
9.3 Production	-
9.4 Staff costs	45
9.5 Administration and corporate costs	100
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	265

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2 Interests in mining tenements and petroleum tenements acquired or increased				

Compliance statement

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

Sign here:


 Company secretary

Date: 31 July 2018

Print name: Aaron Gates

Notes

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