



**Conico Ltd**  
**ABN 49 119 057 457**

**and Controlled Entities**

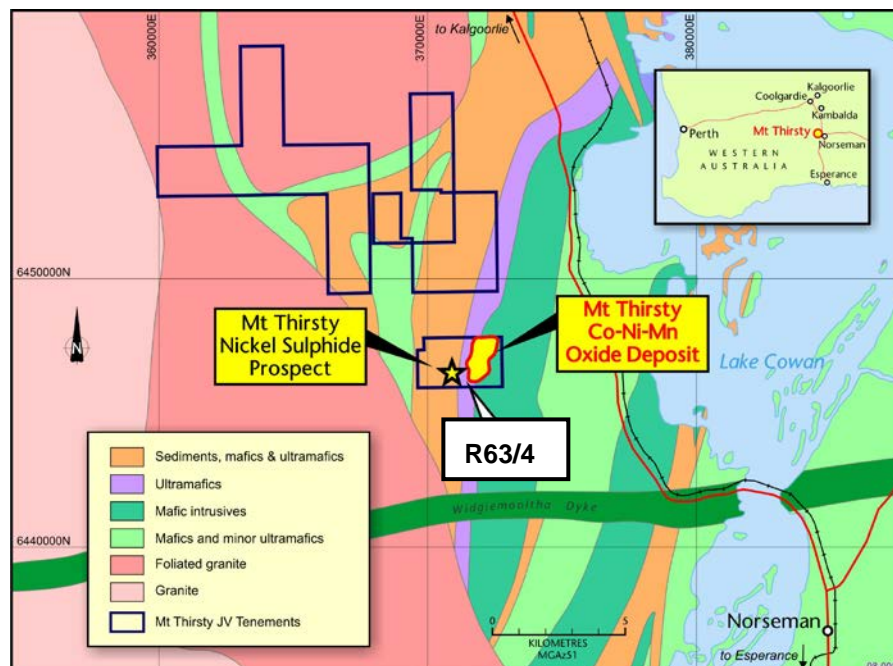
**Interim Financial Report**  
**for the**  
**Half-Year Ended 31 December 2017**

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## HIGHLIGHTS

- **Mt Thirsty Scoping Study** returns outstanding financial metrics (base case NPV A\$290M) for simple atmospheric SO<sub>2</sub> flowsheet over 21-year mine life.
- **Planning underway for 2018 PFS** to test additional flowsheet options with the potential to significantly increase metal recovery and further improve the project economics.



**Figure 1: Mt Thirsty Project Location and Regional Geology**

## **CORPORATE DIRECTORY**

### **DIRECTORS:**

Gregory H Solomon **LLB** (Chairman)  
Douglas H Solomon **BJuris LLB (Hons)** (Non-Executive)  
Guy T Le Page **BA, BSc (Hons), MBA, FINSIA, MAusIMM** (Non-Executive)  
James B Richardson **Dip, Fin Plan** (Non-Executive)

### **COMPANY SECRETARY:**

Aaron P Gates **B.Com, CA, AGIA**

### **REGISTERED OFFICE:**

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197 St Georges Terrace  
Perth  
Western Australia 6000  
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### **SOLICITORS:**

Solomon Brothers  
Level 15  
197 St Georges Terrace  
Perth WA 6000

### **AUDITORS:**

Nexia Perth Audit Services Pty Ltd  
Level 3  
88 William Street  
Perth WA 6000

### **SHARE REGISTRY:**

Advanced Share Registry Services  
110 Stirling Highway  
Nedlands WA 6009

### **STOCK EXCHANGE LISTING:**

ASX Code: CNJ (ordinary shares)

Quotation has been granted for all the ordinary shares and all issued options of the company on all Member Exchanges of the Australian Stock Exchange Limited.

## MT THIRSTY COBALT PROJECT

### (50% Conico: 50% Barra – Joint Venture)

The Mt Thirsty Cobalt Project is located 20km north-northwest of Norseman, Western Australia. Conico Ltd (ASX: CNJ) is the Joint Venture manager.

The Project contains the Mt Thirsty Cobalt-Nickel (Co-Ni) Oxide Deposit that has the potential to emerge as a significant cobalt producer. Further information can be found at [www.mtthirstycobalt.com](http://www.mtthirstycobalt.com). 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. However, the battery industry is also competing with demand for cobalt from producers of superalloys, aircraft turbines and chemical industries.

Demand is likely to escalate exponentially with battery production, however supply is uncertain as over 60% of global supply comes from the politically unstable African countries such as the Democratic Republic of Congo, Central African Republic and Zambia.

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

The undeveloped Mt Thirsty Cobalt Project has a significant JORC (2004) compliant 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.

## CORPORATE

### Option Exercise

Since the beginning of the December quarter a total of \$A285,000 has been raised through the exercise of 9.5 million unlisted options.

### Research & Development Claim

An R&D claim for Mt Thirsty metallurgical process development work was prepared for the year ended 30 June 2017 and lodged with AusIndustry. Assuming it is successful \$41,656 should be returned to Conico from the ATO.

## ACTIVITIES

### Scoping Study

The Mt Thirsty Scoping Study was completed in September 2017 and has returned a robust set of financial metrics over a 21-year mine life. The project is strongly leveraged to the emerging Electric Vehicle/Battery industry with exposure to the rebounding nickel market. The study was managed by Provide Advantage, with support from consultant engineers CPC Engineering, metallurgical support from ALS Metallurgy Pty Ltd and open pit optimisation and mine scheduling from CSA Global.

Since completion of the scoping study the cobalt price has risen over one third from around \$US60,000 per tonne to around \$US80,000/tonne. Forecast future increases in the cobalt price would obviously have a positive impact on project economics.

The Mt Thirsty JV is now planning the Pre-Feasibility Study (PFS) for the project. The PFS will test several additional flow sheet options, all of which have the potential to significantly increase metal recovery and

further improve the project economics.

## **Scoping Study Outcomes**

- **The Study used a life of mine average cobalt price of US\$72,200 (A\$97,600) per tonne, a nickel price of US\$15,500 (A\$20,945) per tonne and returned a preferred case after tax Net Present Value (8% discount rate - NPV<sub>8</sub>) of A\$290 million (lower case A\$245 million, upper case A\$335 million) with a healthy base case 21.5% Internal Rate of Return and expected four-year pay back.**
- **Low capital cost of A\$212 million (incl. A\$34 million contingency) employing an atmospheric sulphur dioxide (SO<sub>2</sub>) leaching process with overall base case metal recoveries of 73% for cobalt and 21.5% for nickel. Life of mine operating costs are projected to be A\$43/tonne of ore treated due to the very low reagent consumption. Planned optimisation testwork is aimed at significantly improving metal recoveries.**
- **Plant throughput up to 1.5 million tonnes per annum with potential to produce an average (as a mixed sulphide concentrate) of up to 1,280 tonnes of cobalt and up to 1,660 tonnes of nickel per annum over a 21-year mine life.**
- **A total of up to 27,000 tonnes of cobalt and up to 35,000 tonnes of nickel could be produced over the life of mine. Year 1-5 average Cobalt production up to 1,900 tonnes of cobalt and up to 1,760 tonnes of nickel.**
- **The Study is based on a JORC (2004) Inferred and Indicated Mineral Resource of 32Mt @ 0.13% cobalt and 0.55% nickel.**
- **The results of the Study confirm the MTJV's view that the Mt Thirsty Cobalt Project represents a long mine life, low capital and operating cost mining opportunity in a stable jurisdiction with excellent logistics.**
- **Partners/funding sought to progress to a Pre-Feasibility and/or Feasibility Study as soon as possible.**

## Scoping Study Parameters

Item	Base Case Cost	Range
Process Plant Throughput	1.5Mtpa	
Cobalt Head Grade	0.12%	
Nickel Head Grade	0.52%	
Recovery Rate - Agitated Leaching – Cobalt	73%	73% to 80%
Recovery Rate - Agitated Leaching – Nickel	21.5%	20% to 27%
Construction and Commissioning Period	24 months	
Life of Mine	21 Years	
Exchange Rate	US\$/A\$ 0.74	
Operating Costs	A\$43/t	A\$38.7 to A\$47.3/t
Capital Costs	A\$212m	A\$190m to A\$232m
NPV <sub>8</sub>	A\$290m	A\$245m to A\$335m
Cumulative Net Cash Flow	A\$746m	A\$651m to A\$840m
IRR (After Tax)	21.5%	18.7% to 24.3%

TABLE 1: MTJV Scoping Study parameters (source: MTJV Scoping Study, 4/10/2017).

## Financial Summary...a compelling set of financial metrics

A financial analysis formed part of the Study and was undertaken by Provide Advantage Pty Ltd ("Provide Advantage") using discounted cash flows over the construction period and 21-year life scheduled by CSA Global. This analysis was also based on inputs from metallurgical, capital and operating cost estimates developed by CPC Project Design. The base case financial summary is set out in Table 2.

Parameters (Base Case-Life of Mine)	Value
Discount Rate %	8
Depreciation %	10
Operating Costs A\$/t	43
Capital Costs A\$m	212
Co Price A\$/t	97,600
Ni Price A\$/t	20,945
Life Of Mine Ex Rate US\$/A\$	0.74
Head Grade Co%	0.12
Head Grade Ni%	0.52
Recovery Rate Co%	73
Recovery Rate Ni%	21.5
Cumulative Net Cash Flow A\$m	746
NPV <sub>8</sub> A\$m (After Tax)	290
IRR % (After Tax)	21.5

TABLE 2: Base case study parameters (source: MTJV Scoping Study, 4/10/2017).

## Scoping Study Details

### Mt Thirsty is strategically located 20km NW of Norseman

Refer location plan in Figure 1.

### Scoping Study Parameters-Discussion

The Scoping Study (**Study**), developed by CPC Project Design Pty Ltd (**CPC Project Design**) and managed by Provide Advantage Pty Ltd (**Provide Advantage**) is based on a sulphur dioxide (SO<sub>2</sub>) leach circuit targeting enriched manganese horizons, with a design capacity of 1.5Mtpa.

Processing will comprise a crushing and grinding circuit followed by an atmospheric, low temperature, agitated leach circuit using SO<sub>2</sub> gas as the active reagent to selectively leach cobalt and nickel from the enriched manganese horizons, a neutralisation circuit for impurity removal, a six stage counter current decantation (CCD) circuit to recover pregnant liquor, cobalt and nickel sulphide precipitation with sodium sulphide and a tailings neutralising stage to raise the pH to 7-8 for disposal to a tailings dam.

The feed consists of oxide material containing head grades of 0.12% cobalt and 0.52% nickel, as well as significant levels of smectite, silica and goethite. The overall metal recovery to the mixed sulphide product (MSP) with the selected flowsheet was estimated to be 73% for cobalt and 21.5% for nickel, with the plant producing approximately 6,000t/y of the MSP.

A MSP has been selected for the Study to maximise the payable component for cobalt from the mixed cobalt and nickel intermediate product. The facility is expected to take two years to construct and commission.

The Study is based on the Mt Thirsty Cobalt Oxide Deposit JORC (2004) Resource (Table 3).

CSA Global carried out an open pit optimisation and mining schedule study using GEOVIA Whittle software (Whittle). Mining cost estimates, anticipated mining dilution and mining recovery factors, metallurgical recoveries, metal prices, and processing costs etc., were applied to the resource model which predicted a life of mine of approximately 21 years at a processing plant throughput of 1.5Mtpa.

### Mt Thirsty Mineral Resource supports long mine life

The Mt Thirsty Cobalt Oxide Deposit Mineral Resource (Resource) (Table 3) was reported in accordance with the JORC Code (2004), announced to the ASX on 8<sup>th</sup> March 2011 using a lower cut-off grade of 0.06% cobalt. Over half of the Resource is in the Indicated Mineral Resource category and the remainder is Inferred (refer details in next section).

Mineral Resource Category	Tonnes	Cobalt (Co) (%)	Nickel (Ni) (%)	Manganese (Mn) (%)
Indicated	16,600,000	0.14	0.60	0.98
Inferred	15,340,000	0.11	0.51	0.73
<b>Total Mineral Resource</b>	<b>31,940,000</b>	<b>0.13</b>	<b>0.55</b>	<b>0.86</b>

**TABLE 3:** Mt Thirsty Cobalt Oxide Deposit Mineral Resource Summary (0.06% Co lower cut-off).

*(This resource information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported, refer ASX Announcement 8th March 2011: "Resource Upgrade", available to view at [www.mtthirstycobalt.com](http://www.mtthirstycobalt.com)).*

CSA Global (CSA) were engaged in May 2017 to carry out an open pit optimisation and mining schedule study using GEOVIA Whittle software (Whittle). Relevant mining cost estimates, anticipated mining dilution and mining recovery factors, metallurgical recoveries, metal prices, and processing costs etc., were applied to the Resource model. All costs and parameters used for the pit optimisation and conceptual mining study were assumed by CSA to be within an accuracy of ± 50%.



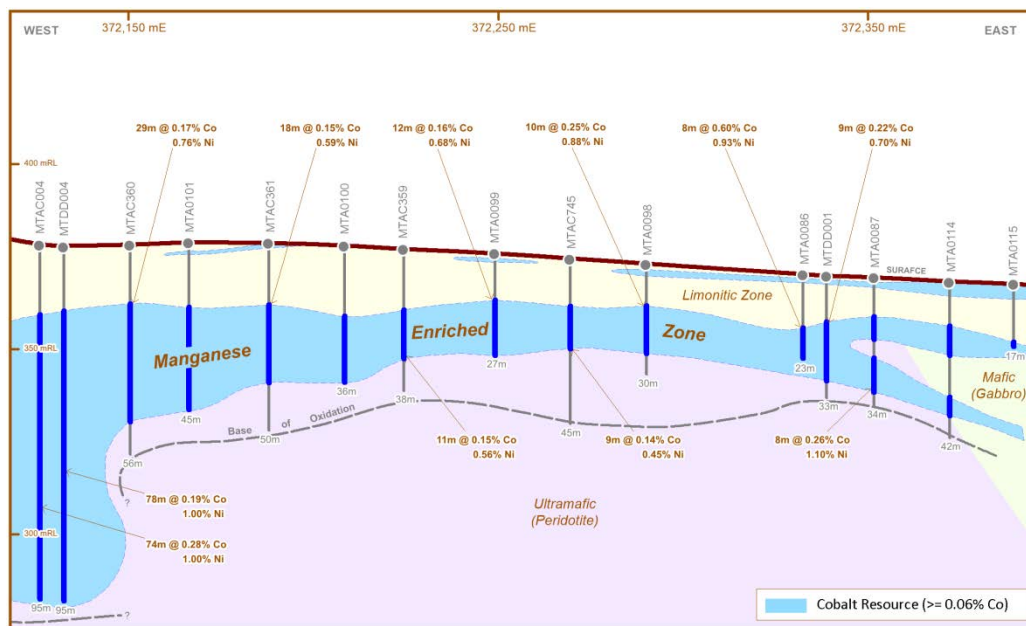
The optimum pit shell (applying mining dilution and recovery factors) contains a total mineral resource of **31Mt @ 0.12% Co and 0.52% Ni** (comprising 17Mt Indicated @ 0.13% Co and 0.55% Ni and 14Mt Inferred @ 0.11% Co and 0.48% Ni). This pit shell has been used as the basis of the scoping study. The total estimated metal which could be recovered from the pit shell is approximately 27,000 tonnes of cobalt and 35,000 tonnes of nickel.

The optimisation results indicate that almost the entire Resource has been included in the pit shell.

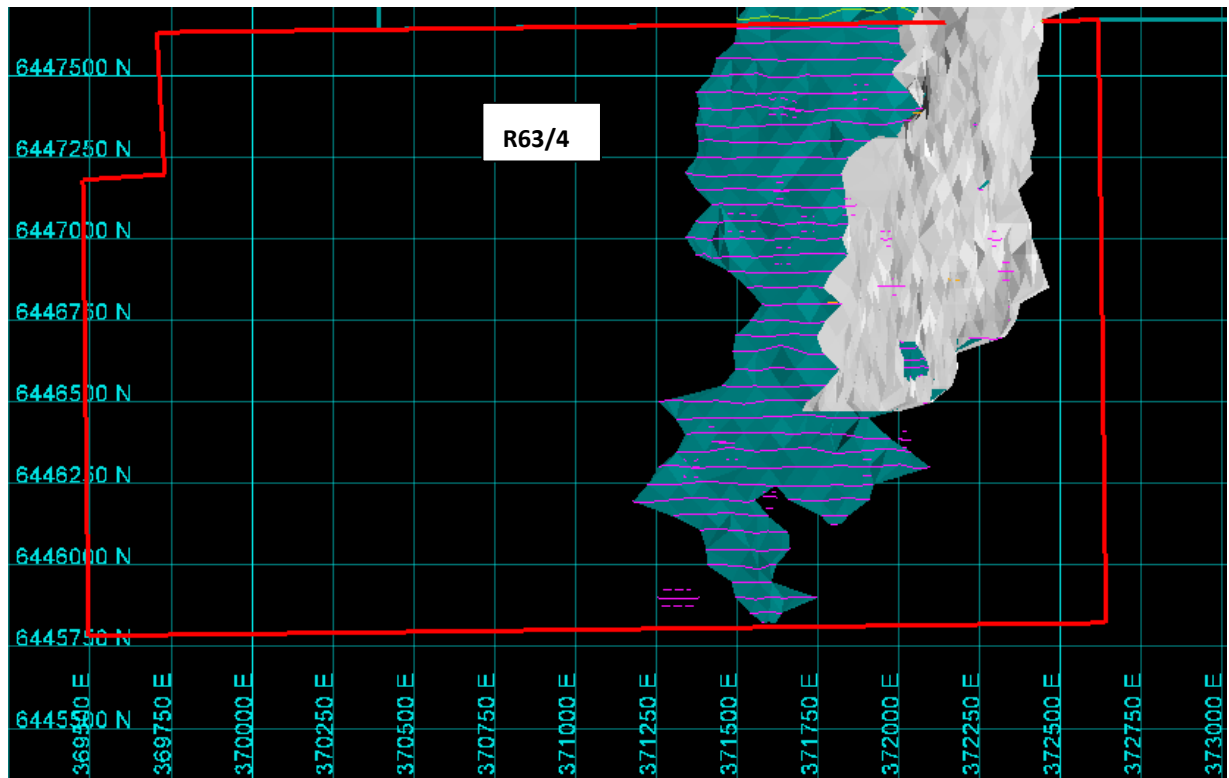
### Shallow oxide mineralisation amenable to low cost open pit mining

The Mt Thirsty Cobalt Deposit (Figures 2 & 3) would be mined by open pit, reaching a maximum depth of approximately 115m, with a total mine life of approximately 21 years at a processing rate of 1.5Mtpa.

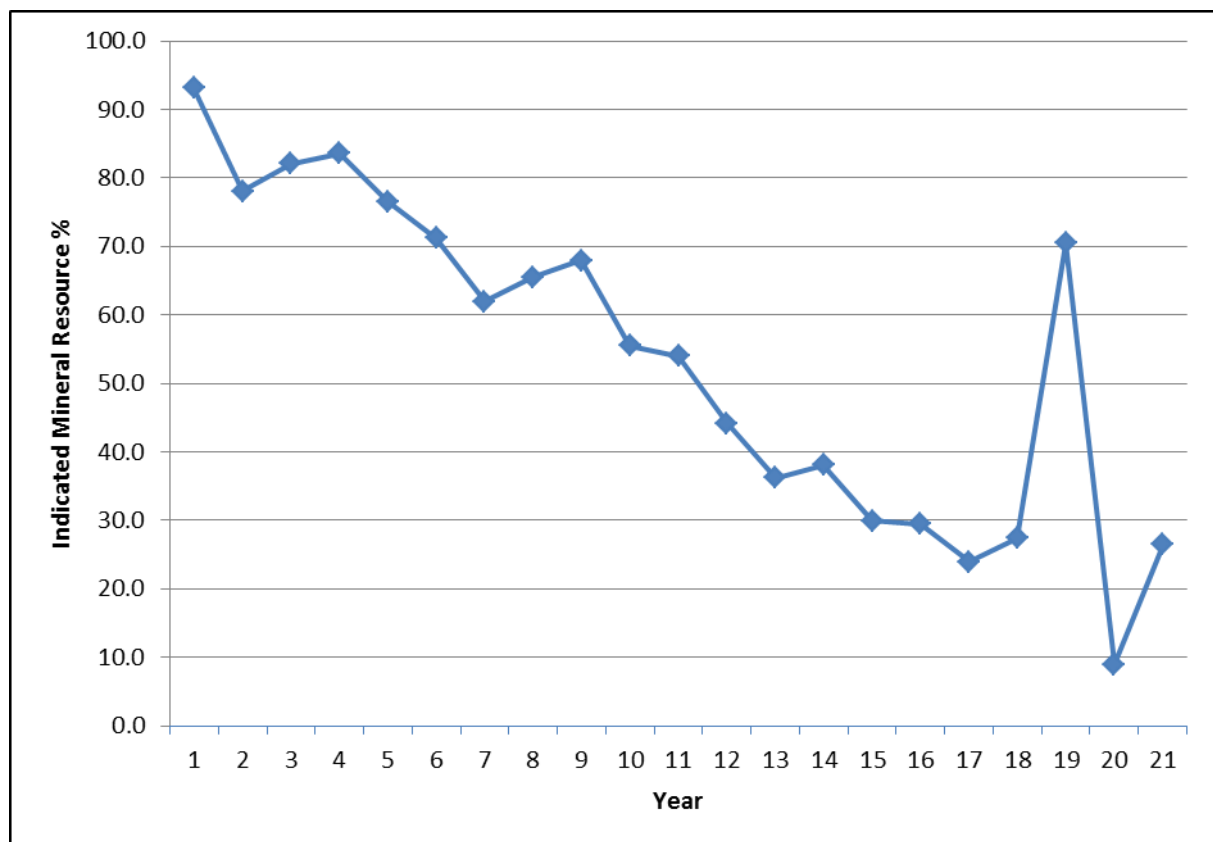
The deposit is soft and strongly weathered and only limited drilling and blasting is anticipated. Overall strip ratio for the open pit would be approximately 1.5:1 but would vary from 3.3:1 to 0.3:1 on a yearly basis. Drilling has not encountered any groundwater flow and the open pit would most likely be dry.



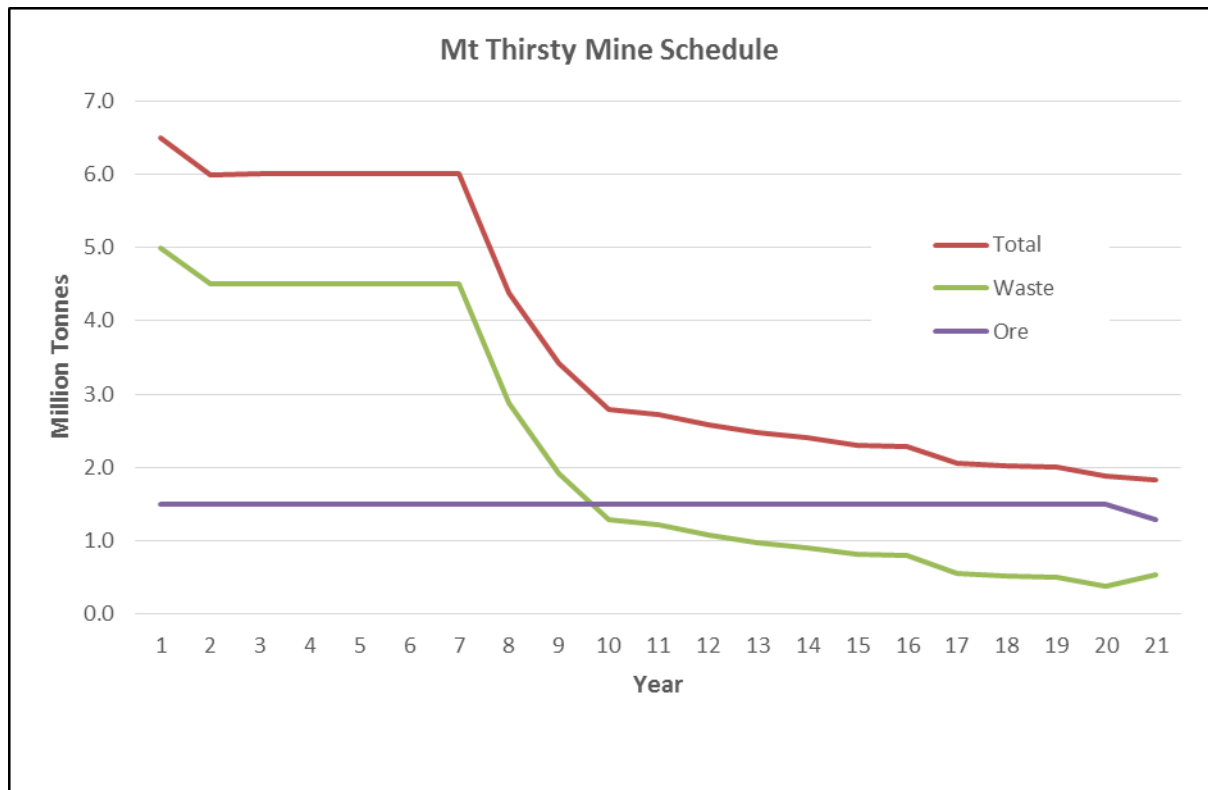
**FIGURE 2:** Representative schematic cross-section through the Mt Thirsty Cobalt Oxide Deposit (source: MTJV website, October 2017).



**FIGURE 3:** Plan of Mt Thirsty Cobalt Oxide Deposit showing Inferred Mineral Resource (blue), Indicated Mineral Resource (white) (source: MTJV website, October 2017).



**FIGURE 4:** Graph showing percentage of Indicated Mineral Resource tonnage in mine schedule on a yearly basis. (source: MTJV Scoping Study, 4/10/2017).



**FIGURE 5:** Graph showing mine production schedule including break down of total, ore and waste tonnes mined for the Mt Thirsty Project. (source: MTJV Scoping Study, 4/10/2017).

The mine schedule (Figures 4 and 5) relies predominantly on mining the Indicated Mineral Resource portion of the deposit for the first 5 years. The Indicated Mineral Resource comprises 77% to 93% of the total resource to be mined each year (on a tonnage basis) for the first five years (the remaining tonnage in each year is in the Inferred Mineral Resource category). The percentage of Indicated Mineral Resource reduces to 55% in year 10, 30% in year 15 and 27% in final year 21 as shown in the graph in Figure 4.

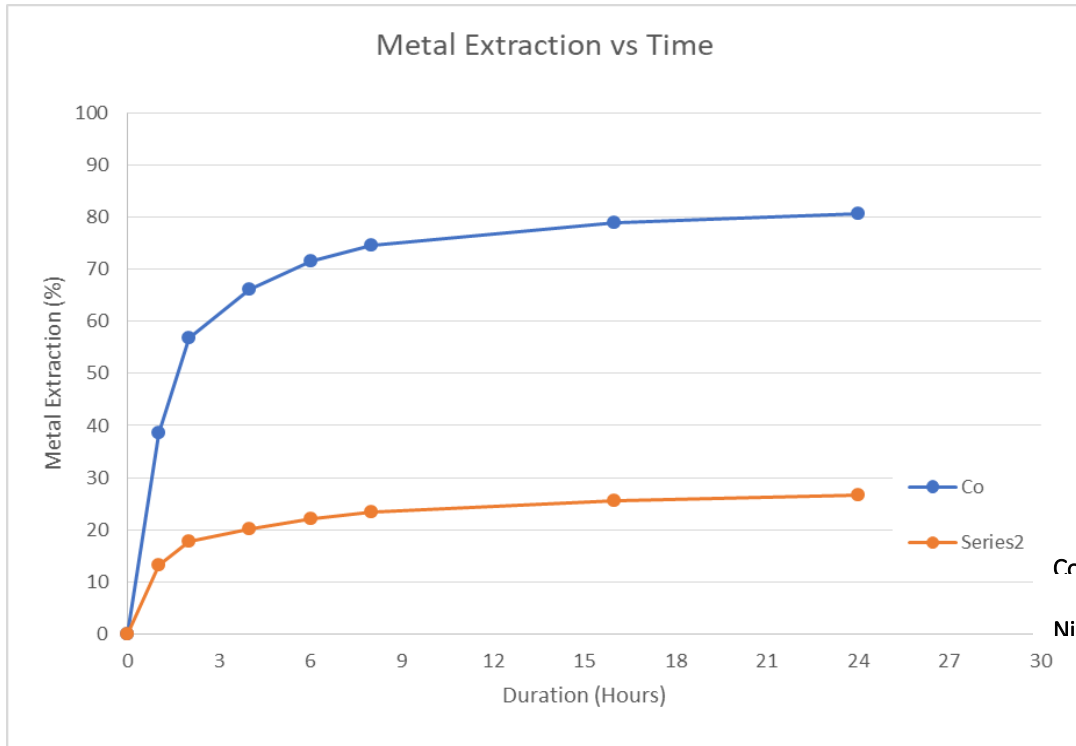
## Mineral Tenure and Native Title

The Mt Thirsty Cobalt Oxide Deposit is held under a retention licence (R63/4). Before any mining can proceed a mining lease would need to be applied for and granted. The MTJV can see no reason why a mining lease would not be granted provided a suitable agreement can be reached with the Ngadju Native Title Aboriginal Corporation. No native title costs have been included in the Scoping Study as they are an unknown at this stage.

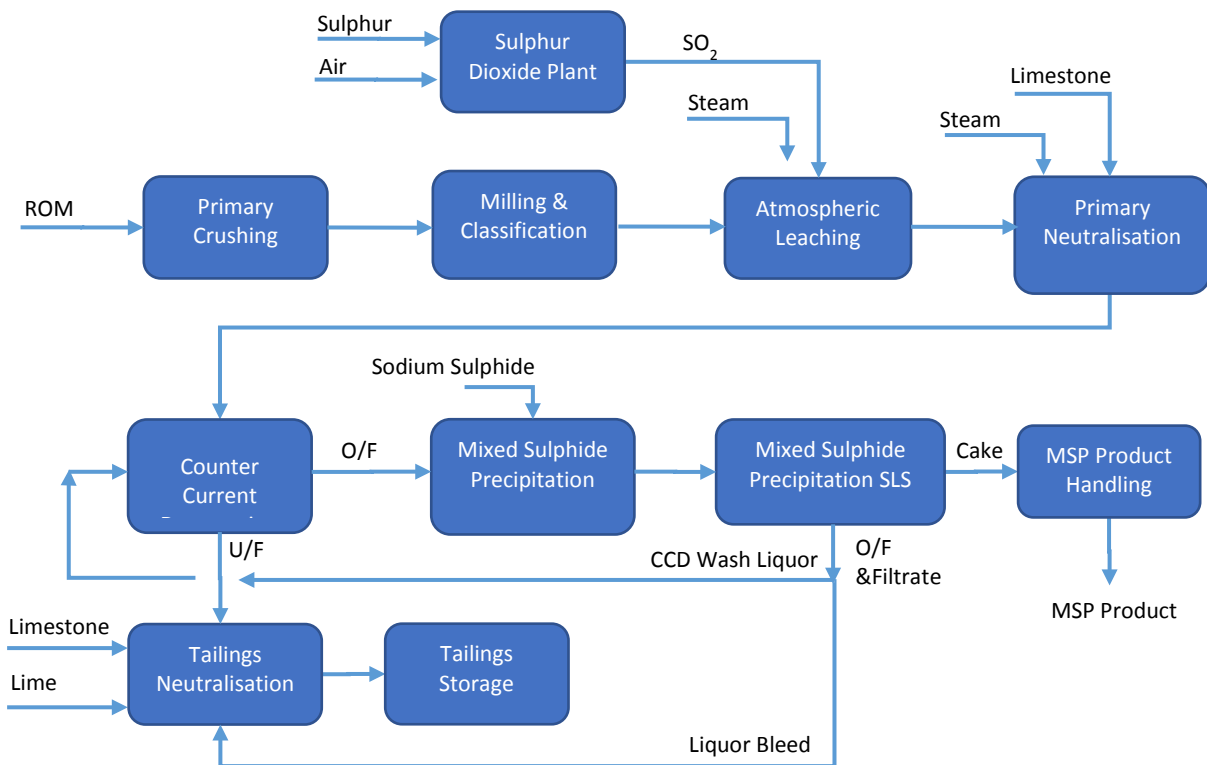
## Metallurgy and processing using low cost selective SO<sub>2</sub> leaching

The Mt Thirsty processing plant has been designed to process up to 1.5Mtpa of run-of-mine (ROM) ore bearing 0.12% cobalt and 0.52% nickel as oxides with leach extractions of 73% to 80% for cobalt and 20 to 27% for nickel (Figure 7). The plant flowsheet consists of proven unit operations including crushing, grinding, atmospheric leaching, neutralisation (impurity removal), CCD, MSP and product handling, tailings neutralisation, reagents, and a sulphur dioxide (SO<sub>2</sub>) plant for leaching.

The overall metal recovery from ROM ore to MSP with the selected flowsheet was modelled to be 73% for cobalt and 21.5% for nickel. Waste heat from the production of SO<sub>2</sub> will be used for power generation and in process heating. A simplified block flow diagram for the Mt Thirsty process is set out in Figure 8.



**FIGURE 6:** Graph of cobalt and nickel recoveries based on residence times for test HY5350 at 70°C and atmospheric pressure (source: **ALS Metallurgy**, technical report, 4 August 2017).



**FIGURE 7:** Mt Thirsty scoping study simplified block flow diagram (source: MTJV Scoping Study, 4/10/2017).

## Low reagent consumption contributes to low OPEX

The operating cost estimate is presented in Australian dollars (A\$) and uses prices obtained in, or escalated to, the first calendar quarter of 2017 (Q1 2017). The estimate has an accuracy of  $\pm 35\%$  and was developed by **CPC Project Design**. The main operating and cost input parameters are summarised in Table 4.

Category	Cost	
	A\$/y	A\$/t
Mining Costs	6.9	4.60
Reagents	23.7	15.8
Labour	10.6	7.1
Power	12.4	8.2
G&A	6.0	4.1
Maintenance	4.1	2.7
Consumables	0.8	0.5
<b>Total</b>	<b>64.5</b>	<b>43.0</b>

**TABLE 4:** Summary of Process Operating Costs

(source: MTJV Scoping Study, 4/10/2017)

Power consumption is based on the load list developed from the mechanical equipment lists for each process area, accounting for load and motor efficiency factors, and equipment utilisation.

Reagent and other supply costs were gathered from suppliers and **CPC Project Design's** database of similar project's consumption has been calculated in the SysCAD model based on the PDC inputs. Consumables include items such as grinding media, filter cloths and product bulk bags.

Reagent and Consumable costs are summarised in Table 5.

Category	Cost	
	\$m/y	\$/t
<b>Reagents</b>		
Sulphur	7.7	5.1
Sodium Sulphide	6.2	4.1
Limestone	1.9	1.3
Quicklime	6.4	4.3
Caustic soda	0.2	0.1
Flocculant	1.0	0.7
Water Treatment Chemicals	0.3	0.2
<b>Consumables</b>	0.8	0.5
<b>TOTAL</b>	<b>24.5</b>	<b>16.3</b>

**TABLE 5:** Reagents operating costs (source: MTJV Scoping Study, 4/10/2017).

## Low capital costs driven by atmospheric leach process engineering

The capital cost estimate covers the design and construction of the process plant and is based on the supply and installation of new equipment and includes all indirect costs such as Engineering Procurement Construction Management (EPCM) costs. The estimate has a base date of the second quarter 2017 (Q2 2017) and is reported in Australian dollars (A\$) as outlined in Table 6.

Area	A\$m
<b>Process Plant Direct</b>	102.4
<b>Other Direct Costs</b>	26.9
<b>Indirect Costs</b>	40.7
<b>Owner's Costs</b>	8.0
<b>Contingency</b>	33.9
<b>Project Grand Total</b>	<b>211.9</b>

**TABLE 6:** CAPEX summary (source: MTJV Scoping Study, 4/10/2017).

Preliminary engineering and design has been completed for the development of the capital cost estimate to be calculated with an accuracy of  $\pm 35\%$ . This cost includes estimates for each individual WBS area. Direct costs are those expenditures that include supply of the equipment and materials, freight to site and project site labour to construct plant and assembled equipment, supporting facilities and services, and growth allowances. Indirect costs are those expenditures not directly accountable to any particular equipment purchase or construction installation activity. These include administration, plant hire, temporary construction facilities and equipment, first fills, spares, contractor and EPCM costs.

## Environmental & Permitting

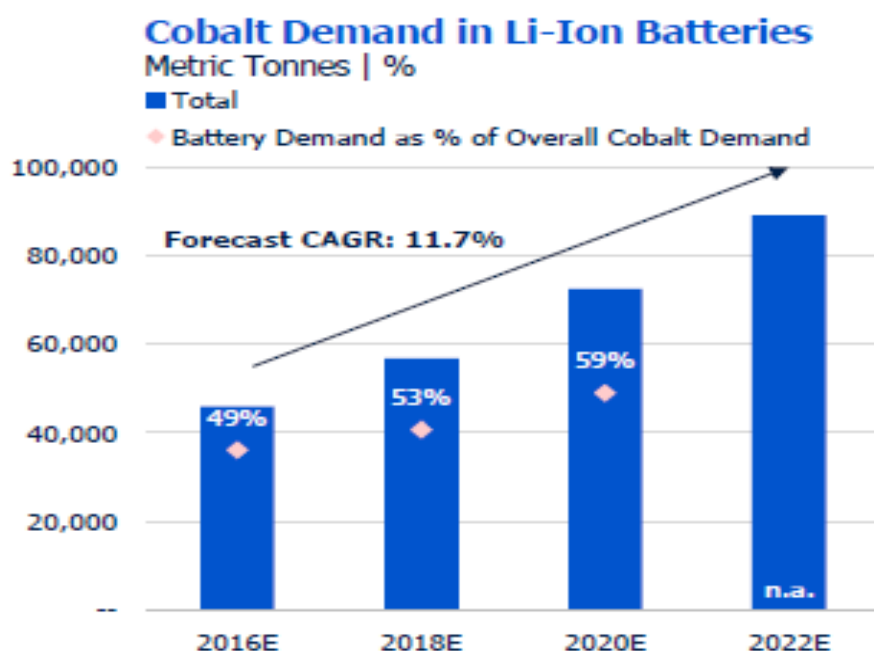
Vegetation within the project area is dominantly open Eucalyptus woodland with saltbush and bluebush understory with some localised low Eucalypt forest thickets. A broader area of low denser Eucalypt forest occurs along the low to mid slopes bordering the ridge line near the eastern boundary.

No Declared Rare Flora species pursuant to subsection (2) of section 23F of the Wildlife Conservation Act 1950 [WA] and as listed by the Department of Environment and Conservation (2007) and no threatened Flora listed under the Environment Protection Biodiversity Conservation Act 1999 [Commonwealth] have been recorded by a Flora survey within the Mt Thirsty Project Area in 2007.

An Environmental Impact Study will be completed during future studies when required.

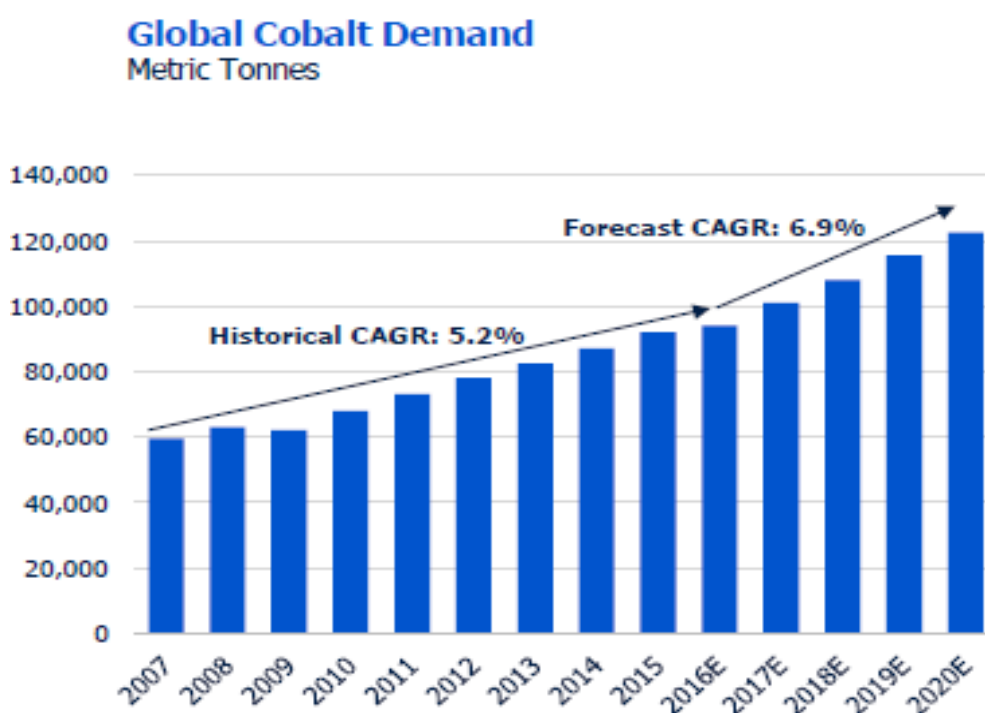
## Commodity Outlook Remains Favourable

*Lithium battery and electric car demand continues to drive cobalt prices*



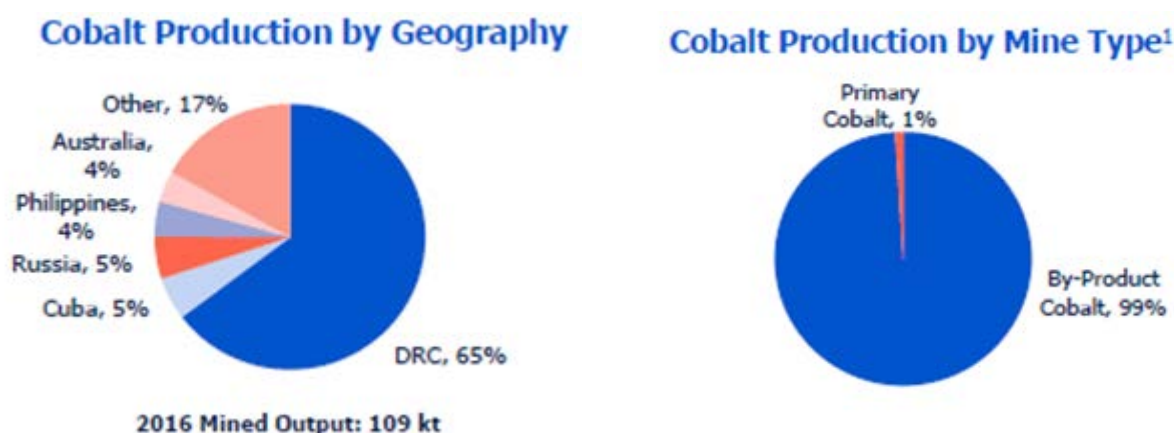
**Figure 8:** Projected cobalt demand in Lithium-ion batteries (*source: Darton commodities<sup>1</sup>*).

*Life of Mine cobalt production from the Study represents ~1.6% of current world production*



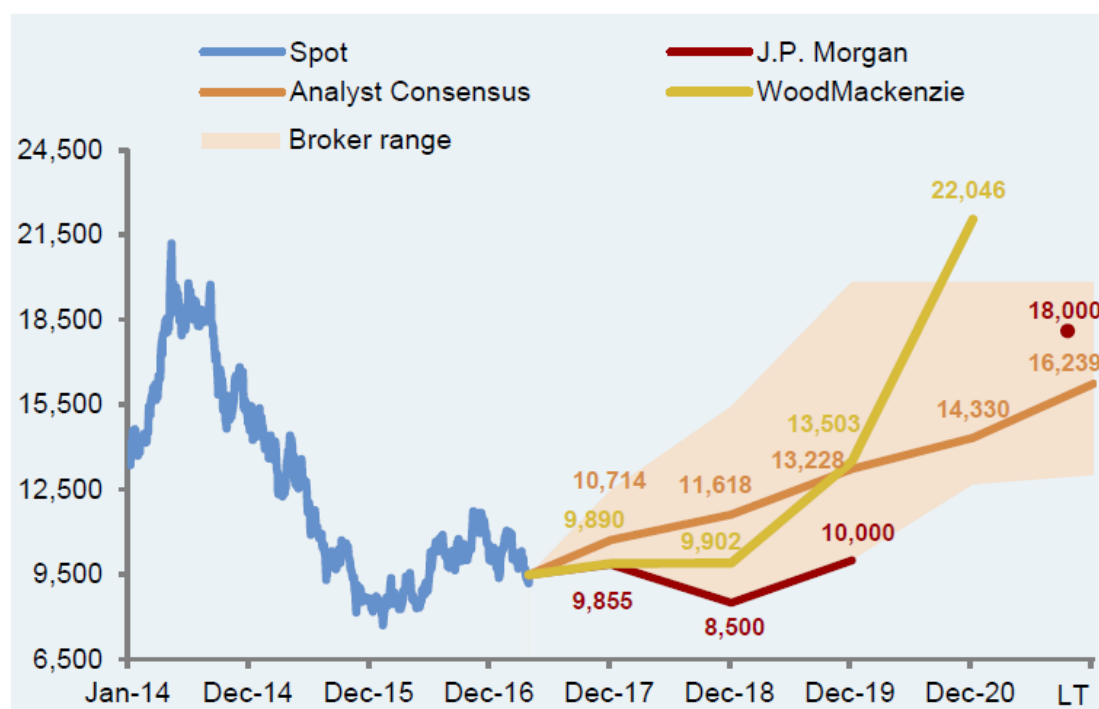
**FIGURE 9:** Global cobalt demand (*source: Darton commodities<sup>1</sup>*).

**DRC currently accounts for >65% world cobalt production**



**FIGURE 10:** World cobalt production by type and region (source: Darton commodities 1).

**Nickel price also recovering...**

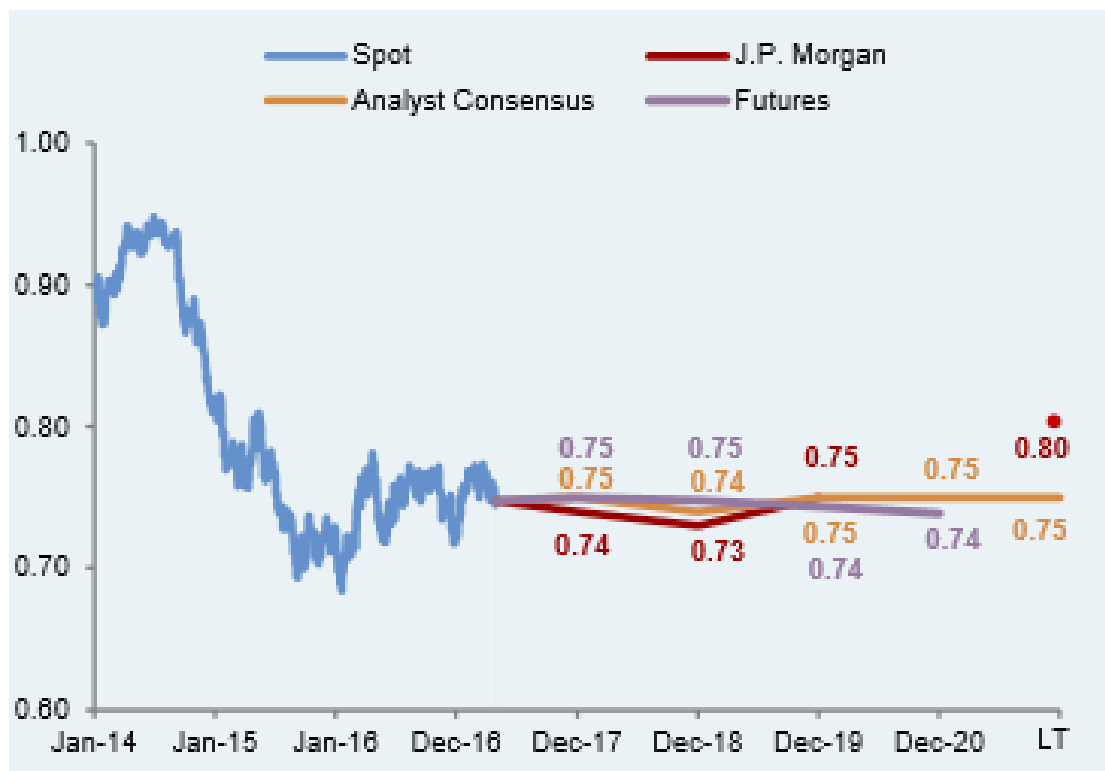


**FIGURE 11:** LME Nickel projections versus current spot prices (source: JP Morgan, Asia Pacific Metals & Mining, May 2017).

<sup>1</sup> Figures 9, 10 and 11 are sourced from **Darton Commodities**, a wholly independent specialist in the procurement, financing, marketing and distribution of cobalt metal. Darton are one of the largest, independent and specialized full-service cobalt metal suppliers operating in the market today.



## USD/AUD exchange rate forecasts (nominal)



Source: FactSet as of 28 April 2017, Broker reports

**FIGURE 12:** Exchange Rate Forecasts (Nominal) (source: JP Morgan, Asia Pacific Metals & Mining, May 2017).

## Further Potential

There is potential to extend the mine life at Mt Thirsty through the inclusion of additional tonnages from other prospects in the region. The MTJV has recently discovered a small cobalt deposit approx. 3km to the north (refer ASX announcement 29 May 2017 "Mt Thirsty Drilling Update" available to view on [www.mtthirstycobalt.com](http://www.mtthirstycobalt.com)).

## Conclusion.... Mt Thirsty Cobalt Project a stand out among its peers

The MTJV is delighted with the results of the Scoping Study which confirms that the Mt Thirsty Cobalt Project has the potential to become a low capital and operating cost producer of cobalt and nickel with excellent logistics in a first world jurisdiction.

Unlike many cobalt projects (for example laterite projects), the deployment of low cost atmospheric leaching using SO<sub>2</sub> means that the project has the potential to be brought on line for a fraction of the cost of many of its peers. Another stand out is the strategic location just 20km NW of Norseman and only 224km from the deep-water port of Esperance (Western Australia). In addition, the project is situated within 5km of a water pipeline, rail, sealed highway and grid power.

**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 on the basis of interpretations or conclusions contained in this report will therefore carry an element of risk.*

*The information in the 2011 report relating to the Mt Thirsty Mineral Resource Update is based on information compiled by Alan Miller, who at the time was a full time employee of Golder Associates Pty Ltd and a member of the Australasian Institute of Mining and Metallurgy. Alan Miller has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he has undertaken to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves prepared by the Joint Ore Resources Committee, the Australian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and the Mineral Council of Australia." Alan Miller consented to the inclusion in the 2011 report of the matters based on this information in the form and context in which it appears.*

*The information in this report that relates to Exploration Targets and Exploration Results 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 a part time consultant to Conico Ltd. Mr Glasson hold shares in Conico Ltd. Mr Glasson has sufficient experience which is relevant to the style of mineralisation and type of the deposit under consideration and to the activity being undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Glasson consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

## DIRECTORS' REPORT

Your directors submit the financial report of the consolidated group for the half-year ended 31 December 2017.

### Directors

The names of directors who held office during or since the end of the half-year:

Mr Gregory H Solomon  
Mr Douglas H Solomon  
Mr Guy T Le Page  
Mr James B Richardson

### Review of Operations

The net loss after income tax for the half year was \$588,675 (2016: \$193,521).

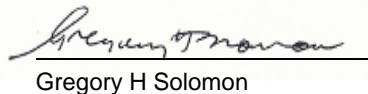
A review of the operations of the Group during the half-year ended 31 December 2017 is set out in the Review of Operations on Page 5.

### Auditor's Declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 20 for the half-year ended 31 December 2017.

This report is signed in accordance with a resolution of the Board of Directors.

Director

A handwritten signature in black ink, appearing to read 'Gregory H Solomon', is written over a horizontal line. Below the line, the name 'Gregory H Solomon' is printed in a black, sans-serif font.

Dated this 6<sup>th</sup> day of March 2018

**Auditor's independence declaration under section 307C of the Corporations Act 2001**

To the directors of Conico Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the period ended 31 December 2017, there have been:

- (i) no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

NPAS

**Nexia Perth Audit Services Pty Ltd**

Amar Nathwani

**Amar Nathwani**  
*Director*

Perth  
6 March 2018

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

	Notes	Consolidated Group	
		31 Dec 2017	31 Dec 2016
		\$	\$
Other income		7,689	2,855
Accounting and audit expense		(12,434)	(9,560)
Depreciation and amortisation expense		(730)	(867)
Employee benefits expense		(408,007)	(80,482)
Insurance expense		(18,188)	(13,710)
Legal and other consultants expense		(50,832)	(2,419)
Management Fees		(72,000)	(72,000)
Other expenses		(34,173)	(17,338)
Loss before income tax		(588,675)	(193,521)
Income tax expense		-	-
Loss for the period		(588,675)	(193,521)
<b>Other Comprehensive Income</b>			
Items that may be reclassified to profit or loss:			
Revaluation Reserve		-	-
Income tax relating to other comprehensive income		-	-
Other comprehensive income, after tax		-	-
<b>Total Comprehensive Loss attributable to members of the parent</b>			
		(588,675)	(193,521)
Basic/Diluted earnings per share (cents per share)		0.1873	0.0654

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2017

	Consolidated Group	
	31 Dec 2017	30 Jun 2017
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	192,091	466,368
Trade and other receivables	17,413	24,700
TOTAL CURRENT ASSETS	209,504	491,068
NON-CURRENT ASSETS		
Property, plant and equipment	8,857	9,587
Exploration and Evaluation expenditure	15,031,170	14,921,918
TOTAL NON-CURRENT ASSETS	15,040,027	14,931,505
TOTAL ASSETS	15,249,531	15,422,573
CURRENT LIABILITIES		
Trade and other payables	78,981	124,548
TOTAL CURRENT LIABILITIES	78,981	124,548
NON-CURRENT LIABILITIES		
Provisions	275,000	275,000
TOTAL NON-CURRENT LIABILITIES	275,000	275,000
TOTAL LIABILITIES	353,981	399,548
NET ASSETS	14,895,550	15,023,025
EQUITY		
Issued capital	19,057,403	18,907,403
Reserves	788,650	477,450
Accumulated losses	(4,950,503)	(4,361,828)
TOTAL EQUITY	14,895,550	15,023,025

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

	Share Capital Ordinary	Option Reserve	Accumulated Losses	Total
	\$	\$	\$	\$
<b>Balance at 1 July 2016</b>	18,434,903	477,450	(4,036,155)	14,876,198
Net loss for the period	-	-	(193,521)	(193,521)
Issue of shares	15,000	-	-	15,000
Other comprehensive income / (loss)	-	-	-	-
<b>Balance at 31 December 2016</b>	<u>18,449,903</u>	<u>477,450</u>	<u>(4,229,676)</u>	<u>14,697,677</u>
<b>Balance at 1 July 2017</b>	18,907,403	477,450	(4,361,828)	15,023,025
Net loss for the period	-	-	(588,675)	(588,675)
Issue of options	-	311,200	-	311,200
Issue of shares	150,000	-	-	150,000
Other comprehensive income / (loss)	-	-	-	-
<b>Balance at 31 December 2017</b>	<u>19,057,403</u>	<u>788,650</u>	<u>(4,950,503)</u>	<u>14,895,550</u>

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

	<b>Consolidated Group</b>	
	<b>31 Dec 2017</b>	<b>31 Dec 2016</b>
	<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	6,218	11,782
Payments to suppliers and employees	(321,958)	(51,764)
Interest received	715	1,275
Net cash provided by (used in) operating activities	(315,025)	(38,707)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Exploration and evaluation expenditure	(109,252)	(42,972)
Net cash provided by (used in) investing activities	(109,252)	(42,972)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net proceeds from share issues	150,000	15,000
Net cash provided by (used in) financing activities	150,000	15,000
Net increase/(decrease) in cash held	(274,277)	(66,679)
Cash at beginning of period	466,368	397,789
Cash at end of period	192,091	331,110

The accompanying notes form part of these financial statements.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

**NOTE 1: BASIS OF PREPARATION**

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with AASB 134: Interim Financial Reporting ensures compliance with IAS 34: Interim Financial Reporting.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2017 and any public announcements made by Conico Ltd and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001* and the *ASX Listing Rules*. The half-year report does not include full disclosures of the type normally included in an annual financial report.

*Accounting Policies*

The accounting policies have been consistently applied by the entities in the consolidated group and are consistent with those in the June 2017 financial report except for the adoption of new and revised Accounting Standards.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 July 2017, and have not been applied in preparing these consolidated financial statements. The Group does not plan to adopt these standards early. The new standards include AASB 9 – Financial Instruments, AASB 15 – Revenue from contracts with customers and AASB 16 - Leases. Based on the current operations of the Group, management are of the view that these standards and amendments will not have a significant impact on the financials.

*Going Concern*

These financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities the realisation of assets and extinguishment of liabilities in the ordinary course of business.

The Group has reported a net loss for the period of \$588,675 (2016: \$193,521) and a cash outflow from operating activities of \$315,025 (2016: \$38,707).

The directors are confident that the Group, subject to being able to raise further capital, will be able to continue its operations as a going concern. Without such capital, the net loss for the year and the cash outflow from operating activities indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The directors also carefully manage discretionary expenditure in line with the Group's cash flow.

The continuing applicability of the going concern basis of accounting is dependent upon the Group's ability to source additional finance. Unless additional finance is received the Group may need to realise assets and settle liabilities other than in the normal course of business and at amounts which could differ from the amounts at which they are stated in these financial statements.

**NOTE 2: SEGMENT INFORMATION**

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision maker) in assessing performance and determining the allocation of resources.

The Group is managed on the basis it is a mineral exploration company operating in the geographical region of Australia. The mineral assets are considered one business segment and the minerals currently being targeted include cobalt, nickel and manganese in Western Australia.

**NOTE 3: CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

The directors are not aware of any contingent liabilities or contingent assets as at 31 December 2017.

**NOTE 4: EVENTS SUBSEQUENT TO REPORTING DATE**

Subsequent to the end of the period 7,500,000 unlisted 3 cents options were exercised raising \$225,000.

No other matters or circumstances have arisen since the end of the period which significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in future financial years.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

NOTE 5: RELATED PARTY TRANSACTIONS

	2017 \$	2016 \$
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.		
Transactions with related parties during the period:		
<b>Key Management Personnel</b>		
Management fees and administration fees paid/payable to Princebrook Pty Ltd, a company in which Mr G Solomon and Mr D Solomon have an interest. At 31 December 2017 an amount of \$12,000 (2016: \$84,000) was included in Trade and Other Payables as owing to Princebrook Pty Ltd.	72,000	72,000
Corporate advisory fees paid/payable to RM Corporate Finance Pty Ltd, a company in which Mr G Le Page and Mr J Richardson have an interest. At 31 December 2017 an amount of \$7,000 (2016: Nil) was included in Trade and Other Payables as owing to RM Corporate Finance Pty Ltd.	49,000	-
	<b>2017 \$</b>	<b>2016 \$</b>
<b>Associated Companies</b>		
Reimbursement to Tasman Resources Ltd (which has a 13% interest in the Company) for employee costs on an hourly basis, in relation to Tasman staff utilised by the Company.	16,132	21,440

NOTE 6: SHARE BASED PAYMENTS

On 29 August 2017, 6,000,000 share options were granted under the Employee Share Option Plan ("ESOP"). The exercise price of the options of \$0.0625 was 125% of the market price of the shares at the time the options were approved. The contractual life of each option is 3 years. There is no cash settlement of the options. The fair value of the options granted was estimated on the date of grant using the following assumptions:

Dividend yield (%)	0.00
Expected volatility (%)	100.00
Risk-free interest rate (%)	1.61
Expected life of the share options (years)	2
Underlying share price (\$)	0.052

On 27 November 2017, 8,000,000 share options were granted to directors pursuant to the Annual General Meeting approval. The exercise price of the options of \$0.0488 was 125% of the market price of the shares at the time the options were approved. The contractual life of each option is 3 years. There is no cash settlement of the options. The fair value of the options granted was estimated on the date of grant using the following assumptions:

Dividend yield (%)	0.00
Expected volatility (%)	100.00
Risk-free interest rate (%)	1.61
Expected life of the share options (years)	2.5
Underlying share price (\$)	0.038

The weighted average fair value of the options granted during the six month period was \$0.022 (31 December 2016: Nil). For the six months ended 31 December 2017, the Group has recognised \$311,200 of share based payments expense in the statement of profit or loss (31 December 2016: Nil).

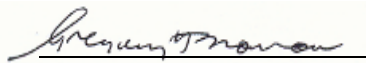
## DIRECTORS' DECLARATION

The directors of the company declare that:

1. The consolidated financial statements and notes, as set out on pages 21 to 26:
  - a. comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
  - b. give a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the Group 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 the Board of Directors.

Director

A handwritten signature in black ink, appearing to read 'Gregory H Solomon', written over a horizontal line.

Gregory H Solomon

Dated this 6<sup>th</sup> day of March 2018

## **Independent Auditor's Review Report to the members of Conico Limited**

### **Report on the Interim Financial Report**

#### **Conclusion**

We have reviewed the accompanying interim financial report of Conico Limited and its controlled entity and joint venture company (the "Group"), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period ended on that date, other selected explanatory notes and the directors' declaration of the Group comprising the Company and the entity it controlled and its interest in a joint venture company at the half-year end or from time to time during the period.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Conico Limited and its controlled entity and joint venture company is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

#### **Emphasis of Matter - Material Uncertainty Related to Going Concern**

Without modifying our opinion, we draw attention to Note 1 to the financial report, which indicates that the Group will require further funding in the next twelve months from the date of this report to fund its planned exploration and evaluation projects and operating costs. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

#### **Directors' Responsibility for the Interim Financial Report**

The directors of the Company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such controls as the directors determine are necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2017 and its performance for the period ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Conico Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Independence**

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Conico Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

NPAS

**Nexia Perth Audit Services Pty Ltd**

Amar Nathwani

**Amar Nathwani**

Director

Perth

6 March 2018

### Interests in Mining Tenements

Tenements	Location	Interest held at end of period	Acquired during the period	Disposed during the period
E63/1267	WA	50%	-	-
R63/4	WA	50%	-	-
ELA63/1790	WA	50%	-	-
PA63/2045	WA	50%	-	-