Conico Limited (ASX:CNJ)

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Company Research | 19th May 2021

Testing Some of Greenland’s Most Prospective Julimar Style, Magmatic Ni-Cu-Co-PGE Targets

**Investment Summary:**
On 23rd April 2021 Junior explorer Conico Limited’s (ASX:CNJ) subsidiary Longland Resources was given full approval from the Greenland Ministry of Mineral Resources for its submitted planned exploration activities on its Ryberg and Mestersvig projects in East Greenland. CNJ has now commenced mobilisation of its exploration team following the securing of contract drilling rigs for the period July to October 2021.

**Ryberg** is Priority 1, where CNJ is deploying 3 diamond drilling rigs to test, for the first time, multiple targets on two prospects (Miki & Sortekap). The targets have been carefully defined and ranked from geophysical conductors coincident with recent high-grade surface sampling results. Miki is an exciting prospect and currently topical in that the project is considered prospective for magmatic sulphide discoveries, analogous to Chalice Mining’s (ASX: CHN) Julimar Ni-PGE discovery and the closer to Greenland, but lesser known, Lainejaur massive sulphide Ni-Cu-Co-Pd- Pt-Au deposit in Sweden. Julimar’s discovery in 2020 ignited the exploration scene in Western Australia with several companies now exploring for this style of deposit. Noting extensive locally remobilised globular massive sulphides up to 20cm in diameter are present in outcrop over several hundred metres, we believe any positive results achieved at Miki indicating the discovery of PGE rich massive nickel-copper-cobalt sulphides, has the potential to see a substantial share price re-rating. Drilling will also be undertaken at Sortekap which is prospective for an orogenic Au-Ni discovery.

**Mestersvig** exploration will concentrate on first time surface sampling of the large Werner Bjerge intrusion, prospective for Rare Earth Element (REE) mineralisation in an area of significant increased interest and on the back of the U.S. placing Rare Earths on its Critical Commodities list. Mestersvig, which also hosts the historic Blyklippen base metal mine is itself an outstanding exploration target with a projected strike extension potential of several km.

**Key Investment Highlights:**
- Full approvals received from Greenland Ministry of Mineral Resources for planned exploration on Ryberg & Mestersvig Projects
- Mobilisation of exploration team & equipment underway. Exploration activities to commence 2H May 2021
- Ryberg: Priority 1 Target: Highly prospective for magmatic sulphide Ni-Cu-Co-Pd-Au deposits analogous to Chalice Mining Limited’s Julimar discovery & the Lainejaur Massive Sulphide Ni-Cu-Co-Pd- Pt-Au deposit in Sweden
- Ryberg: Diamond drilling to commence following up previous seasons high grade surface sample results (2.2% Cu, 0.8% Ni, 0.1% Co, 3.3gpt Pd & 0.2gpt Au) coincident with 2017 & 2020 EM geophysical surveys
- Mestersvig: Highly prospective for base metals & Rare Earths. First time sampling of a large Intrusion for Rare Earths imminent
- Recently completed capital raising provides sufficient cash on hand to fund what will be a busy, exciting, multiple target, multiple commodity field season

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**Company Statistics**

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<th>Share Price</th>
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**Major Shareholders**

- Tasman Resources Limited: 7.6%
- James Richardson: 4.3%
- Douglas Solomon: 4.3%
- Gregory Solomon: 4.3%

**Directors & Management**

- Mr Gregory Solomon: Non Exec Chairman
- Mr Guy Le Page: Executive Director
- Mr Douglas Solomon: Non Exec Director
- Mr James Richardson: Non Exec Director
- Mr Thomas Abraham-James: CEO

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**Recommendation**

Speculative Buy

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**Share Price Performance**

*Source: ASX

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**Sector:** Gold, Base Metals & Rare Earth Elements

Investment in shares of CNJ should be considered speculative. Investors should seek appropriate advice before making a decision to invest in CNJ (see Disclaimer page 8)
Company Overview

Conico Limited ("CNJ" or "the Company") is a listed Australian junior exploration company focussed on exploring on its two lead projects (Ryberg and Mestersvig) located on the east coast of Greenland.

The Company also holds a 50% interest in the advanced (to pre-feasibility level), Mount Thirsty Cobalt-Nickel Joint Venture in Western Australia. We consider this joint venture with ASX listed Barra Resources as non-core to the business.

In 2020 CNJ was presented with a standout opportunity to enter into the sought after Greenland exploration scene with some substantial high quality exploration tenure and subsequently entered into an agreement to acquire Longland Resources Ltd ("Longland"). Longland, a private company created by Thomas Abraham-James had, utilising Thomas’ unique experience gained on previous Greenland projects over the last 13 years, spent several years reviewing and acquiring highly prospective projects of quality in Greenland.

With CNJ also securing Thomas Abraham-James as Chef Executive Officer to head up the exploration team from a European-Iceland base, the Company has now established a company with a strong portfolio of highly prospective targets that it is now undertaking a systematic exploration approach on ranked targets.

CNJ has a modest share price of only 3 cents and a market capitalisation of circa $26m. We believe any exploration success at any one of the multiple targets about to be drill tested, in addition to any good news from surface sampling of the Company’s under promoted Rare Earth’s project has the potential to trigger a significant positive share price re-rating.
Ryberg Project, Greenland (CNJ 100%)

Prospective for: Magmatic Cu-Ni-Co-Pd-Au (Miki Prospect) & Orogenic Au-Ni (Sortekap Prospect)

Location & Tenure

CNJ’s wholly owned Ryberg project consists of two granted exploration licences covering 4,521km² located approximately 575km northwest of Reykjavik, Iceland.

Infrastructure

The project with its east coast location is accessible by sea and air almost all year round. Iceland’s capital Reykjavik is used as a staging post for supplies, personnel and equipment. The project’s advantageous coastal location allows for seafaring vessels to moor in the fjords at the project and the vessels utilised as bases rather than establish on land camp facilities. This not only saves substantial costs but also reduces the company’s environmental footprint considerably in this early time of exploration.

Historical Exploration

We consider Ryberg to be extremely under explored at this point with only small amounts of encouraging ground reconnaissance exploration undertaken by a previous explorer and later Longland in previous recent field seasons dating back to 2016.

Geology

Ryberg represents an erosional interface between Tertiary age North Atlantic basalt dominated volcanics and older basement geology, consisting of metamorphosed sediments in a failed rift system which is heavily intruded by Tertiary sills, dykes and layered mafic intrusions.

Miki Prospect - Drill Target

Whilst Magmatic sulphides have been found throughout the licence area, most activities to date have focussed on the Miki and Togeda dykes. The dykes are linear intrusions that have a combined strike extent of >50km and have sulphide mineralisation present along their margins. The sulphides are globular or disseminated in nature (up to 20cm in diameter) that CNJ believes are remobilised from a nearby magmatic sulphide source. Surface sampling of these sulphides has demonstrated grades of up to 2.2% copper, 3.3g/t palladium and 0.2g/t gold. Regional sediment/stream sampling within the licence area has also yielded multiple samples that are anomalous for chromium, nickel, copper and cobalt.

CNJ plans to drill test three 80-200m deep EM targets at Miki in July 2021 based on; high resolution hyperspectral data acquired in 2020, the location of the mineralisation at surface in conjunction with coincident anomalies generated from previous geophysical work consisting of an Airborne VTEM survey completed in 2017 over the Miki dyke and some ground borne EM survey work also undertaken in previous field seasons.
Miki Prospect—Prospective For Magmatic Ni-Cu-Co-PGE deposits Analogous in Mineralisation Setting & Style to Julimar (Western Australia) and Lainejaur (Sweden)

Miki is an exciting prospect. Why?…because it is highly prospective for the discovery of magmatic hosted nickel-copper-cobalt massive sulphides with platinum group elements and gold. This style of mineralisation is very topical and is in the forefront of the market’s mind currently, following the discovery of the Julimar Ni-PGE deposit (Chalice Mining Limited ASX:CHN, Mkt Cap $2.7B) in Western Australia in 2020. The discovery of Julimar has ignited the exploration scene in Western Australia searching for a similar deposit Whilst we acknowledge the discovery is nothing short of outstanding, magmatic hosted nickel-copper-cobalt sulphide deposits endowed with precious metals do occur in other parts of the world. Ryberg is such a prospect. Another analogous example in the Northern Hemisphere we have had recent exposure to is the Lainejaur Ni-Cu-Co-Pd-Pt-Au deposit located in Central Sweden (Unlisted Bayrock Resources Limited).

What we take away from both Julimar and Lainejaur is their outstanding tenure value. These are high grade nickel-copper-cobalt massive sulphide deposits which are well endowed in nickel, copper and cobalt in their own right, but add in the precious metals palladium, platinum and gold and the value per tonne of ore in this style of deposit becomes outstanding, meaning one does not need to discover a high tonnage project for deposit economics to really start to stack up.

Ryberg Project, Greenland (CNJ 100%)

Sortekap Prospect Prospective for Orogenic Au-Ni Deposits

In addition to Ryberg recognised as being highly prospective for magmatic nickel sulphides the project is also recognised as being highly prospective for orogenic gold-nickel deposits.

In some parts the project is underlain by Archean age greenstones which contain abundant quartz veining intruded with ultramafic intrusions.

Sortekap Prospect Drill Target

Substantial iron stained (from weathered sulphides) quartz veining outcropping at Sortekap sampled by Longland in previous recent field seasons has returned high grade gold (up to 2.7gpt) and highly elevated nickel (0.3% Ni) values.

The elevated gold and nickel values from the surface sampling has been traced to the presence of a structure and/or intrusive. A series of IP chargeability anomalies has also been defined, which conjunct with the surface sampling, generating an exciting series of strong drill targets which will be drill tested in July-August 2021.
Mestersvig Project, Greenland (CNJ 100%)

Prospective for Intrusion Related Rare Earth Deposits & Sediment Hosted Zn-Pb-Ag Deposits

Location & Tenure

CNJ’s Mestersvig project consists of two granted exploration licences covering approximately 264km² located 750km northwest of Reykjavik, Iceland.

Infrastructure

The project like Ryberg with its east coast location is accessible by sea and is advantageously accessible by air all year round due to the presence of the Mestersvig airfield and military base located adjacent to the project.

As with Ryberg, Mestersvig utilises Iceland’s capital Reykjavik as a staging post for supplies, personnel and equipment.

Historical Exploration & Production

The project encompasses the Blyklippen base metal mine which historically produced 545,000 tonnes of ore grading 9.9% zinc and 9.3% lead between 1956 and 1962. The mine despite its closure remains highly prospective for additional base metal resources. We specifically note a 13km long prospective strike to the south of the mine which remains almost completely unexplored and undrilled despite encouraging base metal occurrences daylighting at a prospect located 13km to the south which is believed to be hosted in the same sediments and faulted structure as Blyklippen.

Geology

In summary, Mestersvig is dominated by Carboniferous, Permian and Triassic sediments intruded by Palaeogene dolerite dykes and sills and in the south an alkaline igneous complex called Werner Bjerge. The western part of the project, contains a major regional fault (the Caledonian Fault). Also prominent is a 20km long anticlinal structure and the extensively faulted Mestersvig Graben with the western fault of that graben host to the Blyklippen base metal mine.

The majority of the base metal mineralisation occurs as fault controlled epithermal lead-zinc veins with accessory silver and copper (commonly 2 to 5m but can be up to 50m) associated with the border faults of the Mestersvig Graben. The ore minerals (galena, sphalerite with minor chalcopyrite and barite) are typically hosted in quartz.

Rare Earth Sampling & Mapping at Werner Bjerge Key Focus for this Season

Whilst Blyklippen and its prospective 13km strike is a stand out base metal target, it is the Werner Bjerge Alkaline Complex and its prospectivity for Rare Earths which is currently the Company’s major focus and in our view, rightly should be at this point.

In late May and early June, CNJ will undertake mapping and surface sampling of previously identified Rare Earth mineralisation at Werner Bjerge, in addition to sampling nearby base metal occurrences. Previous exploration in past field seasons has noted the presence of REE minerals xenotime and mosandrite within the complex.
Mount Thirsty Joint Venture, Western Australia (CNJ 50%)

A Laterite Co-Ni Deposit Demonstrating Positive Feasibility Potential

Location & Tenure

CNJ currently holds a 50% interest in the Mt Thirsty Co-Ni Joint Venture with ASX listed Barra Resources as project manager holding the other 50%. Mt Thirsty centred on two exploration leases and a single mining licence which is located approximately 16km northwest of the mining township of Norseman in Western Australia. The leases encompass the Mt Thirsty Cobalt-Nickel Oxide Deposit which the Joint venture partners claim “represents an excellent long term low cost, cobalt production opportunity”.

Infrastructure

Mt Thirsty, close to the Norseman township, is located close to power water, gas, rail and fibre optic communications which the project’s economics will benefit from when developed.

Geology & Mineralisation

The Mt Thirsty Cobalt-Nickel Oxide Deposit is a flat lying lateritic profile occurring from surface, continuing down to 70m in places. The profile has been intensely oxidised and appears from our observations as more elevated in cobalt values than the majority of other nickel laterites in Australia, which makes it an attractive cobalt target.

Positive Pre-Feasibility Study (PFS) (2020)

Mt Thirsty was the subject of a PFS in 2017 before being revised in 2020. The study demonstrated a positive pre-tax NPV with capital cost requirements of $371m.

The study was based on production of 19.1kt of cobalt and 24.8kt of nickel as a Mixed Sulphide Product (MSP) over a 12 year mine life, a product of interest to chemical and battery markets.

Standout Nickel Sulphide Exploration Potential at Depth

We note with strong interest that the project is highly prospective for deeper primary nickel sulphide mineralisation in the same ultramafic unit that hosts the near surface oxide deposit.

RC drilling to date has returned disseminated, stringer and semi massive nickel sulphide intersections including:

6m @ 3.4% nickel,
2m @ 5.9% nickel,
2m @ 3.5% nickel and
1m @ 4.0% nickel

It is our view that this is a stand out prospect and a geophysical survey is warranted to generate EM targets closely followed by drilling.
Board & Management

Greg Solomon – Non Executive Chairman

Mr Solomon is a Lawyer specialising in corporate and commercial law and in addition has strong experience in a mining executive capacity. Greg has been involved advising numerous companies on a wide range of projects and joint ventures in many parts of the world and has had extensive international experience in commercial negotiation.

Greg has in the past been involved with the floating of two mining & exploration companies and has held several public company directorships over a period of 15 years. He is currently a director of Tasman resources NL and has held that position since that company’s inception in 1987.

Guy Le Page – Executive Director

Mr Le Page has been a director of Conico Limited since March 2006. He is also Director & Corporate Advisor to RM Corporate Finance involved in a wide range of M&A, IPO, RTO valuations, consulting and corporate advisory. In addition to his finance background with RM Corporate Finance, Guy has also held research analytical roles for two Australian stockbroking companies.

Prior to his analytical roles, Guy spent 10 years of his early career as a mining and exploration geologist in Australia, U.S. and Canada in gold and base metals.

Doug Solomon – Non Executive Director

Mr Solomon is a lawyer specialising in several relevant sectors of commercial law, including environmental law, dispute resolution, litigation, insurance and public and professional liability indemnity. His work has covered many major commercial sectors including mining. Doug has acted and continues to hold several directorship roles to a number of public companies.

James Richardson – Non Executive Director

Mr Richardson is a qualified financial planner and is currently a director of RM Capital Pty Ltd. He has extensive knowledge in complex commercial negotiations between the private sector and government and has extensive experience in evaluating investment opportunities, structuring projects and negotiating financial transactions to meet market expectations.

Thomas Abraham-James — Chief Operating Officer

Mr Abraham-James is a geologist with over 15 years experience in the mineral exploration industry, in both technical and corporate capacities. He has been operating in the Greenland exploration environment since 2008 and has built up a solid knowledge base and operational knowhow of operating in Greenland. In 2016 Thomas founded Longland Resources Limited a Greenland focussed explorer which was acquired by Conico Limited in 2020.

Thomas has been involved with discovery success in his career. He was co-founder of Helium One Ltd which discovered the world’s largest known primary helium resource at its Rukwa project in western Tanzania.
Risks Associated with Investing in Conico Limited

Potential investors need to be aware that investment in Conico Limited, like all investments in junior resource companies, is of a highly speculative nature. Normal share market risk conditions apply including commodity prices, currency fluctuations, sentiment, supply and demand and general economic outlook. Normal exploration, development and production risks also apply as well as operating, environmental, native title risks.

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Specific Disclosure: The report has been reviewed by CNJ for factual accuracy.

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