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30 July 2018

The Manager Companies
ASX Limited
20 Bridge Street
Sydney NSW 2000

(7 pages by email)

# REPORT ON ACTIVITIES FOR THE QUARTER ENDED 30 JUNE 2018

# (ASX: CLL)

## HIGHLIGHTS

### HPA FIRST

- **Identification of a major opportunity to fast track High Purity Alumina (HPA) production via the 'HPA First' process:**
  - **Uses the Company's proprietary licenced solvent extraction and HPA refining technology and a feedstock blend of available industrial products rather than an acid leach solution generated from the Collerina Project.**
  - **Alternate feedstock delivers an aluminium tenor at multiples higher than achievable with an acid leach solution.**
  - **A far simpler process than the original process flow sheet, and does not require the development of a mining operation or associated acid plant, leach vessels, filtration plant, neutralisation circuits or tailings facilities.**
  - **Retains the option of future integration of a nickel-cobalt-scandium process.**
- **Bench scale testwork using the HPA First process achieved aluminium extraction with very low impurities, consistent with a High Purity 99.99% (4N) HPA precursor.**
- **Modification of the Company's Pre-feasibility Study to incorporate the HPA First Process.**

### COLLERINA PROJECT

- **Outstanding aluminium solvent extraction (SX) test results, with 89% aluminium extraction achieved to the organic solvent.**
- **High grade drill results from the C1 Anomaly confirm high grade nickel-cobalt-scandium discovery.**

### CORPORATE

- **Successful divestment of the Becker Gold Project.**
- **A fully underwritten 1 for 10 rights issue at 8.0 cents per share to raise approximately $4.0 million.**

## HPA FIRST – Fast Track to HPA Production

The Company has identified a major opportunity to fast track the production of High Purity Alumina (the 'HPA First' process) at significantly reduced capital and operating expenditures (CapEx and OpEx).

During the expanded testwork program for the Pre-feasibility Study (PFS), the opportunity was identified to apply the same proprietary technology on an alternate feedstock, made up of a blend of readily available industrial products, rather than a pregnant leach solution (PLS) liquor generated from acid leaching of the Collerina Project ore. The alternate feedstock provides aluminium to the SX circuit at multiples higher tenor than achieved using the Collerina Project PLS.

The Company advised that the proprietary licenced SX and refining technology and the alternate feedstock are commercial-in-confidence.

Bench scale testwork has confirmed that the HPA First process is amenable to the production of 4N HPA. As a result, the scope of the PFS has been modified to deliver the initial findings based on the HPA First process.

The modified PFS is expected to allow the Company to rapidly fast track the production of HPA, the dominant revenue product, and is expected to confirm a dramatically improved business case by delivering a number of very significant advantages over the previous process path, namely:

- a far simpler process flow sheet than the original process flow sheet which does not require the development of a mining operation or associated acid plant, leach vessels, filtration, neutralisation circuits or tailings facilities;
- a significant reduction in process plant equipment and vessel sizing;
- significant CapEx reductions;
- significant OpEx reductions;
- the simplification of the process flow sheet substantially de-risks the project, providing a fast track through a Definitive Feasibility Study, permitting, financing, project implementation and improved operational cash flows; and
- retains the option to integrate PLS feed from the Collerina Project at a future date, to expand the revenue base into nickel, cobalt and scandium.

### Bench Scale Validation Testing

A series of bench scale aluminium SX tests were untaken using the alternate feedstock to confirm the viability of the HPA First process. These tests displayed excellent physical and chemical characteristics consistent with previous testing and achieved greater than 95% aluminium extraction while maintaining excellent rejection of impurities sufficient to allow the production of 4N HPA.

### Pre-Feasibility Study

With the decision to modify the PFS to deliver study outcomes based on the HPA First process, the Company has engaged PFS Study Managers, Prudentia Process Consulting, to complete the PFS on this basis. The modified study will require additional engineering and 'mini-rig' runs to collect key process information for the PFS. The mini-rig campaign is expected to produce approximately 1kg of 4N HPA for marketing samples by September 2018.

Allowing for the additional engineering and testwork requirement, the modified PFS is now expected to be delivered in October 2018.

### Collerina Project Nickel-Cobalt-Scandium

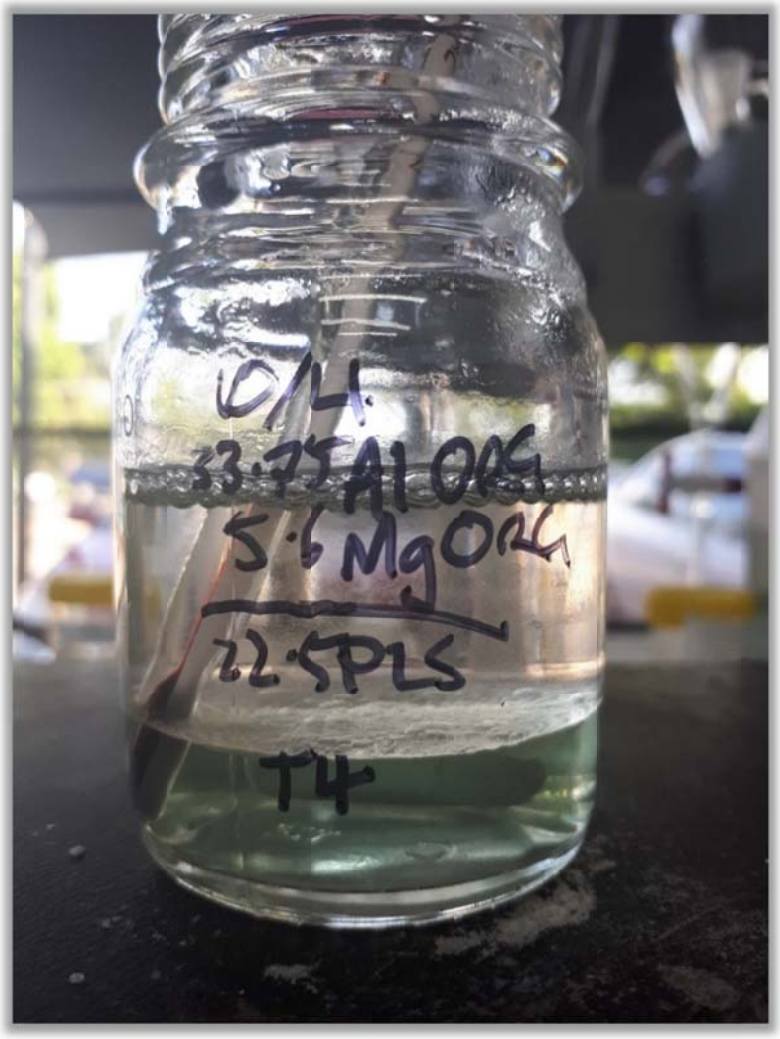
The HPA First process represents a technological advancement to the production of HPA and a modification of the PFS to focus on a fast track through to production of HPS, the dominant revenue product. This technological advancement does not preclude the future integration of the HPA First process with a flowsheet to produce nickel, cobalt and scandium. Accordingly, the Company still considers that the chemical characteristics of the Collerina Project ore represent a unique opportunity to produce nickel and cobalt under a compelling business case when compared to other nickel-cobalt laterite proponents.

The Company expects to update the market on the nickel-cobalt-scandium process following the completion and delivery of the HPA First PFS.

## COLLERINA PROJECT

### Outstanding aluminium SX test results and production of a 4N HPA Precursor

During the quarter the Company was pleased to announce the results of the lab scale SX batch tests. These confirmatory batch tests were completed on the PLS generated from the February CCAL program (ASX: 21 February 2018) ahead of the commencement of the SX min-rig testwork.




**Output from aluminium SX extracted testwork.**

**Aluminium loaded organic (top clear phase) above the aluminium depleted PLS.**

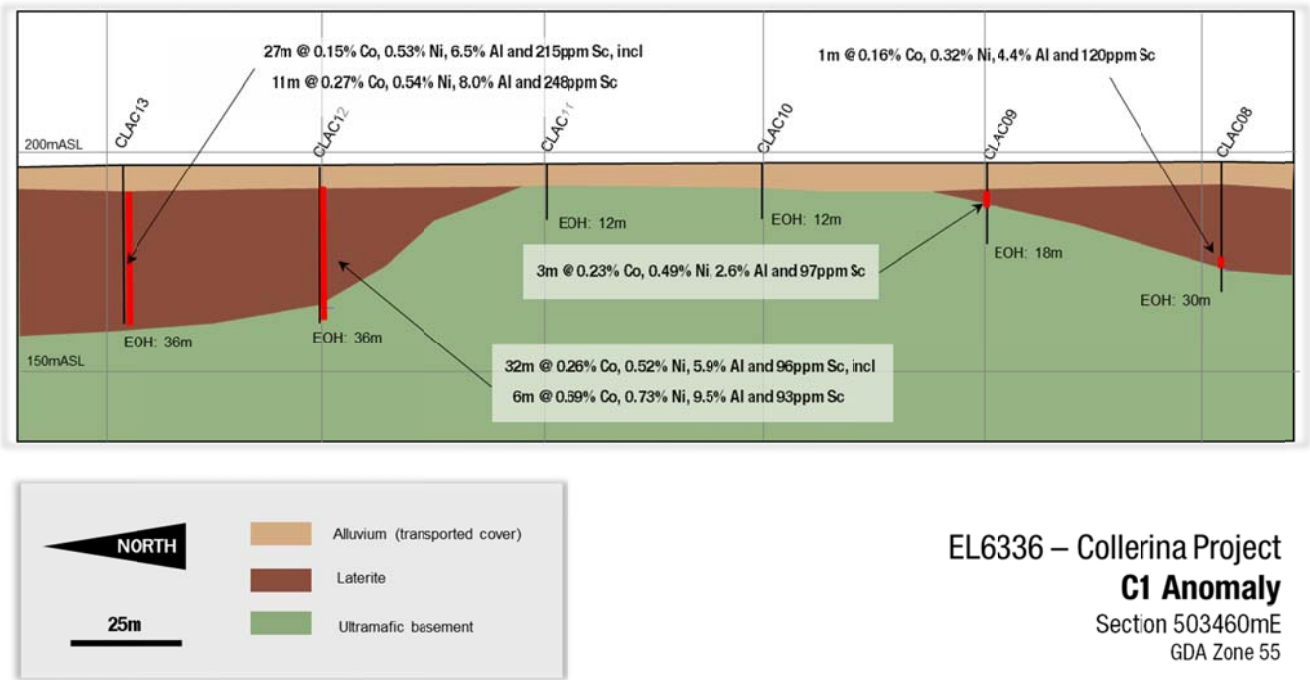
The batch SX test achieved 89% aluminium extraction in a single extraction stage, a significant improvement on the 73.3% aluminium extraction achieved on the previous aluminium SX testwork (ASX: 24 October 2017). In addition, the loaded organic solution achieved a very high aluminium to impurity ratio, suitable for the production of a 4N HPA pre-cursor. Importantly, this testwork confirmed excellent phase separation in less than 60 seconds with good aqueous and organic phase physical properties.

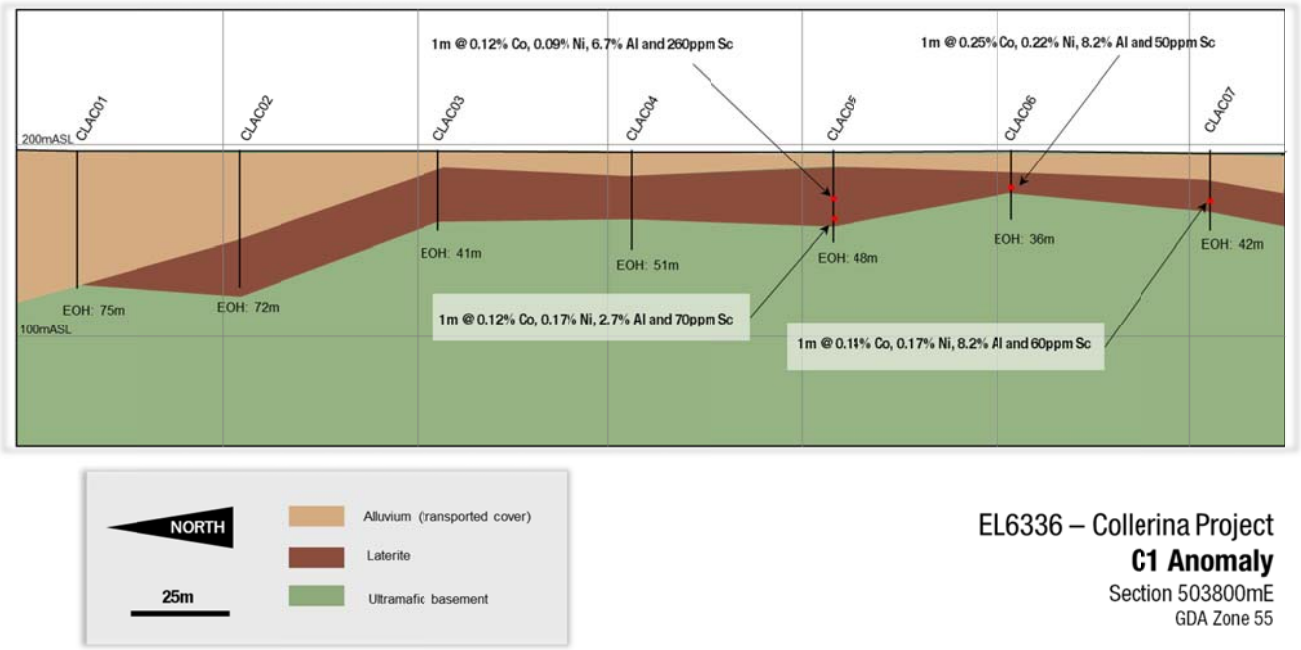
## Exploration drilling confirms high-grade cobalt discovery

During the quarter the Company completed a reconnaissance exploration drilling program at northern end of the Collerina Project in NSW (ASX: 19 June 2018).

The program consisted of 42 vertical aircore holes for a total of 1,668 metres drilled. The drilling was designed as a series of reconnaissance drill traverses to test a number of aeromagmetic highs within a broad NW trending structural zone, located approximately 10 kilometres north of the Homeville aluminium-nickel-cobalt deposit. The drilling was targeting high grade nickel-cobalt mineralisation in laterite profiles. Results have confirmed the discovery of high-cobalt tenor, nickel-cobalt laterite mineralisation beneath shallow alluvial cover on the C1 anomaly with significant intercepts including:

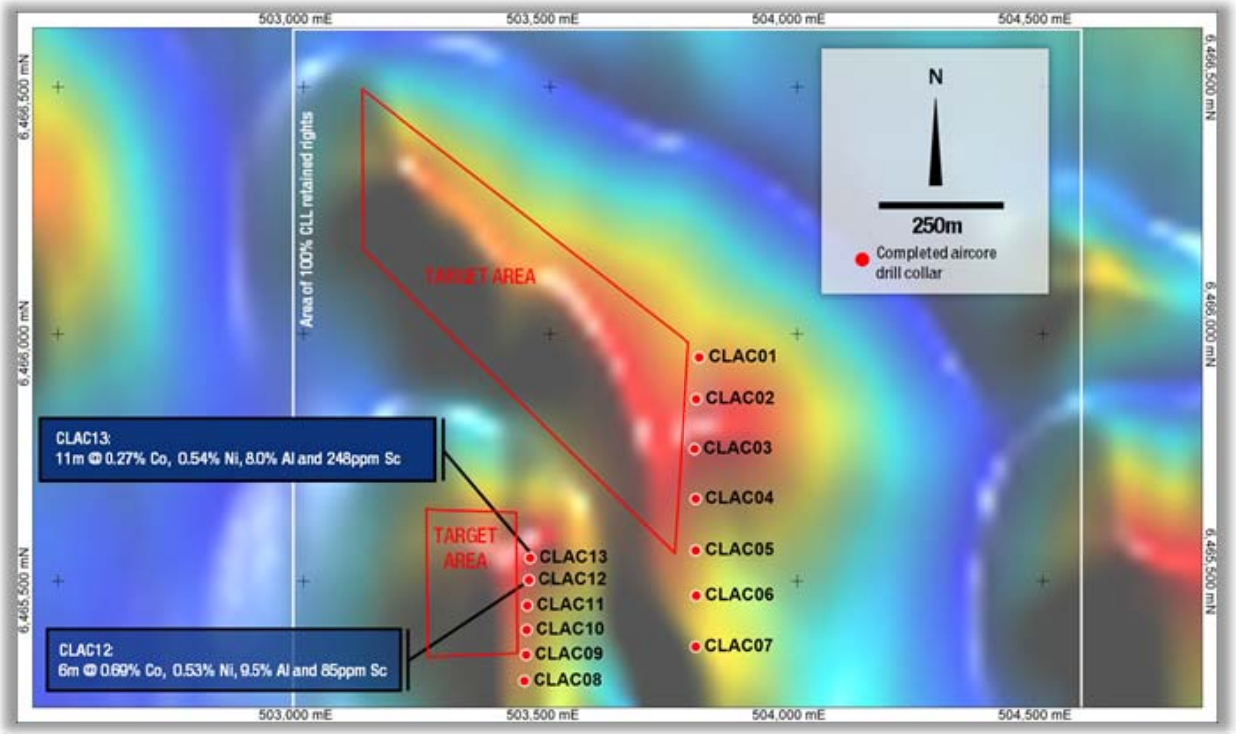
- CLAC12: 32m @ 0.26% Co, 0.52% Ni, 5.9% Al and 96ppm Sc, including 6m @ 0.69% Co, 0.73% Ni, 9.5% Al and 93ppm Sc
- CLAC13: 11m @ 0.27% Co, 0.54% Ni, 8.0% Al and 248ppm Sc






A re-interpretation of the C1 area aero-magnetics indicates both C1 drill traverses intersected the flanks of the target magnetic high and that considerable scope exists to extend the wide, high-grade mineralisation intersected in holes CLAC012 and CLAC013 to the north, east and west.

Drilling and aero-magnetics indicate the mineralisation remains open to the north, east and west.




C1 Anomaly. Drill hole collar location over tilt-filtered aeromagnetics.

## BECKER PROJECT

With the Company's primary focus on the advancement of its HPA First and Collerina nickel-cobalt project, the Company sold the Becker Project in Chile, in which the Company had rights to earn up to an 85% interest, to Santana Minerals Limited ('Santana'). Consideration for the sale is:

- 10,000,000 fully paid ordinary shares in Santana (ASX:SMI);
- the repayment to the Company of a loan, capped at a maximum of $500,000 payable in 10 equal monthly instalments in cash unless the Company elects to receive an payment in the form of Santana shares (to be issued pending Santana's sufficient placement capacity) and based on the 7-day VWAP prior to the issue of those Santana shares; and
- additional 'Top-Up' payments comprising:
    - $850,000 upon definition of a Resource of 1,000,000 ounce gold or gold equivalent; plus
    - $425,000 for each additional Resource defined of 500,000 ounce gold or gold equivalent.

## WONOGIRI PROJECT - INDONESIA (Collerina Cobalt - 45%)

The Company is continuing advancement of its AMDAL study (environmental impact study) for the Randu Kuning gold-copper deposit. On acceptance of the AMDAL, the Company will be awarded a 20-year operation production IUP (with 10-year extension) for the Randu Kuning gold-copper deposit con currently an AMDAL is also being undertaken for its planned aggregate operation adjacent to the Randu Kuning deposit. Upon approval the Company will be granted an initial 5 year aggregate operation licence, which can be extended for two additional 5 year terms.

## GORONTALO PROPERTIES - INDONESIA (Collerina Cobalt - 80%)

No exploration activities were completed on the Toluludu and Tapadaa IUPs during the quarter. The Company has provided property data to third parties considering a potential joint venture or acquisition.

## CORPORATE

### Fully Underwritten Non-Renounceable Rights Issue

Subsequent to quarter end the Company announced the launch of a fully underwritten 1 for 10 pro-rata, non-renounceable rights issue (Offer) to raise approximately $4.0 million before costs of the Offer.

This Offer is being conducted to advance the HPA First process, as a fast track to become a globally significant, low cost producer of HPA.

The funds raised will be principally used to:

- Advance pre-feasibility study testwork.
- PFS engineering and reporting.
- Testwork piloting.
- Project and product marketing.
- Working capital and costs of the Offer.

The Offer was made to eligible shareholders on the basis of 1 New Share for every 10 Existing Shares held, at an issue price of $0.08 per New Share to Eligible Shareholders who were registered on the Company's share register at 5.00pm EST on 16 July 2018 (Record Date). The issue price represented a 26.6% discount to the 1 month volume weighted average price (VWAP) of 10.9 cents.

Bell Potter Securities Limited has been appointed to act as Lead Manager and Underwriter to the Offer.

## Conditional change of Managing Director

Due to other commitments, it is proposed Justin Werner will be replaced by Rimas Kairaitis as Managing Director.

Mr Kairaitis is currently serving in the capacity of Technical Director of the Company and is considered to be ideally suited to lead the Company through its project development phase as it continues its quest to become a globally significant, low cost producer of HPA and Justin Werner will continue to serve as a Non-Executive Director.

For further information, please contact Rimas Kairaitis on +61 408 414 474 or Peter Nightingale on +61 2 9300 3310.

Yours sincerely

**Peter J. Nightingale**
**Director**
pjn9495

## Competent Persons Statement (Exploration Results)

The information in this report that relates to Exploration Results is based on information compiled by Rimas Kairaitis, who is a Member of the Australasian Institute of Mining and Metallurgy. Rimas Kairaitis is a Director of Collerina Cobalt Ltd and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is 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 Kairaitis consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

## Competent Persons Statement (Process Development Testwork)

Information in this announcement relating to the Process Development Testwork is based on testwork results compiled by Mr Boyd Willis, an Independent Consultant trading as Boyd Willis Hydromet Consulting. Mr Willis is a Fellow and Chartered Professional of The Australasian Institute of Mining and Metallurgy (AusIMM). Mr Willis has sufficient experience which is relevant to metal recovery from the style of mineralisation and type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Persons under the 2012 Edition of the 'Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves'. This includes over 21 years of experience in metal recovery from Laterite ore. Mr Willis consents to the inclusion of the technical data in the form and context in which it appears.

For further information on testwork results and processes see ASX announcements dated 9 July 2018, 30 April 2018, 26 April 2018, 21 March 2018, 6 March 2018, 21 February 2018, 8 December 2017, 30 November 2017, 29 November 2017, 24 November 2017 and 13 November 2017.