

AUSTRALIAN

RESEARCH

INDEPENDENT INVESTMENT RESEARCH

Hylea Metals Limited (ASX: HCO) Flash Note - Laterites Intersected in Initial Hylea Cobalt Project Drilling Programme

May 23, 2018

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Note: This note is based on information provided by the company as at 22 May, 2018.

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Share Price - 22 May, 2018	A\$0.008
12 month L/H	A\$0.004/ 0.026
Issued Capital:	
Ordinary Shares	1,803m
Escrow Shares	1,000m
Listed Options	48.09m
Unlisted Options	215m
Fully Diluted	3,081m
Market Capitalisation - UD, inc Escrow Shares	A\$22.43m
Current Cash	A\$1.78m

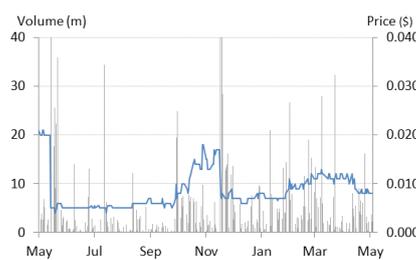
Board and Management

Mr David Berrie: Managing Director
Mr Keong Chan: Non-Executive Director and Company Secretary
Mr Tim Kestell: Non-Executive Director
Mr Mark Milazzo: Non-Executive Director

Major Shareholders

Providence Metals	35.66%
Neon Capital	14.98%
New Age Group	7.29%
Board and Management	5.07%
Top 20	80.5%

Share Price Performance



Senior Analyst – Mark Gordon

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NEAR SURFACE LATERITES INTERSECTED IN INITIAL DRILLING AT THE HYLEA COBALT PROJECT

- ◆ An initial ~50 hole, 3,000m reverse circulation drilling programme has commenced at the Tiger's Creek prospect within the Company's 100% owned Hylea Cobalt Project in the Fifield region of New South Wales - the Fifield region is developing into the place to be for cobalt and scandium in Australia.
- ◆ The first 13 holes completed have all intersected near surface laterite profiles, both in areas of historically recognised cobalt mineralisation and in holes targeting extensions to the known laterites; also, basement rock types have been dominated by olivine-rich dunites and peridotites, which are the precursor intrusive types to the higher grade laterites seen at the other projects in the region.
- ◆ The drilling is being carried out in conjunction with geological mapping, and geophysical and geochemical surveying, which should define a pipeline of prospects to be drilled once the initial programme is completed.
- ◆ Hylea is located 50km from Cleanteq Holdings Limited's (ASX: CLQ, market capitalisation of A\$690 million) Sunrise Project, with similar laterite hosted Co-Ni-Sc-Pt mineralisation and developed above an intrusive similar in size to that at Sunrise.
- ◆ Historic work at Hylea has included limited drilling, but was focussed on platinum exploration; drill results from this work have however returned results similar to those from the other laterite occurrences in the region thus highlighting the potential for significant cobalt and scandium mineralisation.
- ◆ First assay results from the drilling are expected around the middle of June, with a steady flow of results thereafter.

IIR'S COMMENTS

Expect plenty of upcoming news from Hylea Metals, with a 50 hole, 3000m RC programme having recently commenced at the Tigers Creek Co-Ni-Pt-Sc prospect within the broader Hylea Project (Figure 1), which is one of the last laterite occurrences in the Fifield district of New South Wales not yet hosting a JORC-compliant Mineral Resource. Other laterite focussed players in the district include Robert Friedland's CleanTeq Holdings, Australian Mines, Platina Resources and TSX-listed Scandium International Mining Corp, all of which have published Resources, and with development studies planned or underway.

Drilling to date, which has targeted both areas of known mineralisation and extensions to this mineralisation, has intersected laterite profiles from shallow depths in all 13 holes completed, thus highlighting the Project's potential. Another key factor of the results to date is that basement rocks are dominated by olivine-rich dunites and peridotites, which are the precursor rocks to the higher grade laterite-hosted mineralisation in the Fifield region.

The Fifield region, with extensive cobalt mineralisation, is fast turning into one of the hottest districts for one of the hottest metals in Australia, with this also boosted by the significant scandium that is found associated with the cobalt in the Fifield laterites.

Although the scandium market is currently small (however with very high prices for the metal), this is at least partly due to there being a very constrained and unreliable supply; many think that finding a stable, reliable source of supply will lead to strong growth in demand for the metal, with the Fifield region potentially now being such a future supply source. The main use of scandium is in aluminium alloys, with it dramatically increasing the strength of the aluminium.

Other work that is now ongoing or completed at Hylea includes a 175km², tenement wide airborne magnetics/radiometrics survey, which will be used to help map the different intrusive phases within the complexes (Figure 2). Geochemical sampling (including rock chips and soils) is also underway, initially on a broad spacing of 200m x 200m covering the intrusives, and then with infill sampling over anomalies defined from the initial survey. This includes an initial orientation survey, from which the most effective sampling and assaying methods will be determined.

The aims of the drilling include confirming the tenor and expanding the mineralisation intersected in the historic drilling, which has identified laterite profiles between 10m and 70m thick, similar to that at the other projects in the region.

Historic drilling at Hylea was largely focussed on nickel or platinum, with very little assaying completed for cobalt and scandium; the limited assays and the logged geology however highlight the potential for Co-Ni-Pt-Sc mineralisation over the two adjacent intrusive complexes, Hylea and Bulbodney which have sizes similar to the Tout Intrusive Complex that hosts CleanTeq’s Sunrise Project - we have included a size comparison of various intrusive complexes and resources in Figure 3. Historic drilling at Tiger’s Creek returned significant high-grade intersections, including 7m at 0.32% Co and 13m at 355ppm Sc.

The results of this previous work are consistent with that from the other laterite resources in the region, and like the others appears to show a zonation from a cobalt rich core to being relatively scandium rich on the periphery of the main mineralised zone - this is a typical feature of these deposits, with the geochemistry reflecting in part the underlying intrusive styles. The complexes commonly exhibit a zonation from dunite/peridotite, through pyroxenites to monzonites and then to more granitic phases.

We expect first assay results back from this programme in mid-June, followed by regular updates as results are received. Given the geology intersected thus far, historic work and comparisons with known deposits we should expect the upcoming results to be positive.

Figure 1: Fifield region laterite projects on magnetics image.

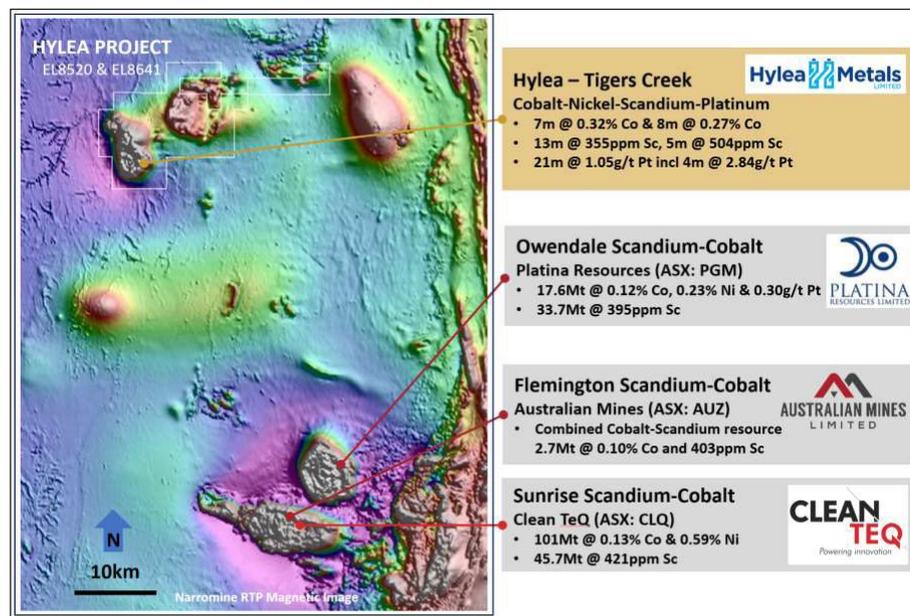
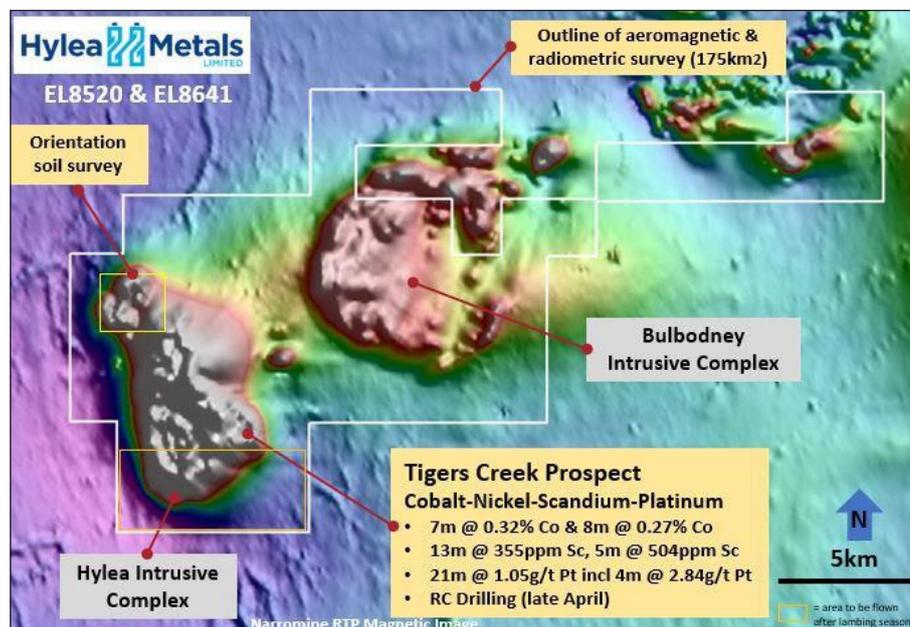
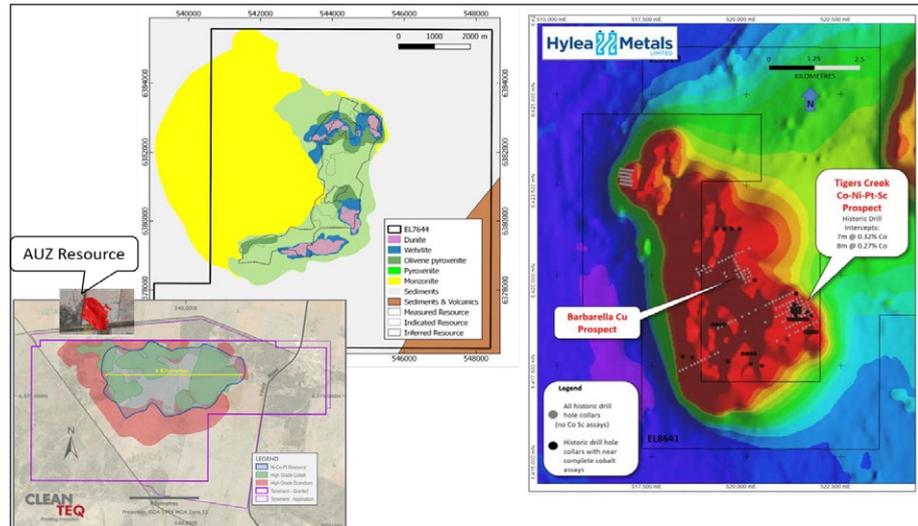


Figure 2: Hylea Project area on magnetics image, showing magnetics and orientation soil survey areas.



Source: Hylea

Figure 3: Comparison of project areas - Owendale (top left), Hylea (top right) and the Tout complex (bottom left, including CleanTeq's and Australian Mines' resource areas) and Owendale (top left, and shown in the true spatial relationship to the Tout complex).



Source: IIR, adapted from various

Figure 4: Planes, rigs and automobiles - the airborne geophysical survey aircraft overflies the drilling rig



Source: Hylea

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