

AUSTRALIAN

RESEARCH

INDEPENDENT INVESTMENT RESEARCH

Hylea Metals Limited (ASX: HCO)

**Flash Note - Initial assays from drilling
return excellent Co-Ni-Pt-Sc results**

July 3, 2018

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Note: This note is based on information provided by the company as at 2 July, 2018.

Investment Profile	
Share Price - 2 July, 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%



Senior Analyst – Mark Gordon

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INITIAL ASSAYS FROM DRILLING RETURN EXCELLENT RESULTS AT THE HYLEA COBALT PROJECT

- ◆ Assays from the first twelve holes have been received from the recently completed 54 hole, 3,621m AC/RC drilling programme at the Tiger's Creek prospect located in the 100% owned Hylea Cobalt Project, situated near the town of Fifield in the central west of New South Wales.
- ◆ 48 out of the 54 holes completed have intersected near surface laterite and clay 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 ultramafic olivine-rich dunites and peridotites, which are the precursor intrusive types to the higher grade laterites seen at the other projects in the region.
- ◆ Mineralisation includes high grade cobalt-nickel-platinum, high grade scandium and broad platinum, with better assays including:
 - 18m @ 0.20% Co, 0.71% Ni, 1.32g/t Pt from 5m, including 14m @ 0.23% Co, 0.71% Ni, 1.58g/t Pt (HYRC007)
 - 8m @ 0.29% Co, 0.77% Ni, 0.73g/t Pt from 2m, including 6m @ 0.37% Co, 0.89% Ni, 0.81g/t Pt (HYRC008)
 - 6m @ 0.19% Co, 0.38% Ni, 0.39g/t Pt from 20m, including 5m @ 0.21% Co, 0.34% Ni, 0.45g/t Pt (HYRC009)
 - 7m @ 540ppm Sc from 7m, including 3m @ 630ppm Sc (HYRC001)
 - 9m @ 446ppm Sc from 15m, (HYRC009)
 - 14m @ 1.61g/t Pt from 4m including 2m @ 5.90g/t Pt & 1m @ 2.31g/t Pt (HYRC007)
 - 16m @ 1.01g/t Pt from 3m, including 9m @ 1.36g/t Pt (HYRC011)
- ◆ The potential of the Project is further enhanced by the results of soil sampling, which has identified a 5km long geochemical trend, extending to the NW of Tiger's Creek; the trend is marked by three cobalt anomalies with associated nickel, platinum, palladium, scandium and vanadium anomalism.
- ◆ These anomalies (which are open), along with the data from a recently acquired airborne magnetics data highlights the potential for the Hylea Intrusive Complex to host further laterite-related mineralisation in addition to that identified at Tiger's Creek, with these anomalies now requiring drill testing.
- ◆ Hylea is located 50km from CleanTeq Holdings Limited's (ASX: CLQ, market capitalisation of A\$600 million) Sunrise Project, with similar laterite hosted Co-Ni-Sc-Pt mineralisation and developed above an intrusive complex similar in size to that at Hylea - Ni-Co resources at Sunrise total 109Mt @ 0.65% Ni, 0.10% Co, with Sc resources of 28.2Mt @ 419ppm Sc.

IIR'S COMMENTS

The initial results from Hylea's drilling programme (Figures 3 to 5) confirm the potential of the Hylea Cobalt Project, with assay results being of the same tenor to, or higher than those from other similar projects in the Fifield Igneous Province. The significant upside potential is further enhanced by the results of the soil sampling, which has identified three large soil cobalt anomalies in previously undrilled areas.

In addition to the high tenor broader intercepts, the drilling intersected what we consider some very high individual one metre assays for the style of mineralisation, including up to 0.61% cobalt, 1.38% nickel, 10.55g/t platinum and 720ppm scandium, with laterite profiles being intercepted up to a depth of up to 60m, however the mineralisation is generally shallow, starting from as shallow as 2m from surface.

A key factor of the results of the drilling is that the basement rocks intersected are dominated by olivine-rich dunites and peridotites, which are the precursor rocks to the higher grade laterite-hosted mineralisation in the Fifield region; in addition, although preliminary, the results

indicate a possible concentric zoning from a cobalt-nickel rich core to a scandium rich periphery of the main mineralised zone - this was apparent in the limited historic drilling and is a typical feature of these deposits, with the geochemistry reflecting in part the underlying intrusive types. The complexes commonly exhibit a zonation from dunite/peridotite, through pyroxenites to monzonites and then to more granitic phases.

We are also very encouraged by the results of the magnetics and soil sampling (Figure 2) which have identified a mineralised trend extending NW from Tiger's Creek, and most likely controlled by the underlying intrusive phases. This highlights the potential for the Project to host significant resources - a key to the commercial viability of laterites is a resource large enough to carry the significant capital required and deliver the economies of scale that result from a high processing throughput.

All in all the results bode well for the Project, and we look forward to ongoing positive results from the remaining drill assays, and from additional exploration activities going forward.

Figure 1: Fifield region laterite projects on magnetics image.

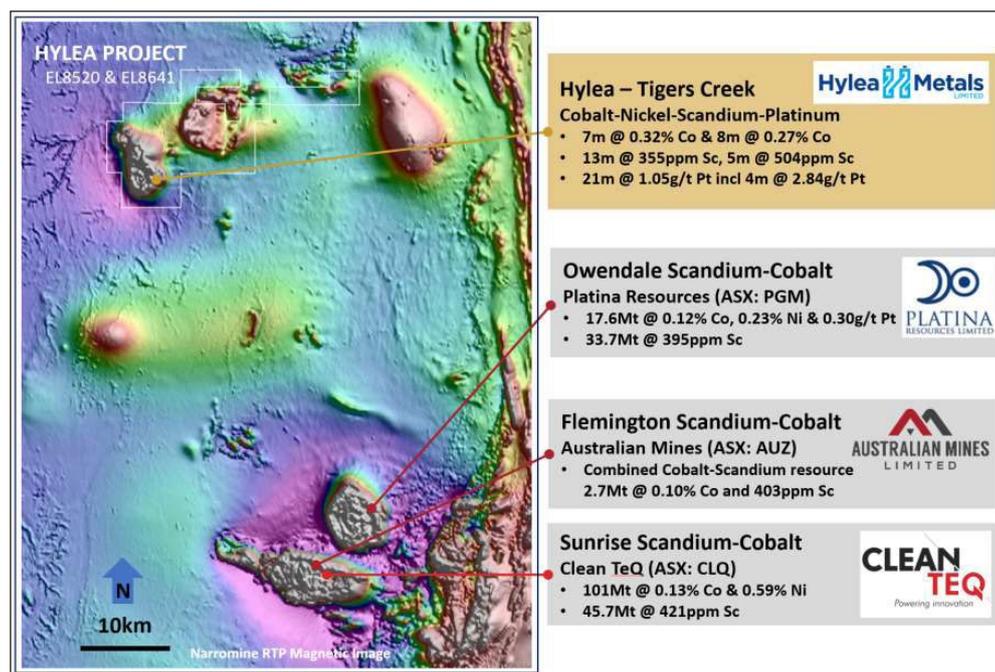


Figure 2: Hylea Project soil sampling on newly acquired magnetics data.

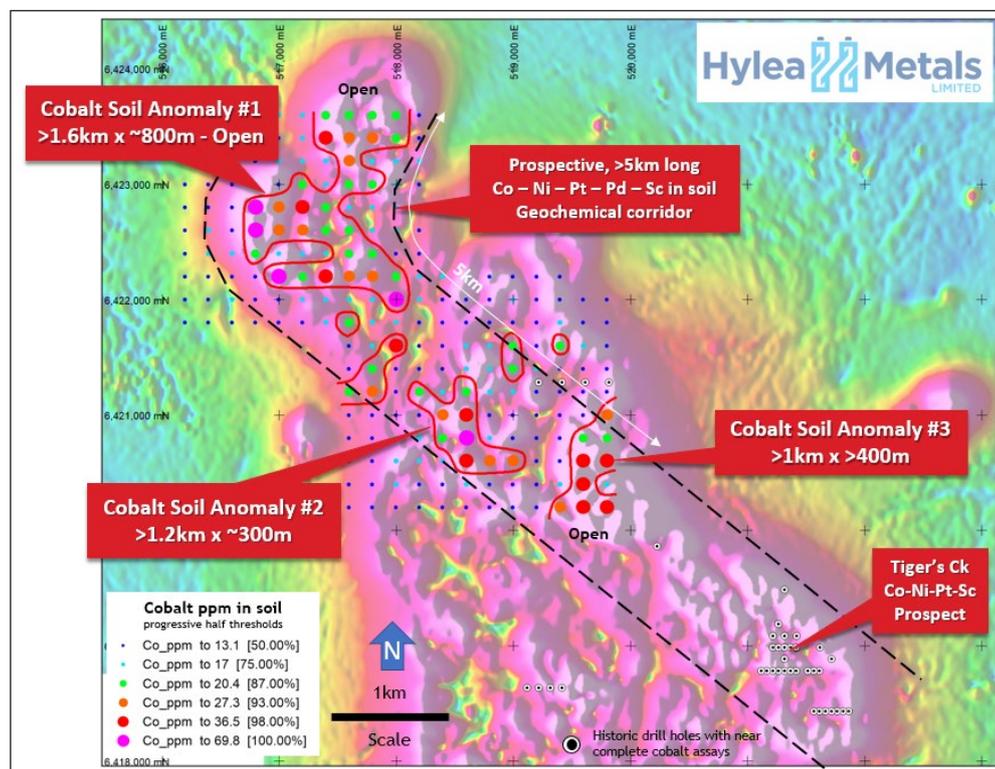


Figure 3: Plan of drilling at Tiger's Creek, highlighting results received to date.

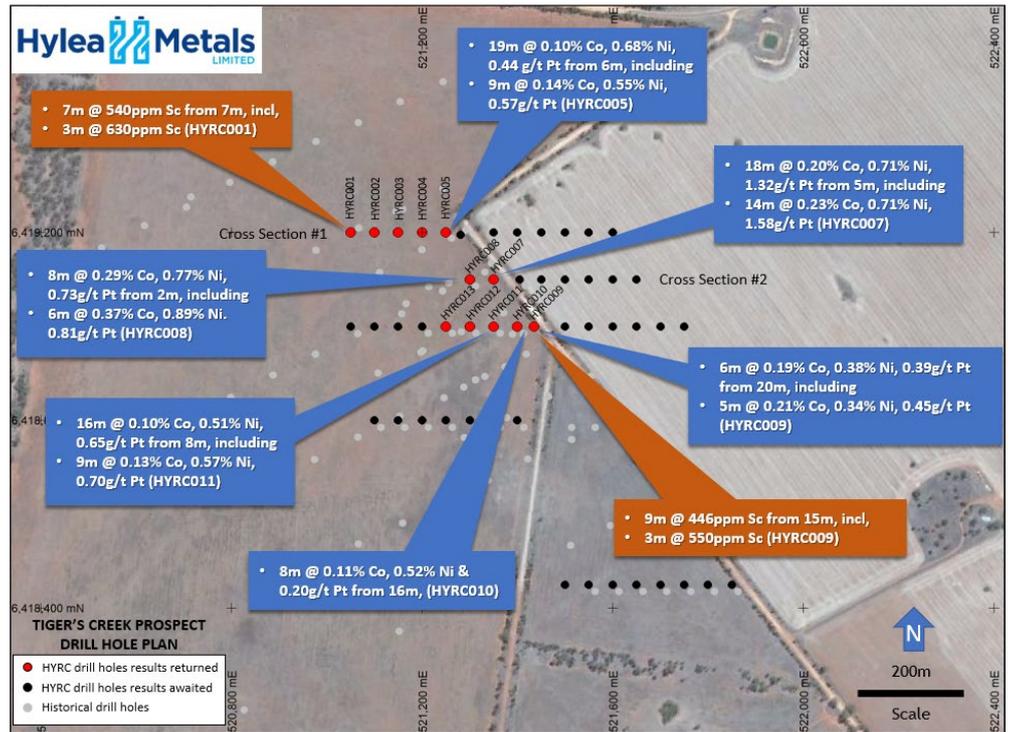


Figure 4: Cross section #1

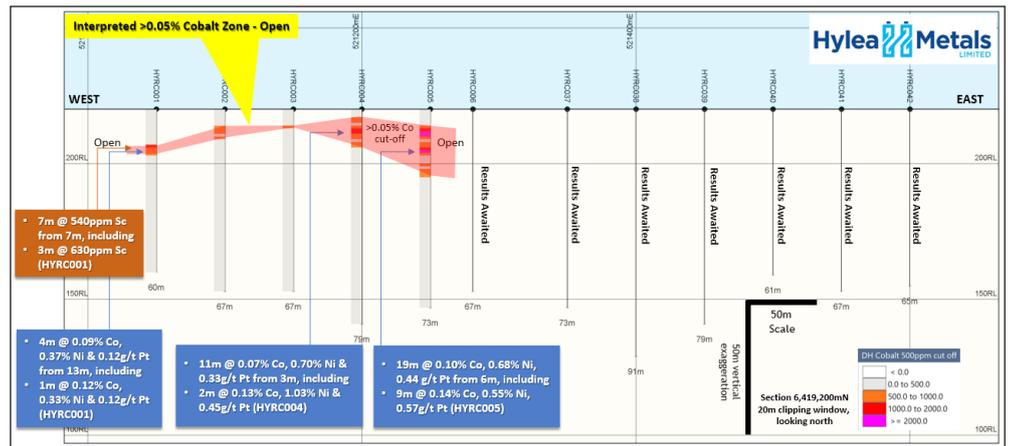
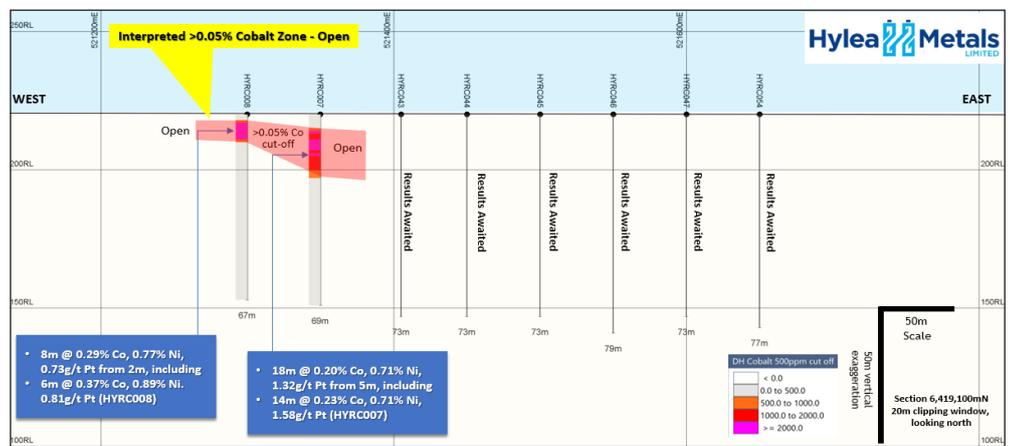


Figure 5: Cross section #2



All figures source: Hylea

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