



ASX Announcement

30 October 2019

## QUARTERLY REPORT FOR THE PERIOD ENDING 30 SEPTEMBER 2019

### HIGHLIGHTS

#### ORO VERDE LIMITED (ASX code: OVL)

*An emerging resource company focused on defining a world-class Rare Earths project*

#### KEY PROJECTS –

Nicaragua

San Isidro Gold – 100%

Uganda

Makuutu REE– 20%, earning up to 60%

#### BOARD OF DIRECTORS

##### Executive

Marc Steffens

Brett Dickson

##### Non-Executive

Tony Rovira

#### MANAGEMENT - NICARAGUA

Jacques Levy - Legal Rep.

#### REGISTERED OFFICE

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#### WEBSITE

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- ❖ Due diligence successfully completed on the Makuutu Rare Earth Elements Project in Uganda, East Africa
- ❖ Initial 20% interest in the Makuutu REE project acquired
- ❖ Very large Exploration Target defined at Makuutu
- ❖ Core (diamond) drilling program well underway
- ❖ Management and technical team appointed to advance the Makuutu project
- ❖ Airguide Advisory appointed as strategic advisor
- ❖ Share Placements totalling of \$1.3 million completed

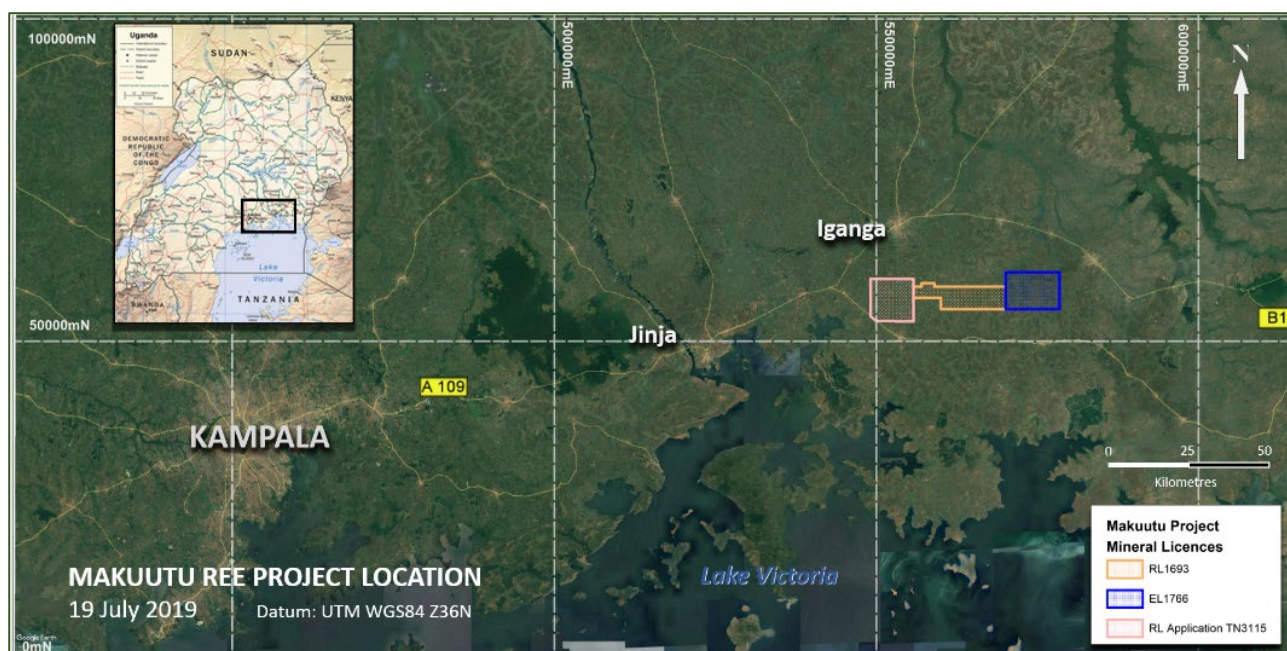
**Oro Verde Limited** (ASX: OVL) (“Oro Verde” or “the Company”) is pleased to provide its Quarterly Report for the period ending **30 September 2019**.

Very early in the quarter (2 July 2019) the Company announced that after an extensive search it had reached agreement to acquire up to a 60% interest in the Makuutu Rare Earths project (**Makuutu**) via the Ugandan company Rwenzori Metals Limited, subject to due diligence and shareholder approval.

At a general meeting of the Company held on 19 August 2019 shareholders approved the acquisition and on 28 August 2019 the Company announced that due diligence had been successfully completed and Oro Verde would continue with the acquisition of up to a 60% interest in the Makuutu project. Transaction details are set out in Appendix 1.

The Company met the conditions set out in items 1 and 2 of Appendix 1 and acquired an initial 20% interest in Ugandan company Rwenzori Rare Metals Limited (**Rwenzori**) which holds 100% of the Makuutu project, effectively providing Oro Verde with a 20% interest in Makuutu.

Makuutu comprises three licences covering approximately 132 km<sup>2</sup> located some 40 km east of the regional centre of Jinja and 120 km east of the capital city of Kampala (Figure 1). The area has excellent infrastructure with nearby tarred roads, nearby rail, power and water, cell-phone coverage, as well as being readily accessible throughout the year irrespective of weather conditions.



**Figure 1. Makuutu Rare Earth Project Location.**

The Makuutu project geology is similar to the ionic clay-type deposits of southern China where the world's cheapest and most readily accessible sources of Heavy Rare Earth Oxides (**HREO**) are extracted by rudimentary mining and processing methods.

Ionic clay-hosted Rare Earth deposits are significantly different from hard rock-hosted Rare Earth deposits. Typically, rare earths can be recovered from ionic clay mineralisation using mild leaching conditions to produce a high-grade REO chemical precipitate concentrate and generally present practical processing advantages.

### Previous Exploration

Previous exploration at Makuutu included shallow pit excavation and sampling, a 2,043 m / 109 hole RAB drilling program completed in 2017, and a single diamond core drill hole. These programs identified Rare Earth Oxide (**REO**) mineralisation predominantly hosted in the near-surface laterite and clay zones of a basin-fill sedimentary sequence, with some rare earths also contained in the underlying shales.

The results of the 2017 drilling program demonstrated the consistent nature of the mineralisation. Notable intersections of rare earths obtained in that program (>500 ppm Total REO (**TREO**) cut-off) included (ASX 28 August 2019):

- |                      |                              |               |
|----------------------|------------------------------|---------------|
| • Hole ID: KWRAB 004 | 5 – 14 m (9 m intersection)  | 1117 ppm TREO |
| • Hole ID: KWRAB 012 | 9 – 20 m (11 m intersection) | 1186 ppm TREO |
| • Hole ID: KWRAB 013 | 3 – 13 m (10 m intersection) | 1171 ppm TREO |
| • Hole ID: KWRAB 014 | 5 – 14 m (9 m intersection)  | 1143 ppm TREO |
| • Hole ID: KWRAB 023 | 7 – 16 m (9 m intersection)  | 1329 ppm TREO |
| • Hole ID: KWRAB 028 | 5 – 17 m (12 m intersection) | 1039 ppm TREO |
| • Hole ID: KWRAB 053 | 3 – 16 m (13 m intersection) | 860 ppm TREO  |
| • Hole ID: KWRAB 065 | 3 – 13 m (10 m intersection) | 843 ppm TREO  |
| • Hole ID: KWRAB 072 | 6 – 16 m (10 m intersection) | 1126 ppm TREO |
| • Hole ID: KWRAB 082 | 5 – 17 m (12 m intersection) | 918 ppm TREO  |

## Exploration Target

Makuutu is significant in size with the potential to be one of the largest ionic clay deposits outside of China. Importantly, Makuutu's REE grades are similar to those Chinese deposits. Ionic clay-hosted Rare Earth deposits are a substantive source of existing critical and heavy rare earth production in China. The mining and processing of these deposits is generally simpler than hard rock deposits, which provides significant operating cost advantages. A general overview of these differences was provided in the market announcement on 5 July 2019.

On 4 September the Company announced it had defined an Exploration Target at the Makuutu project of:

**270 – 530 million tonnes grading 0.04 – 0.1 % TREO\***

\*This Exploration Target is conceptual in nature but is based on reasonable grounds and assumptions. There has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource.

The Makuutu Project is located in the Paleoproterozoic (1600 – 2500 Ma) Lake Victoria Terrane with the Kayango granite and the Iganga Suite granites interpreted as basement rocks and potentially the primary source of the REE. The Makuutu REE mineralisation is hosted in sediments derived from these basement granites.

The Makuutu REE mineralised sequence typically comprises a surface laterite underlain by mottled clays with shales at the base. The laterite is overlain by recent alluvial soils, up to 1 m thick. The average thickness of the mineralised zones, with >500 ppm TREO, is shown in Table 1.

**Table 1. Average thickness of mineralisation by host rock type (>500 ppm TREO cut-off).**

Type	Minimum Thickness (m)	Maximum Thickness (m)	Average Thickness (m)
Laterite	1.0	7.0	3.8
Clays	1.0	16.0	6.4
Shales	1.0	10.0	3.3

The REE mineralisation is dominantly hosted in the clay and laterite horizons, although some rare earths are contained in the shales, albeit at lower concentrations than in the overlying clays.

The existing drilling on the Project shows a clear vertical zonation of REE through the weathered profile, which is typical of a laterite style of mineralisation. The zonation is notable as the light rare earths (LREE), particularly cerium, are concentrated in upper portions of the profile. The laterite and the mottled clays beneath the hard cap are more cerium-rich relative to the rest of the mineralisation. The higher value HREE such as neodymium, praseodymium, dysprosium and terbium are generally concentrated toward the mid to lower levels of the mineralised sequence.

The areas comprising the Exploration Target are shown in Figure 2. The Exploration Target for the Project has been estimated using existing RAB drilling data, as well as projection of geological criteria into prospective areas. The RAB drilling comprised 109 holes (2,043 metres), with drill hole spacing generally greater than 300 metres, and downhole sampling intervals of mostly 2.0 metres, ranging from 1.0 metres to 6.0 metres.

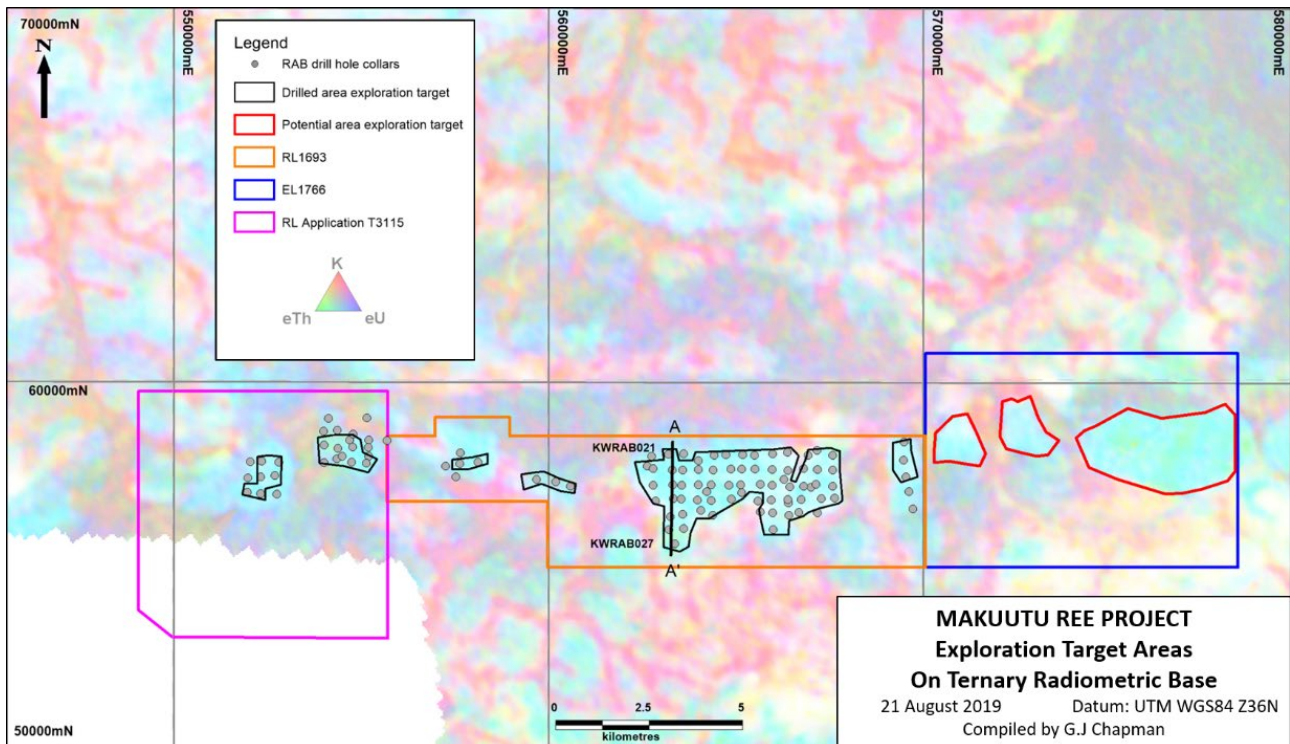


Figure 2. Makuutu REE Project Exploration Target Areas on Ternary Radiometric Base, Drilled areas and target areas correlate with elevated uranium anomalism at surface.

### Drilling Program

As announced on 26 September 2019 an initial drill program consisting of circa 38 holes for 750 metres of core drilling (diamond drilling) has commenced with a majority of the program now completed.

The drill program will provide information on three critically important areas, namely:

- 1) In-fill verificatory drilling to facilitate the estimation of a mineral resource compliant with the JORC code;
- 2) Collect samples from different areas and depths of the mineralised system for metallurgical testing and mineralogical evaluation; and
- 3) Exploration drilling to test prospective areas for additional rare earth mineralisation.

The first batch of core samples, some of which are depicted in Figure 3, have been freighted to Australia and testing has commenced. Results will be released as they become available, expected to be later in the December quarter.



Figure 3. Photograph of fresh drill core collected by core drilling at Makuutu.

## Project Team

During the quarter, the Company assembled a high-quality project team to provide the expertise necessary to advance Makuutu to be a REE project of international significance.

The following appointments have been confirmed:

- Dr. Marc Steffens appointed as Executive Technical Director;
- Mr. Hayden Buswell appointed as Consulting Metallurgical Engineer;
- Mr. Geoff Chapman appointed as Consulting Geologist; and

Dr. Steffens, a current director of the Company, holds Bachelor of Engineering (Minerals Engineering) and PhD (Metallurgy) degrees from the WA School of Mines. In the role of Executive Technical Director Dr. Steffens' will oversee the exploration programs, metallurgical studies and development of the Makuutu project. He has considerable experience as a consulting Metallurgist, Technologist and Project/Study Manager, which includes rare earths experience. He has previously held senior management roles covering engineering, process and project development studies and Research & Development.

Mr. Buswell is a consulting metallurgist who previously spearheaded metallurgical and project development on the Abanja Ionic Clay Rare Earth project located in Madagascar, where he held the position of Project General Manager. Mr Buswell has processing, project development and operations experience across various commodities and areas including Africa, Australia, Europe, Asia and North America. Mr. Buswell's unique experience and skillset on ionic clay-hosted REE projects places the Company in a position to swiftly develop and add value to the project.

Mr. Chapman is a geologist and a principal with geological consultancy GJ Exploration Pty Ltd. Mr Chapman has over 30 years of experience in the mining industry including technical and management roles in mining,

exploration, feasibility studies, project evaluation, mine planning and business development with commodity experience includes rare earths, gold, nickel, uranium and manganese.

### Strategic Advisor

AirGuide Pte Ltd. has been appointed as strategic advisor. AirGuide's principals have over 20 years of experience in financial markets and the commodities sector. AirGuide has had a positive track record of successfully advising ASX-listed, technology minerals companies on business strategy, investment funding and off-take partnerships.

### Nicaraguan Projects

No meaningful exploration was undertaken at San Isidro and there were no further developments from the Nicaraguan Ministry of Mines and Energy in regards to the award of the Company's applications for three additional mineral concessions.

### Capital Raising

During the quarter the Company secured funding of \$1.3 million (before expenses) through two tranches of share issues to clients of Paterson's Securities Limited and Sixty Two Capital Pty Ltd.

The first tranche, in July, was an issue of 200 million shares at a price of \$0.003 raising \$600,000 (before expenses) and the second, in September, was through the issue of 117.2 million shares at \$0.006 to raise \$706,320 (before expenses). Both issues utilised the Company's existing placement capacity pursuant to Listing Rule 7.1.

\*\*\*\*\* ENDS \*\*\*\*\*

### Oro Verde Mineral Tenement Interests

Common concession name	Location	Nature of Interest	Interest at beginning of Quarter	Interest at end of Quarter
RL1693	Uganda	Owned	0%	20%*
EL1766	Uganda	Owned	0%	20%*
TN3115	Uganda	Owned	0%	20%*
Hemco-SID (San Isidro) – 1351	Nicaragua	Owned	100%	100%
Iguanas	Nicaragua	Approval pending	0%	0%
Galeano	Nicaragua	Approval pending	0%	0%
Tigre	Nicaragua	Approval pending	0%	0%

\* Oro Verde may earn up to a 60% interest

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Company Secretary  
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### Competent Person Statement

Information in this report that relates to previously reported Exploration Targets and Exploration Results has been cross-referenced in this report to the date that it was originally reported to ASX. Oro Verde Limited confirms that it is not aware of any new information or data that materially affects information included in the relevant market announcements.

## ORO VERDE LIMITED

### QUARTERLY REPORT FOR THE PERIOD ENDING 30 SEPTEMBER 2019

#### Appendix 1

##### Makuutu Transaction Details

The Makuutu Rare Earth Elements project is owned 100% by Ugandan registered Rwenzori Rare Metals Limited (**RRM**) which in turn is owned 85% by South African registered Rare Earth Elements Africa Proprietary Limited (**REEA**). Oro Verde has entered into a binding option agreement with both companies that enables it to acquire up to a 60% direct interest in RRM, and thereby up to a 60% indirect interest in the project by:

1. the payment of US\$10,000 for a 30-day exclusive option period. This payment has been made;
2. Upon exercise of the option, the payment of US\$100,000 cash and issuing US\$150,000 in Oro Verde shares, at a 30-day VWAP in return for an immediate 20% interest in RRM. This payment and share issue has been made;
3. OVL to contribute US\$1,700,000 of expenditure by 1 October 2020 to earn up to a 51% staged interest in RRM as follows:

Spend	Interest earned	Cumulative Interest earned
Exercise of Option US\$100,000 as in 2 above	20%	20%
Expenditure contribution of US\$650,000	11%	31%
Expenditure contribution of further US\$800,000	15%	46%
Expenditure contribution of further US\$250,000	5%	51%

4. Oro Verde to fund to completion of a bankable feasibility study to earn an additional 9% interest for a cumulative 60% interest in RRM.
5. During the earn-in phase there are milestone payments, payable in cash or Oro Verde shares at the election of the Vendor, as follows:
  - US\$750,000 on the Grant of Retention licence over RL1693 which is due to expire in November 2020;
  - US\$375,000 on production of 10 kg of mixed rare-earth product from pilot or demonstration plant activities; and
  - US\$375,000 on conversion of existing licences to mining licences.
6. At any time should Oro Verde not continue to invest in the project and project development ceases for at least two months RRM has the right to return the capital sunk by Oro Verde and reclaim all interest earned by Oro Verde.

## Appendix 5B

### Name of entity

**ORO VERDE LIMITED**

### ABN

**84 083 646 477**

### Quarter ended ("current quarter")

**30 September 2019**

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(290)	(290)
(b) development	-	-
(c) production	-	-
(d) staff costs	(84)	(84)
(e) administration and corporate costs	(82)	(82)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other - JV Advances	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(456)</b>	<b>(456)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other - Makuutu acquisition facilitation Fees	(148)	(148)
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(148)</b>	<b>(148)</b>

<b>Consolidated statement of cash flows</b>		<b>Current quarter</b>	<b>Year to date</b>
		<b>\$A'000</b>	<b>(3 months)</b>
			<b>\$A'000</b>
<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	1,306	1,306
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(78)	(78)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>1,228</b>	<b>1,228</b>
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	691	691
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(456)	(456)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(148)	(148)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,228	1,228
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>1,315</b>	<b>1,315</b>
<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b>	<b>Current quarter</b>	<b>Previous quarter</b>
	at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>\$A'000</b>	<b>\$A'000</b>
5.1	Bank balances	1,282	658
5.2	Call deposits	33	33
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,315</b>	<b>691</b>

<b>6. Payments to directors of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1 Aggregate amount of payments to these parties included in item 1.2	81
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Includes directors fees, superannuation on directors fees and executive services;

<b>7. Payments to related entities of the entity and their associates</b>	<b>Current quarter \$A'000</b>
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Exploration and evaluation	499
9.2 Development	-
9.3 Production	-
9.4 Staff costs	78
9.5 Administration and corporate costs	100
9.6 Other (provide details if material)	-
<b>9.7 Total estimated cash outflows</b>	<b>677</b>

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	<u>Uganda</u> RL1693 EL1766 TN3155	Owned Owned Owned	0% 0% 0%	20% 20% 20%
10.2	Interests in mining tenements and petroleum tenements acquired or increased	-			

Refer to Table 2 for full list of mining tenements

### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:



(Company secretary)

Date: 30 October 2019

Print name:

Brett Dickson