

ACQUISITION OF SIGNIFICANT RARE EARTHS PROJECT

HIGHLIGHTS

- ❖ Agreement reached to acquire up to a 60% interest in the Makuutu Rare Earth Elements (REE) Project in the mining-friendly country of Uganda, east Africa
 - ❖ Makuutu is a large, ionic adsorption clay-hosted REE project bearing appreciable quantities of critical REE's, particularly neodymium and praseodymium
 - ❖ Extensive drilling has confirmed the widespread presence of mineralised Rare Earth Oxide (REO) clays throughout an area with a strike length of circa 15.0 kms x 1.5 kms in width with mineralisation remaining open along trend to the east and west
 - ❖ Makuutu is one of the few large ionic clay-hosted REE deposits outside of China, where currently a significant portion of global REE production is sourced
 - ❖ Ionic clay deposits generally have several advantages over hard rock deposits, including lower operating and capital costs and shorter timelines for development
 - ❖ Initial investment fully funded by existing cash reserves and share placement of \$0.6 million
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Oro Verde Limited (ASX: OVL) ("Oro Verde" or "the Company") is pleased to announce it has reached agreement to acquire up to a 60% interest in the Makuutu Rare Earths project (**Makuutu**) from the Ugandan company Rwenzori Metals Limited.

Makuutu comprises three licences covering approximately 132 km² located approximately 40 km east of the regional centre of Jinja and 120 km east of the capital city of Kampala in eastern Uganda. The area has excellent infrastructure with tarred roads, nearby rail, power and water, cell-phone coverage, as well as being readily accessible throughout the year irrespective of weather conditions.

Oro Verde Director, Dr Marc Steffens, stated: *"We have searched extensively and very selectively for the company's next project and are very excited by this new acquisition. Makuutu has the potential to be a substantive and significant project with a favourable REE mix, that is located strategically outside of China in a mining-friendly jurisdiction. Additionally, we believe we have an excellent project partner in Rwenzori's existing management and technical teams, and look forward to further developing this opportunity together."*

The Makuutu project geology is similar to the southern China ionic clay-type deposits, which are the cheapest and most readily accessible source of heavy Rare Earth Oxides (**HREO**) that are extracted through rudimentary mining and processing methods. Preliminary metallurgical work has been undertaken on Makuutu mineralisation that culminated in an 8.5 tonne bulk sample being tested at Mintek laboratories in South Africa, which has confirmed favourable metallurgy and extraction characteristics typical of ionic clay mineralisation.

Oro Verde will be utilising its 30 day due diligence period to verify the previous exploration and testing results generated by the current owners, Rwenzori, which include:

- Ground Gravity survey
- Radiometric survey
- Pitting for metallurgical testwork samples
- In excess of 100 drill holes totalling more than 2,000 m of drilling and sample assays
- Preliminary metallurgical testing, with an 8.5 tonne sample being processed at Mintek laboratories in South Africa
- Geological modelling, and
- a non-JORC compliant Mineral Resource estimate.

Collectively, this work indicates the presence of a large zone containing mineralised rare earth clays covering an aerial extent of approximately 15.0 x 1.5 km. This mineralised zone covers only a portion of the main tenement, while the other tenements in the package remain untested, indicating that further mineralised extensions and/or new zones may be defined.

The resource and exploration work that has been completed to date is not being disclosed by Oro Verde, as until the Company's due diligence is completed it has no comment on the veracity or reliability of that information and investors should not rely on that information until it has been verified.

Ionic clay Rare Earth Projects vary markedly from hard rock Rare Earth projects. Typically, rare earths can be recovered from ionic clay mineralisation using mild leaching conditions and generally present practical processing advantages which are summarized in the following table:

MINING/PROCESSING STAGES	CLAY-HOSTED REE	HARD ROCK-HOSTED REE
Mineralisation	↗ Soft material, negligible (if any) blasting	↘ Hard rock
Mining	Low operating costs: ↗ Surface mining (0-15m) ↗ Minimal stripping of waste material ↗ Progressive rehabilitation of mined areas	High operating costs: ↘ Blasting required ↘ Could have high strip ratios
Processing – Mining site	↗ No crushing or milling ↗ Potential for static or in-situ leaching ↗ Ambient temperature ↗ Simple process plant	↘ Comminution, followed by beneficiation that often requires expensive (flotation) reagents
Mine product	↗ Mixed high-grade rare earth precipitate (~50-95% depending on precipitant) for feedstock into rare earth separation plant	↘ Mixed REE mineral concentrate (typically 20 – 40% TREO)
Processing – Refinery (typically not on mining site)	↗ Simple acid solubilisation followed by conventional REE separation ↘ Complex recycling of reagents and water	↘ High temperature mineral “cracking” using strong reagents ↘ Complex plant (to withstand strong reagents and high temperatures) ↘ High reagent consumption per tonne of REO)
Processing – Environmental	↗ Non-radioactive tailings ↘ Solution treatment and reagent recovery requirements (somewhat off-set by advantageous supporting infrastructure)	↘ Tailings often radioactive (complex and costly disposal)

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;
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;
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.

Shareholder approval will be sought for the transaction with the notice of meeting and explanatory statement to be issued shortly.

Capital Raising

The Company has secured immediate funding of approximately A\$600,000 (before costs) through a share placement to clients of Paterson's Securities Limited and Sixty Two Capital Pty Ltd. A total of 200 million fully paid ordinary shares will be issued at a price of \$0.003 utilising the Company's existing placement capacity pursuant to Listing Rules 7.1 (47 million shares) and 7.1A (153 million shares). The funds raised under the placement will be used to fund its initial commitments for the Makuutu project.

Next Steps

Due diligence activities have commenced with technical consultants appointed. Upon successful completion of due diligence, a swift progression to project development is being planned, with work to commence immediately on the following:

- Infill and extensional drilling
- Resource development to JORC standard
- Metallurgical testwork

***** ENDS *****

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