

**QUARTERLY REPORT FOR THE PERIOD ENDING 30 JUNE 2019****HIGHLIGHTS****ORO VERDE LIMITED
(ASX code: OVL)**

*An emerging resource
company*

KEY PROJECTS –**Nicaragua**

San Isidro Gold Project

UgandaMakuutu REE– undergoing
due diligence**BOARD OF DIRECTORS****Executive**

Brett Dickson

Non-Executive

Tony Rovira

Marc Steffens

MANAGEMENT - NICARAGUA

Jacques Levy - Legal Rep.

REGISTERED OFFICELevel 1, 34 Colin St,
West Perth, WA 6005
AUSTRALIA
+61 (0) 8 9481 2555**WEBSITE**www.oроверde.com.au

- ❖ Agreement reached to acquire up to a 60% interest in the Makuutu Rare Earth Elements (REE) Project in Uganda, East Africa
- ❖ Makuutu is a large, ionic adsorption clay-hosted REE project bearing appreciable quantities of critical REE's
- ❖ 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
- ❖ Share Placement of \$600,000 completed post quarter end

Oro Verde Limited (ASX: OVL) ("Oro Verde" or "the Company") is pleased to provide its Quarterly Report for the period ending **July 31, 2019**.

During the quarter, and after an extensive and very selective search, the company reached agreement to acquire up to a 60% interest in the Makuutu Rare Earths project (**Makuutu**) from the Ugandan company Rwenzori Metals Limited, subject to the completion of a successful 30 day due diligence by Oro Verde.

Makuutu comprises three licences covering approximately 132 km² located some 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.

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.

The 30 day due diligence is well underway, will be completed by the end of July, and is focusing on verifying previous exploration results, particularly the work that indicated the presence of a large zone containing mineralised rare earth clays covering an aerial extent of approximately 15.0 km x 1.5 km.

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. 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;
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 is being sought the transaction with the notice of meeting and explanatory statement despatched in mid-July 2019 for a meeting called for 19 August 2019.

Capital Raising

To fund its initial commitments for Makuutu the Company secured funding of 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 were issued at a price of \$0.003 utilising the Company's existing placement capacity pursuant to Listing Rule 7.1.

San Isidro (OVL 100%)

With the focus on the acquisition of the Makuutu Rare Earths project during the quarter no further work was undertaken on the San Isidro project.

Concessions Applications – Iguanas, Galeano and Tigre

No further development and final signoff from the Nicaraguan Ministry of Mines and Energy for the award of these concessions is awaited.

***** ENDS *****

Table 1 Summary - Oro Verde Mineral Tenement Interests

Common concession name	Location	Nature of Interest	Interest at beginning of Quarter	Interest at end of Quarter
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%

For enquiries contact:
Mr Brett Dickson
Company Secretary
+61 8 9481 2555



Appendix 5B

Name of entity
ORO VERDE LIMITED
ABN
84 083 646 477
Quarter ended ("current quarter")
30 June 2019

Consolidated statement of cash flows	Current quarter	Year to date
	\$A'000	(12 months)
		\$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	-	(186)
(b) development	-	-
(c) production	-	-
(d) staff costs	(39)	(278)
(e) administration and corporate costs	(22)	(474)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	4
1.5 Interest and other costs of finance paid	-	(3)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other - JV Advances	-	-
1.9 Net cash from / (used in) operating activities	(60)	(937)
2. Cash flows from investing activities		
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	-	30
(b) tenements (see item 10)	-	29
(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 (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	3	59

Consolidated statement of cash flows		Current quarter	Year to date (12 months)
		\$A'000	\$A'000
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	1,425
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	-	(92)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	(100)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	1,233
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	751	323
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(60)	(937)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	59
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	1,233
4.5	Effect of movement in exchange rates on cash held	-	13
4.6	Cash and cash equivalents at end of period	691	691
5.	Reconciliation of cash and cash equivalents	Current quarter	Previous quarter
	at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	\$A'000	\$A'000
5.1	Bank balances	658	718
5.2	Call deposits	33	33
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	691	751

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	63
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;

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
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	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
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.		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	928
9.2 Development	-
9.3 Production	-
9.4 Staff costs	66
9.5 Administration and corporate costs	50
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	1,044

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	-			
10.2	Interests in mining tenements and petroleum tenements acquired or increased	-			

Refer to Table 1 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 July 2019

Print name:

Brett Dickson