

ORO VERDE LIMITED

ABN 84 083 646 477

HALF YEAR FINANCIAL REPORT

31 December 2019

ORO VERDE LIMITED

HALF YEAR FINANCIAL REPORT 31 DECEMBER 2019

Contents to Financial Report	Page
Corporate Directory	3
Directors' Report	4
Consolidated Statement of Profit or Loss and Other Comprehensive Income	13
Consolidated Statement of Financial Position	14
Consolidated Statement of Changes in Equity	15
Consolidated Statement of Cash Flows	16
Notes to the Financial Statements	17
Directors' Declaration	24
Auditor's Independence Declaration	25
Independent Review Report	26

ORO VERDE LIMITED HALF YEAR FINANCIAL REPORT 31 DECEMBER 2019

Corporate Directory

ABN: 84 083 646 477

Directors

A P Rovira	Non-Executive Chairman
M J Steffens	Executive Technical Director
B D Dickson	Executive Finance Director

Company Secretary

B D Dickson

Registered Office and Principal Place of Business

Level 1
34 Colin Street
West Perth WA 6005
Telephone: 08 9481 2555
Fax: 08 9485 1290

Share Registry

Security Transfer Australia Pty Ltd
770 Canning Highway
Applecross WA 6153

Auditors

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

Bank

National Australia Bank
96 High Street
Fremantle WA 6160

ORO VERDE LIMITED

HALF YEAR FINANCIAL REPORT 31 DECEMBER 2019

Directors' Report

The Directors present their report together with the consolidated financial report for the six months ended 31 December 2019 and the independent review report thereon.

DIRECTORS

The names of the Company's directors in office during the half-year and until the date of this report are as below. Directors were in office for the entire period unless otherwise stated.

A P Rovira
M J Steffens
B D Dickson

REVIEW OF OPERATIONS

Very early in the period 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 Rare Metals Limited (**Rwenzori**) and on 19 August 2019 shareholders approved the acquisition. Due diligence was successfully completed on 28 August 2019 and the acquisition became unconditional and, accordingly, Oro Verde could move to acquire up to a 60% interest in Makuutu.

Makuutu Transaction Details

The Makuutu Rare Earth Elements (**REE**) 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 have 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 10kg 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.

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

ORO VERDE LIMITED HALF YEAR FINANCIAL REPORT 31 DECEMBER 2019

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 (Figure 1 and Figure 2). The area has excellent infrastructure with nearby tarred roads, rail, power and water, cell-phone coverage, as well as being readily accessible throughout the year irrespective of weather conditions.

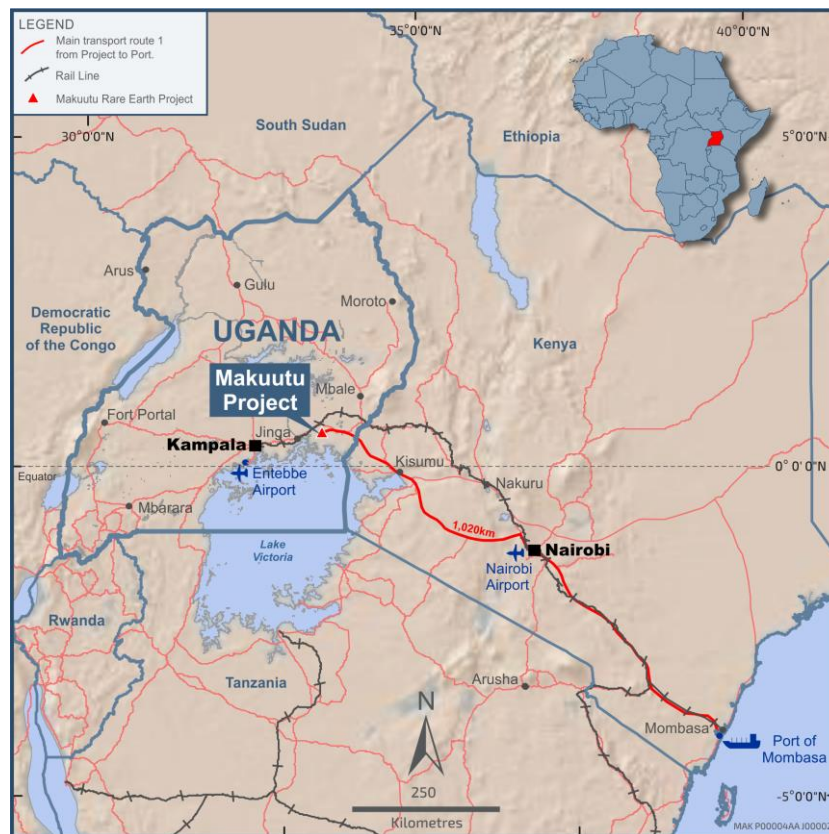


Figure 1. Makuutu Rare Earth Project Location.

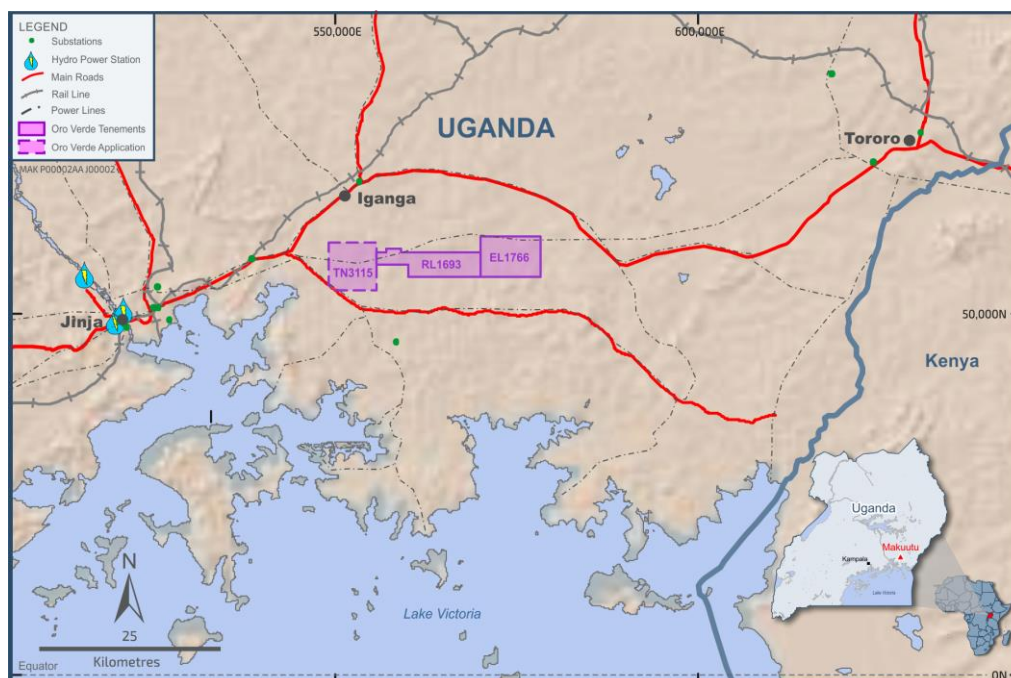


Figure 2. Proximity of Makuutu Tenements to Supporting Infrastructure.

ORO VERDE LIMITED

HALF YEAR FINANCIAL REPORT 31 DECEMBER 2019

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.

Exploration Target

Makuutu has 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.

Drilling Program

During the period the Company completed its first drilling program at Makuutu which was designed to provide information on three critically important areas, namely:

- 1) In-fill 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.

A total of 49 holes were drilled totalling 750 m. The program consisted of 41 diamond core holes and 3 window sampler holes in tenement RL 1693 to aid in resource definition, and 5 diamond core holes in tenement EL 1766 to test for rare earth mineralisation potential.

The holes in tenement RL 1693, located in the Makuutu Central Zone (MCZ), were generally drilled on 400-metre spacing and between existing RAB drilling holes to allow for a greater spatial coverage and complimentary data; in a few areas holes were drilled closer to allow for geostatistical analysis and resulting insights to requirements for the following drill program. The holes in tenement EL 1766 were drilled in areas where clay-hosted rare earth mineralisation was anticipated.

Core samples from the drill program were freighted to Australia for analysis. Figure 3 depicts core retrieved from a drill hole placed in the Makuutu Central Zone.

ORO VERDE LIMITED
HALF YEAR FINANCIAL REPORT 31 DECEMBER 2019



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

A total of 39 from the 41 core drill holes placed in the MCZ intersected clay mineralised at greater than 500 ppm TREO. The clay mineralisation intersections greater than 500 ppm TREO achieved in the drilling of this area have an average thickness of 6.3 metres, within an area of approximately 4.3 square kilometres. A simplified geology cross section annotated with drill results is shown in Figure 3.

Drill intersections containing significant near-surface grades and thicknesses of clay-hosted Rare Earth mineralisation include (previously reported and announced to the ASX on 21 Nov 2019 and 10 Dec 2019 and 23 Dec 2019):

RRMDD001: 15.0 metres @ 1,005 ppm TREO from 5.10 metres
 RRMDD003: 9.3 metres @ 1,144 ppm TREO from 2.87 metres
 RRMDD004: 4.2 metres @ 1,649 ppm TREO from 5.62 metres
 RRMDD005: 9.0 metres @ 821 ppm TREO from 7.40 metres
 RRMDD006: 4.0 metres @ 1,298 ppm TREO from 3.50 metres
 RRMDD010: 8.7 metres @ 1,007 ppm TREO from 3.87 metres
 RRMDD012: 17.2 metres @ 912 ppm TREO from 2.22 metres
 RRMDD013: 2.0 metres @ 1,330 ppm TREO from 5.35 metres
 RRMDD015: 9.7 metres @ 1,108 ppm TREO from 3.70 metres
 RRMDD016: 8.1 metres @ 1,199 ppm TREO from 2.50 metres
 RRMDD017: 7.3 metres @ 1,034 ppm TREO from 1.50 metres

ORO VERDE LIMITED HALF YEAR FINANCIAL REPORT 31 DECEMBER 2019

RRMDD018: 4.7 metres @ 1,291 ppm TREO from 6.87 metres

RRMDD023: 10.6 metres @ 923 ppm TREO from 3.40 metres

RRMDD029: 7.5 metres @ 1,299 ppm TREO from 6.0 metres

RRMDD032: 10.1 metres @ 913 ppm TREO from 1.50 metres

RRMDD037: 3.0 metres @ 1,066 ppm TREO from 3.10 metres

RRMDD041: 6.50 metres @ 1,385 ppm TREO from 4.70 metres

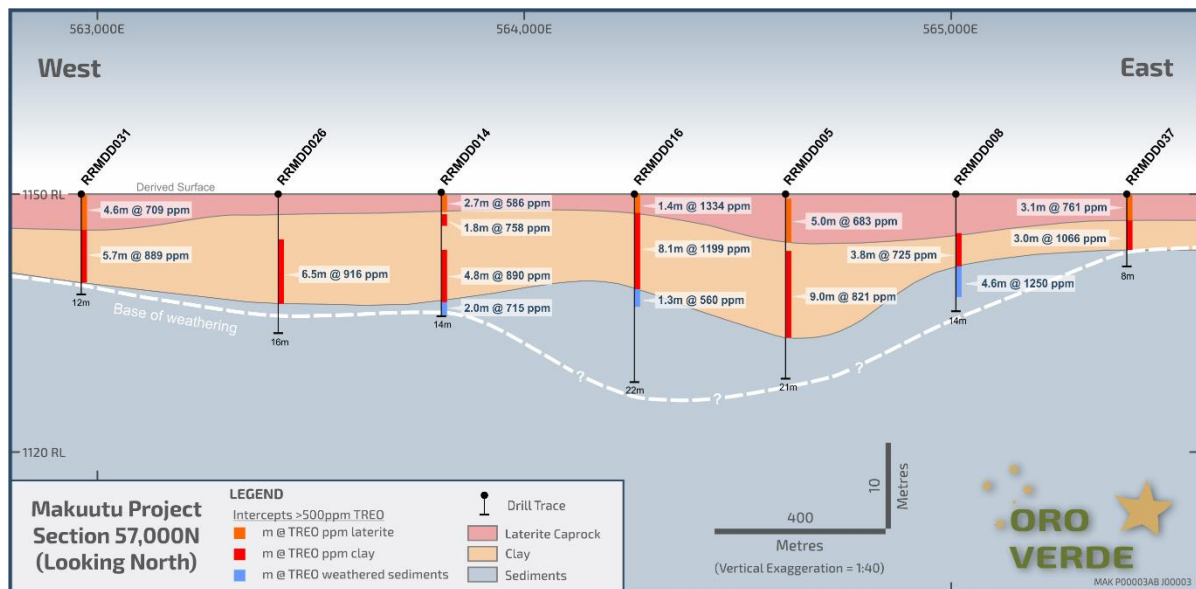


Figure 4. Makuutu REE Project; Cross Section of Simplified Geology and Drill Results.¹

Metallurgy

An initial phase of metallurgical test-work and engineering analysis has been undertaken to broadly gauge the metallurgical and process requirements to recover rare earths from Makuutu mineralisation. The key findings of this work are summarised in Table 1.

Collectively the findings demonstrate the low-cost nature of processing ionic clay rare earth mineralisation with low reagent consumptions, and also highlight potential to develop a recovery process with a low capital cost. The results are preliminary and substantive further testing and development work is necessary to adequately define and optimise the appropriate processing scheme for Makuutu mineralisation, however the initial results are highly encouraging and provide a substantive base for a rigorous process development program.

¹ The surface level is shown as fixed level of 1150 m as the vertical exaggeration required to capture the section width reduces the representivity of the diagram. Elevation change from west to east is approximately -30 metres.

ORO VERDE LIMITED

HALF YEAR FINANCIAL REPORT 31 DECEMBER 2019

Table 1. Summary of Key Outcomes from Process Development Testwork and Analysis.

Parameter	Result	Significance
Desorption Salts (leaching)	Demonstrated desorption of rare earths using ammonium sulfate (a common fertiliser) and sodium chloride (table salt).	Cheap reagents. Low-cost natural salt sources located near may be suitable.
Salt requirement	Demonstrated that low salt concentrations (~13-70 g/L ammonium sulfate) are effective in desorbing rare earths.	Low salt requirements Recycling of salt solution expected to be a part of the process.
Desorption pH	Demonstrated desorption of ionic clay rare earths can occur at pH between 3.0 – 5.0. Diagnostic tests indicate some mineralisation may require lower pH for higher rare earth extraction.	Natural pH of solutions is ~pH 5, thus anticipated acid requirement is low.
Desorption kinetics	Desorption kinetics are rapid, with agitation assisted desorption complete within 15 minutes.	Suggests smaller process equipment required (low residence times).
Beneficiation	Potential to beneficiate mineralisation by screening.	Smaller processing plant
Viability of Static Leach	Demonstrated desorption of rare earths without any agitation applied (static leach).	Indicates that static leach options may be viable and should be examined further.
Reagent recycle	Preliminary analysis of solution chemistries indicates that reagent can be recycled using membrane systems.	Availability of low-cost power at project site to allow effective washing and recycling of salt reagent.

These collective results demonstrate the metallurgical potential and justify the further pursuit of defining the Makuutu Rare Earth Project. The results also provide insight to processing requirements, which will be used as a foundation for further, more expansive, metallurgical testwork planned for 2020 that is needed to adequately define the metallurgical requirements of the project.

Project Team

Since entering into the transaction to acquire Makuutu the Company has assembled a high-quality project team to provide the expertise necessary to advance the project to be a REE project of international significance.

The following appointments have been confirmed:

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

Mr. Harrison will be responsible for project development and has over 20 years' experience in the metallurgical field as a practitioner, consultant and project manager in the fields of mine operations, project development and process plant commissioning. He has developed, operated and consulted widely on a large variety of projects, covering a range of technologies and across a range of metals including rare earths.

ORO VERDE LIMITED HALF YEAR FINANCIAL REPORT 31 DECEMBER 2019

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.

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. Chapman is a geologist with 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.

Maiden Mineral Resource Estimate

Since the end of the year a Mineral Resource Estimate (MRE) for the Makuutu Rare Earth Project was prepared by independent specialist resource and mining consulting group, Cube Consulting Pty Ltd ("Cube") (announced to ASX on 10 March 2020). A summary of the mineral resource estimate derived is shown in Table 1.

Table 1. Inferred Mineral Resource – Makuutu Central Zone (MCZ), March 2020.

Category	Estimation Domain	Tonnes (Mt)	TREO (ppm)	TREO no Ce ₂ O ₃ (ppm)
Inferred	Clay	47.3	910	670

The Mineral Resource has been compiled using a 500 ppm TREO minus Ce₂O₃ marginal cut-off grade. This cut-off has been selected based on published information from more advanced projects with comparable mineralisation and conceptual processing method. The grade-tonnage relationship of the resource, for various cut-off grades, is illustrated in below.

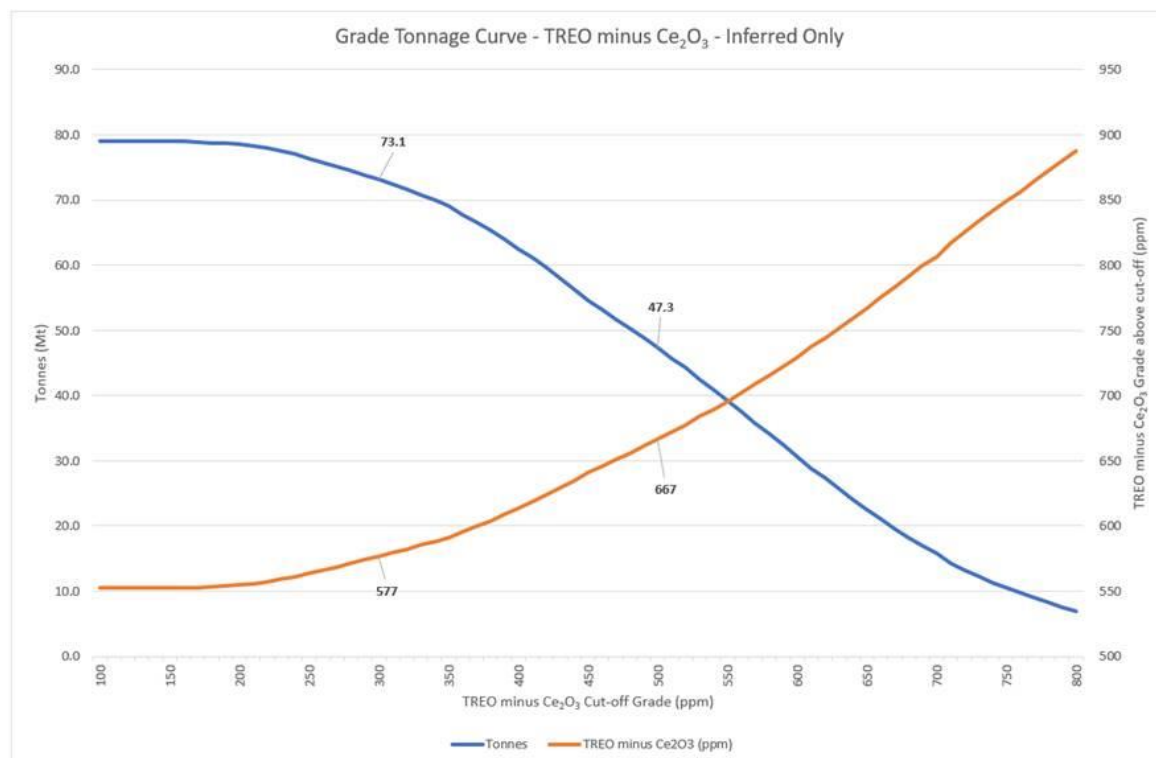


Figure 5. Grade-Tonnage Curve for Maiden Maluutu Resource

ORO VERDE LIMITED HALF YEAR FINANCIAL REPORT 31 DECEMBER 2019

Estimates were also made of the uranium and thorium content. Both are found in low concentrations in the deposit with uranium averaging 30 ppm U_3O_8 and thorium 30 ppm ThO_2 . These are not considered to be at significant levels.

The resource estimate has shown the REE mineralisation is distributed consistently through the clay horizon above the marginal cut-off grade. This consistency suggests an increase in resource confidence with limited infill drilling requirements.

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.

CORPORATE

During the quarter the Company secured funding of \$1.3 million (before expenses) through two tranches of share issued 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).

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires the Company's auditors, BDO Audit (WA) Pty Ltd to provide the Directors with a written independence declaration in relation to their review of the financial report for the half year ended 31 December 2019. The written auditor's independence declaration is attached at page 25 and forms part of this Directors' report.

Signed in accordance with a resolution of directors.



A P Rovira
Director
Perth 12 March 2020

ORO VERDE LIMITED

HALF YEAR FINANCIAL REPORT 31 DECEMBER 2019

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

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.

Information in this report that relates to Mineral Resources for the Makuutu Project is extracted from the report “Outstanding 47 million Tonne Maiden REE Mineral Resource” created and released to the ASX on 10 March 2020 and is available to view on www.asx.com.au. Oro Verde Limited that it is not aware of any new information or data that materially affects information included in the relevant market announcement, and that all material assumptions and technical parameters underpinning the estimates in the announcement continue to apply and have not materially changed.

ORO VERDE LIMITED
HALF YEAR FINANCIAL REPORT 31 DECEMBER 2019

**Consolidated Statement of Profit or Loss and Other
Comprehensive Income**

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Note	CONSOLIDATED	
		31 December 2019 \$	31 December 2018 \$
Continuing operations			
Interest income		845	2,435
Other Income			70,341
Depreciation		-	(3,336)
Salaries and wages		(137,500)	(203,944)
Directors' fees		(49,275)	(60,571)
Travel and accommodation		(5,956)	(8,818)
Promotion		(941)	(1,774)
Consultants		(18,822)	-
Insurance		(10,174)	(8,208)
Legal fees		(29,047)	(1,738)
Administration expenses		(126,160)	(79,625)
Impairment on receivables		-	(2,203)
Share based payments	10	(231,000)	(288,096)
Exploration expenses		(917,035)	(175,173)
Interest expense		-	(1,177)
Profit /(Loss) from continuing operations before Income tax		(1,525,065)	(761,887)
Income tax credit/(expense)		-	-
Profit /(Loss) from continuing operations after income tax		(1,525,065)	(761,887)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences in translating foreign controlled entities		(598)	(57,978)
Other comprehensive income net of tax		(598)	(57,978)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(1,525,663)	(819,865)
<i>Earnings per share for loss attributable to the ordinary equity holder of the parent:</i>			
Basic earnings per share (cents per share)		(0.08)	(0.05)
Diluted earnings per share (cents per share)		(0.08)	(0.05)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

ORO VERDE LIMITED
HALF YEAR FINANCIAL REPORT 31 DECEMBER 2019

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2019

	Note	CONSOLIDATED	
		31 December 2019	30 June 2019
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	3	663,661	691,153
Receivables		69,771	28,722
Other		16,470	6,677
Total Current Assets		749,902	726,552
Non-current Assets			
Investment in Associate	4	1,506,619	-
Total Non-current Assets		1,506,619	-
TOTAL ASSETS		2,256,521	726,552
LIABILITIES			
Current Liabilities			
Payables		303,633	65,378
Total Current Liabilities		303,633	65,378
TOTAL LIABILITIES		303,633	65,378
NET ASSETS		1,952,888	661,174
EQUITY			
Issued Capital	5	26,764,383	24,503,006
Reserves		5,783,136	5,227,734
Accumulated losses		(30,594,631)	(29,069,566)
TOTAL EQUITY		1,952,888	661,174

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

ORO VERDE LIMITED
HALF YEAR FINANCIAL REPORT 31 DECEMBER 2019

Consolidated Statement of Changes in Equity

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Ordinary shares	Convertible notes Reserve	Share option Reserve	Foreign Currency Translation Reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$	\$
At 1 July 2019	24,503,006	136,403	5,326,197	(234,866)	(29,069,566)	661,174
Loss for the period	-	-	-	-	(1,525,065)	(1,525,065)
Other comprehensive loss	-	-	-	(598)	-	(598)
Total comprehensive loss for the period	-	-	-	(598)	(1,525,065)	(1,525,663)
Transactions with owners in their capacity as owners						
Shares issued during the period	2,339,756	-	-	-	-	2,339,756
Transaction Costs	(78,379)	-	-	-	-	(78,379)
Share based payments	-	-	556,000	-	-	556,000
At 31 December 2019	26,764,383	136,403	5,882,197	(235,464)	(30,594,631)	1,952,888

	Ordinary shares	Convertible notes Reserve	Share option Reserve	Foreign Currency Translatio n Reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$	\$
At 1 July 2018	23,157,805	136,403	5,038,101	(250,355)	(28,091,252)	(9,298)
Loss for the period	-	-	-	-	(761,887)	(761,887)
Other comprehensive loss	-	-	-	(57,978)	-	(57,978)
Total comprehensive loss for the period	-	-	-	(57,978)	(761,887)	(819,865)
Transactions with owners in their capacity as owners						
Shares issued during the period	1,437,600	-	-	-	-	1,437,600
Transaction Costs	(92,399)	-	-	-	-	(92,399)
Share based payments	-	-	288,096	-	-	288,096
At 31 December 2018	24,503,006	136,403	5,326,197	(308,333)	(28,853,139)	804,134

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

ORO VERDE LIMITED
HALF YEAR FINANCIAL REPORT 31 DECEMBER 2019

Consolidated Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Note	CONSOLIDATED	
		31 December 2019 \$	31 December 2018 \$
Cash flows from operating activities			
Payments to suppliers and employees		(420,091)	(463,908)
Exploration expenditure		(687,863)	(175,173)
Interest expense		-	(3,420)
Interest received		845	2,435
Net cash flows used in operating activities		(1,107,109)	(640,066)
Cash flows from investing activities			
Proceeds from sale of mineral properties		-	28,782
Proceeds from sale of equipment		-	27,113
Purchase of mineral project facilitation fee		(148,035)	-
Purchase of equipment		-	(211)
Investment in company		(148)	-
Net cash flows from investing activities		(148,183)	55,684
Cash flows from financing activities			
Proceeds from application for shares, net of transaction costs		1,227,941	1,332,601
Borrowing repayments		-	(100,000)
Net cash flows from financing activities		1,227,941	1,232,601
Net increase/(decrease) in cash and cash equivalents		(27,351)	648,219
Cash and cash equivalents at beginning of period		691,153	322,994
Effect of exchange rate changes on cash and cash equivalents		(141)	(57,586)
Cash and cash equivalents at end of period	3	663,661	913,627

The above Consolidated Statement of Cash flows should be read in conjunction with the accompanying notes.

ORO VERDE LIMITED

HALF YEAR FINANCIAL REPORT 31 DECEMBER 2019

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

1 BASIS OF PREPARATION

These general purpose financial statements for the interim half year reporting period ended 31 December 2019 have been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards including AASB 134 *Interim Financial Reporting*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Oro Verde Limited and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2019 together with any public announcements made during the half year.

(a) Going Concern

This report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

The Group has incurred a net loss after tax for the half year ended 31 December 2019 of \$1,525,065 (2018: \$761,887) and experienced net cash outflows from operating activities of \$1,107,109 (2018: \$640,066). At 31 December 2019, the Group had net current assets of \$446,269 (30 June 2019: \$661,174).

The ability of the Group to continue as a going concern is dependent on securing additional funding either through the issue of further shares, convertible notes or a combination of both in order to continue to actively explore its mineral properties. In addition, the Group has taken steps to reduce its overhead and exploration expenditure to conserve its cash resources until additional funds are secured.

These conditions indicate a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, that it may be unable to realise its assets and discharge its liabilities as and when they fall due.

The directors believe there are sufficient funds to meet the Group's working capital requirements and as at the date of this report the directors believe the Group can meet all liabilities as and when they fall due. The Directors have reviewed the business outlook and the assets and liabilities of the Group and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Company will continue to be successful in securing additional funds through debt or equity issues or partial sale of its mineral properties, when and if required.

Should the Group be unable to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the normal course of business at amounts that differ from those stated in the financial statements.

The financial report does not include any adjustments that may be necessary if the Group is unable to continue as a going concern.

(b) Accounting Policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2019, except for the adoption of new standards and interpretations as of 1 July 2019, noted below:

ORO VERDE LIMITED

HALF YEAR FINANCIAL REPORT 31 DECEMBER 2019

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

1 BASIS OF PREPARATION (Continued)

(c) New and amended standards adopted by the group

During the current period, the following new or amended standard became applicable and the Group had to change its accounting policy as a result of the adoption of the following standard:

- AASB 16: Leases (issued February 2016)

The impact of the adoption of this standard and the new accounting policy are disclosed below. The impact of this standard has not had a material impact on the amounts presented in the Group's financial statements.

AASB 16: Leases (issued February 2016)

AASB 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases into its statement of financial position in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its statement of financial position for most leases.

There are some optional exemptions for leases with a period of 12 months or less and for low value leases.

The adoption of AASB 16 from 1 July 2019 resulted in no material changes in accounting policies and adjustments to the amounts recognised in the financial statements. The Company assessed its leases and noted that all leases held are for a period of 12 months or less and there is therefore no impact on the amounts recognised in the financial statements as a result of adoption.

(d) Basis of preparation and changes to the Group's accounting policies

Investment in Associate

Associates are entities over which the Group has significant influence but not control or joint control generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for at costs, including transaction costs.

Subsequent to initial recognition, Investments in Associates are stated at fair value. Gains or losses arising from changes in the fair value of Investments in Associates are included in profit or loss in the period in which they arise.

(e) Significant Judgement – Treatment of Expenditure on the Makuutu Project

Management have applied judgement in the treatment of expenditure incurred on the Makuutu Project in Uganda (see further details on the acquisition in note 4).

Expenditure incurred in order to acquire the project has been capitalised as initial cost an investment in associate (being Rwenzori Rare Metals Limited ('RML')) which represents the group's 20% interest RML which the group has significant influence over.

The group assesses whether there is objective evidence that the investment in associate is impaired by reference to the underlying project held by RML which is in exploration stage. Management have in accordance with AASB 6: Exploration and Evaluation of Mineral Assets, performed a review of impairment indicators on the investment in associate which included the review of the rights to tenure and future planned expenditure.

During the earn in period, all contributed expenditure incurred has been deemed to be exploration and evaluation expenditure, as opposed to contributions towards the associate. In line with the group's accounting policy for exploration and evaluation expenditure, these amounts have been expensed to Profit and Loss as incurred.

ORO VERDE LIMITED

HALF YEAR FINANCIAL REPORT 31 DECEMBER 2019

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

2 OPERATING SEGMENT

The Group has based its operating segment on the internal reports that are reviewed and used by the Board of Directors (“Board”) (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The Group does not have production and is only currently involved in exploration activities. As a consequence, activities in the operating segment are identified by the Board based on the manner in which resources are allocated and the nature of the resources provided.

Based on this criterion, the Board has determined that the Group has one operating segment, being exploration, and the segment operations and results are the same as the Groups results.

During the period the Company conducted its activities across three geographic locations, being Australia, Uganda and Nicaragua.

31 Dec 2019	Australia	Nicaragua	Uganda	Total
	\$	\$	\$	\$
Other income	845	-	-	845
Profit/(Loss)	(608,030)	-	(917,035)	(1,525,065)
Non-current assets	148	-	-	148
Total assets	710,428	39,474	1,506,619	2,256,521
Total liabilities	(301,654)	(1,979)	-	(303,633)
31 Dec 2018	Australia	Nicaragua	Uganda	Total
	\$	\$	\$	\$
Other income	2,435	70,341	-	72,776
Profit/(Loss)	(577,813)	(184,074)	-	(761,887)
30 June 2019				
Non-current assets	-	-	-	-
Total assets	686,449	40,103	-	726,552
Total liabilities	(63,367)	(2,011)	-	(65,378)

3 CASH AND CASH EQUIVALENTS

For the purpose of the half-year condensed statement of cash flows, cash and cash equivalents are comprised of the following:

	31 December 2019	30 June 2019
	\$	\$
Cash at bank and in hand	630,160	880,126
Short-term deposits	33,501	33,501
	663,661	913,627

ORO VERDE LIMITED

HALF YEAR FINANCIAL REPORT 31 DECEMBER 2019

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

4 INVESTMENT IN ASSOCIATE

An amount of \$1,506,619 has been presented in the financial statements as an Investment in Associates. This represents amounts incurred to acquire an interest in Rwenzori Rare Metals Limited which holds 100% of the Makuutu Rare Earth Elements project. Refer to note 8 for further information. This includes the amounts set out below.

	31 December 2019	30 June 2019
	\$	\$
Subscription for initial 20% interest in Rwenzori Rare Metals Limited	148	
US\$100,000 paid to Rare Earth Elements Africa Pty Ltd	148,035	-
29,179,517 fully paid shares issued to Rare Earth Elements Africa Pty Ltd	233,436	-
100,000,000 fully paid shares issued to Southern Cross Mining Pty Ltd	800,000	-
50,000,000 options with an exercise price of \$0.005 issued to Southern Cross Mining Limited	325,000	-
	1,506,619	-

5 SHARE CAPITAL

	Shares	\$
Balance at 1 July 2018	982,706,836	23,157,805
Issued in lieu of directors fees	2,971,698	12,600
Share placement at \$0.012	570,000,000	1,425,000
Share issue expenses	-	(92,399)
Balance as at 31 December 2018	1,555,678,533	24,503,006
Balance at 1 July 2019	1,555,678,533	24,503,006
Makuutu Facilitation Fee	29,179,517	233,436
Share placement at \$0.003	200,000,000	600,000
Consulting Fee on Makuutu	100,000,000	800,000
Share placement at \$0.006	117,720,000	706,320
Share issue expenses	-	(78,379)
Balance as at 31 December 2019	2,002,578,050	26,764,383

6 RESERVES

Share Option Reserve

	Options	\$
Balance at 1 July 2018	66,000,000	2,771,954
Options exercisable at 0.75 cents, expire 31 Jul. '21	340,000,000	-
Balance as at 31 December 2018	406,000,000	2,771,954
Balance at 1 July 2019	406,000,000	2,771,954
Options exercisable at 5 cents, expire 30 Sep. '19	(66,000,000)	-
Makuutu Facilitation Fee	50,000,000	325,000
Balance as at 31 December 2019	390,000,000	3,065,654

ORO VERDE LIMITED

HALF YEAR FINANCIAL REPORT 31 DECEMBER 2019

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

6 RESERVES (Continued)

Employee Option Reserve

	Options	\$
Balance at 1 July 2018	55,000,000	2,297,447
Movement	-	-
Balance as at 31 December 2018	55,000,000	2,297,447
Balance at 1 July 2019	29,000,000	2,297,447
Options exercisable at 5 cents, expire 30 Sep. '19	(7,000,000)	-
Director Options	40,000,000	231,000
Balance as at 31 December 2019	62,000,000	2,528,447

7 EVENTS AFTER THE BALANCE SHEET DATE

Since the end of the financial period the Group has:

- 15,000,000 performance rights vested and as a result 15,000,000 fully paid ordinary shares were issued. Agreement was reached to cancel the remaining 35 million performance rights;
- Appointed Mr Tim Harrison as project manager for the Makuutu Rare Earths Project;
- Initiated a capital raise by way of a Share Purchase Plan (**SPP**) to raise up to \$500,000 and a share placement to sophisticated investors (**Placement**) to raise \$1,150,000. The SPP opened on 5 March 2020 and will close on 26 March 2020. The Placement was finalised on 6 March 2020 with \$1,150,000 raised (before expenses) and 143,750,000 fully paid ordinary shares were issued at \$0.008 each.
- A maiden Inferred Mineral Resource Estimate of 47.3MT @ 910 ppm TREO for the Makuutu Rare Earth Project was prepared by independent specialist resource and mining consulting group, Cube Consulting Pty Ltd ("Cube") (announced to ASX on 10 March 2020).

No other matter or circumstance has arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the group in future financial years.

8 COMMITMENTS AND CONTINGENT LIABILITIES

On 19 August 2019 the Group received shareholder approval to acquire up to a 60% interest in the Makuutu rare earths project (**Makuutu**). Makuutu 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:

- the payment of US\$10,000 for a 30-day exclusive option period. This payment has been made;
- 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 has been made and the issue of shares completed;

ORO VERDE LIMITED

HALF YEAR FINANCIAL REPORT 31 DECEMBER 2019

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

8 COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

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.

There have been no other changes in Commitments and Contingent Liabilities since the end of the last annual reporting period.

9. RELATED PARTY TRANSACTIONS

For details of related party arrangements refer to 30 June 2019 financial statements. During the period options exercisable at \$0.018 each which expire at 30 November 2022 were issued as follows:

<i>Issued to</i>	Options Issued	
	<i>Number Issued</i>	<i>Fair Value of Options</i>
Anthony Rovira – Chairman	10,000,000	\$57,750
Marc Steffens – Technical Director	20,000,000	\$115,500
Brett Dickson – Finance Director	10,000,000	\$57,750

There were no other significant changes to the related party arrangements of the Group during the half-year ended 31 December 2019.

ORO VERDE LIMITED

HALF YEAR FINANCIAL REPORT 31 DECEMBER 2019

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

10. SHARE BASED PAYMENTS

During the period 90 million options were issued as follows:

Director Options

During the financial period 40,000,000 options exercisable at 1.8 cents on or before 30 November 2022 were issued to directors as part of their long-term incentive remuneration. The fair value of these options granted was calculated as 0.58 cents each by using the Binomial option valuation methodology and applying the following inputs:

Weighted average exercise price (cents)	1.8
Weighted average life of options (years)	3.0
Weighted average underlying share price (cents)	0.9
Expected share price volatility	135%
Risk free interest rate	0.73%

Total expenses arising from share-based payment transactions recognized during the period were \$231,000 (2018: Nil)

Facilitation and Consulting Options

During the financial period 50,000,000 options exercisable at 0.5 cents on or before 31 August 2022 were issued to Southern Cross Mining Pty Ltd as part fee for it assisting with the acquisition of the Makuutu rare earths project and on-going consulting services. The fair value of these options granted was calculated as 0.65 cents each by using the Binomial option valuation methodology and applying the following inputs:

Weighted average exercise price (cents)	0.5
Weighted average life of options (years)	3.0
Weighted average underlying share price (cents)	0.8
Expected share price volatility	135%
Risk free interest rate	0.73%

Total amount capitalized to Investment in Associates for this issue of options was \$325,000 (2018: Nil)

ORO VERDE LIMITED

HALF YEAR FINANCIAL REPORT 31 DECEMBER 2019

Directors' Declaration

The directors of the company declare that:

- a) the financial statements and notes of the consolidated entity as set out in the accompanying pages are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting*
- b) Subject to achievement of the matters described in note 1, in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This decision is made in accordance with a resolution of the board of directors.



A P Rovira
Director
Perth, 12 March 2020

DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF ORO VERDE LIMITED

As lead auditor for the review of Oro Verde Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Oro Verde Limited and the entities it controlled during the period.



Dean Just
Director

BDO Audit (WA) Pty Ltd
Perth, 12 March 2020

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Oro Verde Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Oro Verde Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the Corporations Act 2001 including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Emphasis of matter - Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 31 December 2019 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.



A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'Dean Just', is written over the BDO logo.

Dean Just

Director

Perth, 12 March 2020