

QUARTERLY REPORT FOR THE PERIOD ENDING 31 DECEMBER 2020

HIGHLIGHTS

ORO VERDE LIMITED (ASX code: OVL)

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

KEY PROJECTS –

Uganda

Makuutu REE– 20%, earning up to 60%

Nicaragua

San Isidro Gold – 100%

BOARD OF DIRECTORS

Executive

Marc Steffens

Brett Dickson

Non-Executive

Tony Rovira

MANAGEMENT - UGANDA

Tim Harrison – Makuutu PM

MANAGEMENT - NICARAGUA

Jacques Levy - Legal Rep.

REGISTERED OFFICE

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WEBSITE

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- ❖ Makuutu 2019 core drilling program completed, with 44 of 46 holes intersecting Rare Earth Elements (REE) mineralisation
- ❖ Drilling demonstrated shallow and extensive clay-hosted REE mineralisation over a 26km-long zone, with high grade intersections
- ❖ Exploration drilling intersected good widths of clay-hosted REE mineralisation in the previously untested EL1766 tenement
- ❖ Metallurgical testwork completed and results due shortly
- ❖ Makuutu REE Project Manager appointed

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

Early in the quarter the Company commenced drilling at the Makuutu Rare Earth Elements (REE) Project (**Makuutu**), of which it currently owns 20% and can acquire up to a 60% interest via the Ugandan company Rwenzori Rare Metals Limited. The drilling program was completed with final results reported to the ASX in 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 (Figures 1 and 2). 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.

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.



Figure 1. Makuutu Rare Earth Project Location.

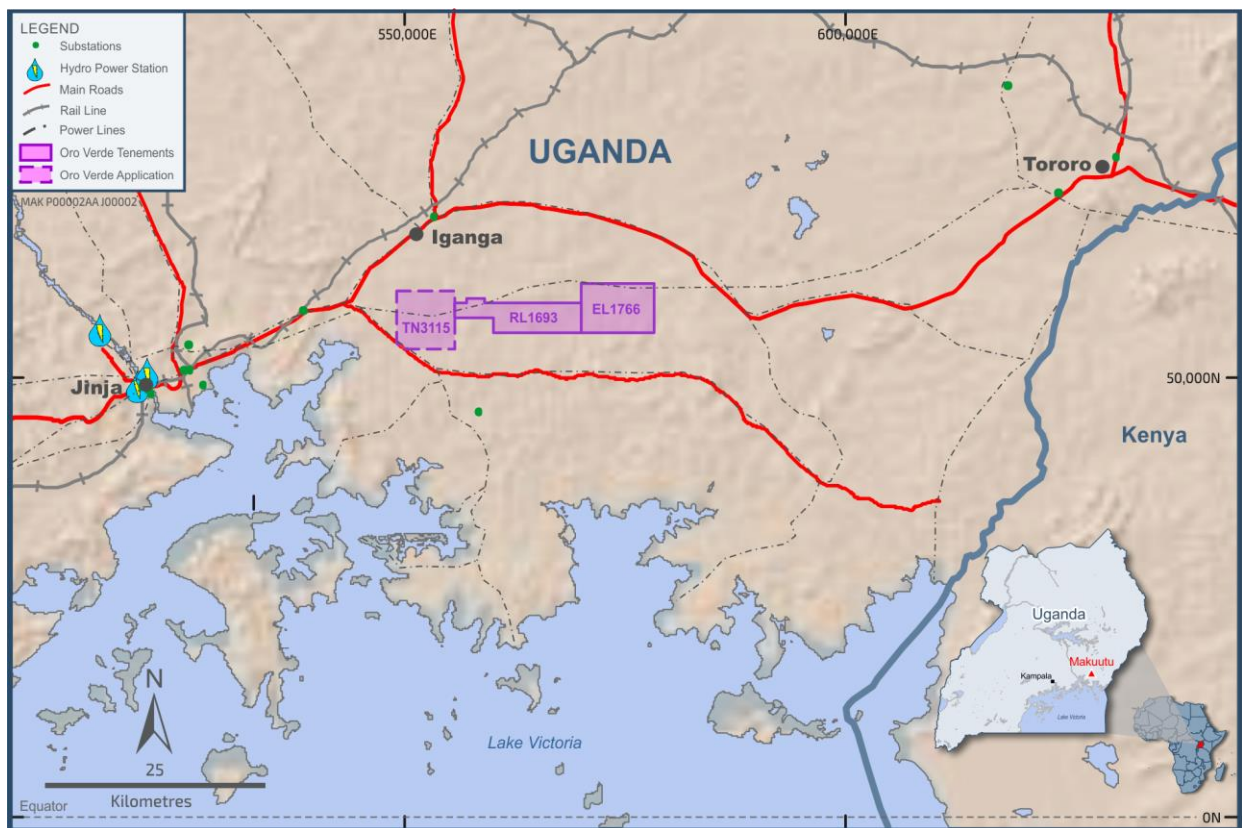


Figure 2. Makuutu Rare Earth Project Tenements and Major Infrastructure.

Project Overview

The Makuutu project, located in Uganda is significant in size and is understood to be potentially one of the largest ionic clay deposits outside of China. Drilling on the project to date totals 47 diamond core holes and 109 historic RAB holes, with the Company working toward validating its previously announced exploration target of (ASX: 4 September 2019):

270 - 530 million tonnes grading 0.04 – 0.1% (400 – 1,000 ppm) 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 contains ionic clay-hosted rare earth mineralisation, like those found in China which are the source of the majority of the world's heavy rare earths production, and very different to hard rock-hosted rare earths projects. Mineralisation at Makuutu occurs from surface to depths of 15-20 metres and mining will be simple. The processing of ionic clays is also simple where the clay undergoes a simple desorption process – akin to washing – in which rare earths are desorbed into a salt solution, concentrated and precipitated to create a mixed rare earth product. Tailings (the washed clay) are expected to be returned to the mined open pits and areas progressively rehabilitated. The process is expected to have a small environmental footprint while capital and operating costs are expected to be low.

The Company has acquired a 20% interest in the project and may acquire up to a further 40% interest via an “earn-in” process through the expenditure of funds, bringing its total potential interest in the project to 60%.

Key project highlights:

1. Ion Adsorption Clay deposits are currently the lowest cost sources of rare earths in the world
2. Special concentration of high demand rare earths - Terbium, Dysprosium, Praseodymium and Neodymium,
3. Simple and low-cost mining.

Completion of Drilling Program

The Company's initial 750-metre drilling program at the Makuutu project was completed, with a total of 49 holes being drilled. 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 locations of the core holes drilled in this program, as well as the historic RAB holes, are illustrated in Figure 3. The holes in tenement RL 1693, located in the Makuutu Central Zone (MCZ), were generally drilled in a 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.

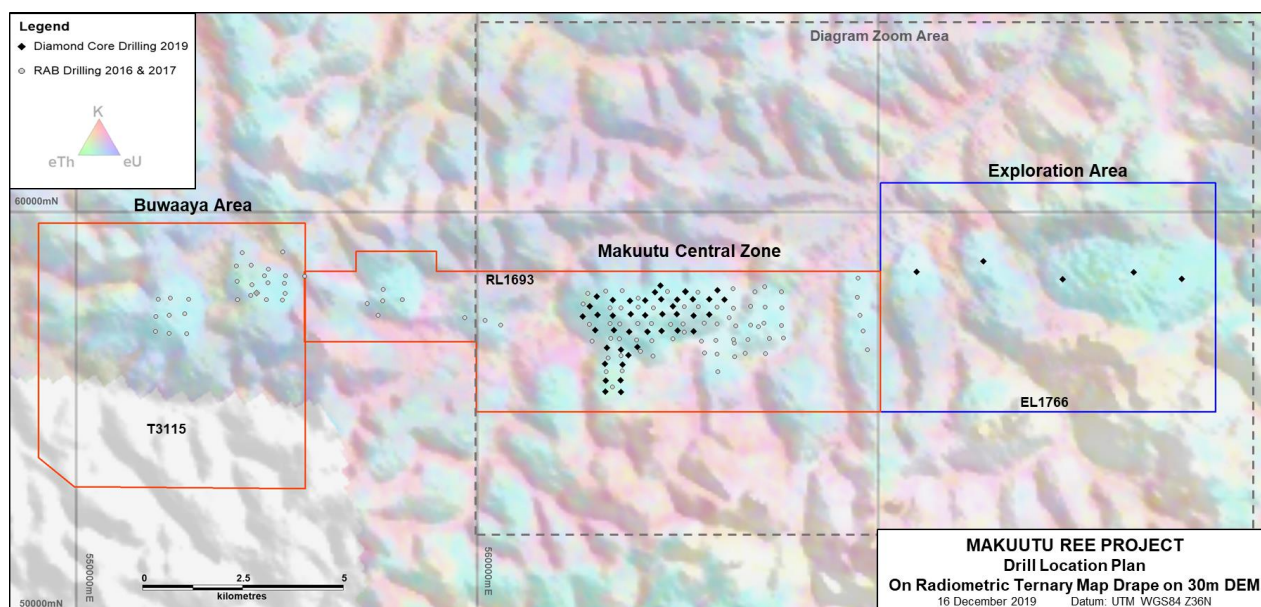


Figure 3. Makuutu REE Project Exploration Target Areas on Ternary Radiometric Base.
Grey markings indicate RAB drill holes (2016 & 2017) and black markings indicate 2019 core drill holes.

Drilling Results – Makuutu Central Zone (MCZ)

A total of 39 from 41 of the 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. The drill holes with clay intercepts with >500 ppm TREO are summarised on the drill plan shown in Figure 4, and simplified geology cross section annotated with drill results is shown in Figure 5.

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
- 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

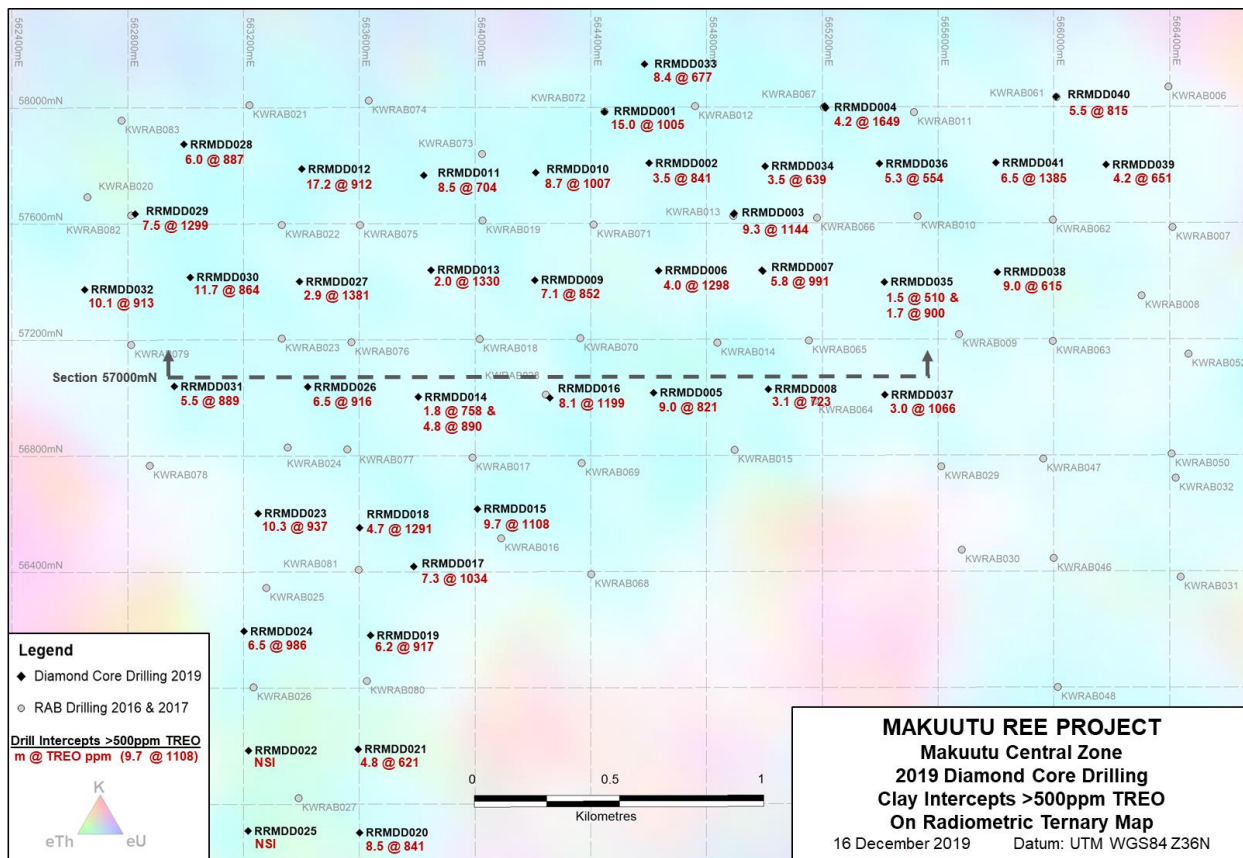


Figure 4. Makuutu Project: Plan of All Drill Holes With Clay Intercept Drill Results (Red). Map dimensions 4.5 km x 2.8 km.

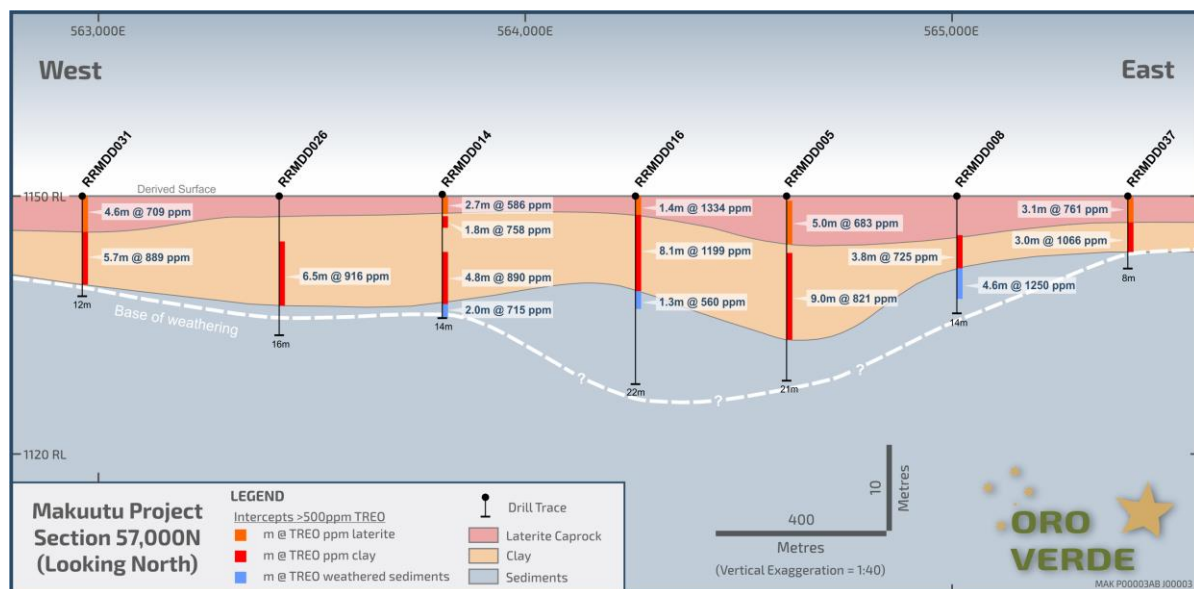


Figure 5. Makuutu REE Project; Cross Section of Simplified Geology and Drill Results.¹

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.

Drilling Results – Exploration Licence (EL) 1766

Broad spaced drilling of 5 diamond core holes was completed on the untested laterite plateaus between 6 and 12 kilometres east of the Makuutu Central Zone. The plateaus are considered geologically analogous to those hosting the known Makuutu Rare Earth (REE) mineralisation although no previous exploration had been undertaken to test the potential for REE in the area.

All drill holes (RRMDD042 to RRMDD046) encountered a similar lateritic weathering profile as seen in the Makuutu central zone. Near surface REE mineralisation over 500 ppm TREO hosted in clays, was intersected in all holes. The intersections are summarised as follows and displayed on Figure 6:

RRMDD042: 4.4 metres @ 981 ppm TREO from 3.80 metres

RRMDD043: 3.5 metres @ 589 ppm TREO from 2.95 metres

RRMDD044: 2.0 metres @ 617 ppm TREO from 2.70 metres

RRMDD045: 7.2 metres @ 556 ppm TREO from 0.95 metres

RRMDD046: 5.5 metres @ 642 ppm TREO from 3.75 metres

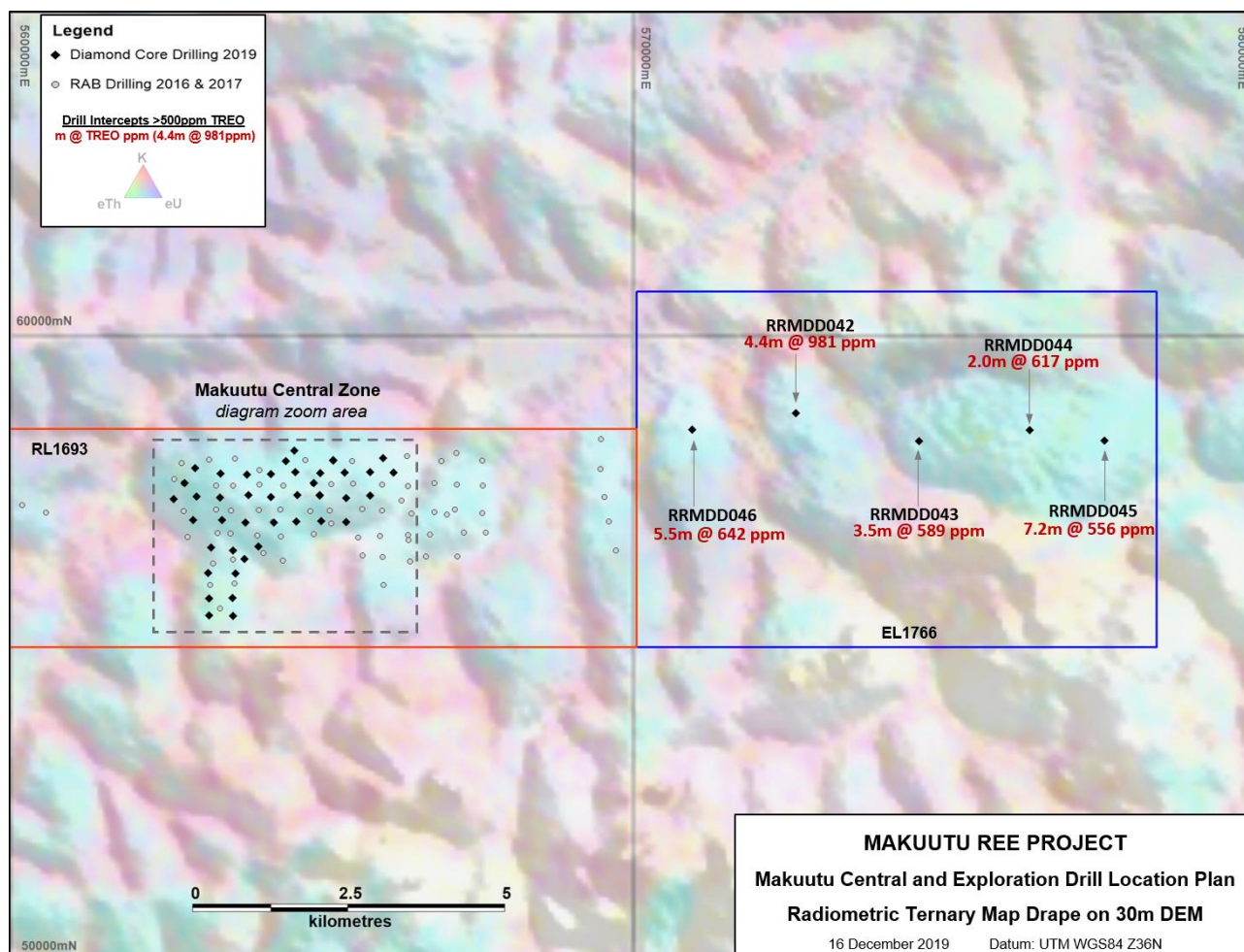


Figure 6. Drilling Location Plan Makuutu REE Project showing EL1766 Exploration Drill Holes Clay Intercepts >500ppm TREO.

Metallurgical Testwork

The initial metallurgical testwork program is near completion and results will be released shortly.

Appointment of Project Manager for the Makuutu Rare Earth Project

During the quarter, the Company appointed Mr. Tim Harrison as the Project Manager for the Makuutu Rare Earths Project. 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.

Most recently, he has spent the past 5 years principally involved with the development of Clean TeQ's Sunrise nickel-cobalt-scandium Project, where he managed Process Development from conception to a development ready project. Previous employers include Bechtel, BHP, Fluor, Ivanhoe Australia, WMC Resources and specialist consultancies.

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 addition mineral concessions.

Corporate

During the quarter the company expensed some \$398,000 on the exploration activities reported above.

Payments to related parties of the entity and their associates totalled \$94,000 and consisted of \$16,000 Director fees and \$78,000 Executive Service fees.

Authorised for release by Brett Dickson, Company Secretary.

***** 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

For enquiries contact:

Mr Brett Dickson
Company Secretary
+61 8 9481 2555



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.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

ORO VERDE LIMITED

ABN

84 083 646 477

Quarter ended ("current quarter")

31 DECEMBER 2019

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	(398)	(688)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(103)	(187)
	(e) administration and corporate costs	(151)	(233)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	1
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(651)	(1,107)
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation (if capitalised)	-	-
	(e) investments	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) 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 fee	-	(148)
2.6	Net cash from / (used in) investing activities	-	(148)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	1,306
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(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)	-	-
3.10	Net cash from / (used in) financing activities	-	1,228

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,315	691
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(651)	(1,107)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(148)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	1,228

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	664	664

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	631	1,282
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)	664	1,315

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

94

-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	-	-
7.2	-	-
7.3	-	-
7.4	-	-

7.5 Unused financing facilities available at quarter end

-

- 7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(651)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	-
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(651)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	664
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	664
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	1.02

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: **Yes**

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: **Yes. The Company has mandates with financial services entities to raise funding to meet the company's commitments. The Company is in advanced discussions with those entities to ensure its future commitments will be able to be met.**

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: **Yes. As stated in 2 above, the Company is in advanced discussions with financial service entities however, if those discussions are delayed or unsuccessful the Company may delay discretionary exploration expenditure until it is in a position to move forward.**

Compliance statement

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

Date: 30 January 2020

Authorised by: Brett Dickson – Company Secretary
(Name of body or officer authorising release – see note 4)

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.