

24 August 2020

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COBRE TO ACQUIRE A CONTROLLING INTEREST IN 8,100km² OF THE KALAHARI COPPER BELT IN BOTSWANA

Highlights

- Cobre to acquire a controlling interest in Kalahari Metals Limited, a copper exploration JV company in the highly prospective Kalahari Copper Belt in Botswana. Kalahari Metals owns the second largest tenure holding in the Botswana portion of the Kalahari Copper Belt after ASX listed company Sandfire Resources (ASX: SFR).
- Cobre will purchase an initial 49.9% stake, increasing to 51% stake subject to regulatory approvals, funded by the issue of circa 21.4m CBE shares at 20cps, to be escrowed until 31 January 2022.
- Metal Tiger plc, an existing shareholder of both Cobre and Kalahari Metals, will reduce its current stake in the Kalahari Metals JV from ~62% to 49% post completion.
- The transaction is subject to ongoing due diligence, finalising JV management agreements, regulatory approvals, and approval by Cobre shareholders at the upcoming AGM currently planned for mid-October 2020.
- The Kalahari Copper Belt is regarded as one of the world's most prospective area for yet-to-be-discovered sediment-hosted copper deposits by the US Geological Survey. Exploration drilling of Kalahari Metals' tenements is currently underway by the existing owners, with future exploration activities to be jointly funded under the proposed JV arrangements with Metal Tiger.

Acquisition to provide exposure to highly prospective Kalahari Copper Belt

Cobre Limited (ASX: **CBE**, **Cobre** or **Company**) is pleased to announce the signing of a binding Heads of Agreement (**HOA**) for the proposed scrip-based acquisition of 51% of the equity of Kalahari Metals Limited (**KML**). KML is a private UK company which controls approximately 8,100 km² of tenements within the Kalahari Copper Belt (**KCB**) in Botswana (with 6,650 km² owned 100%, and 1,450 km² in JVs). The KCB is regarded as one of the most prospective areas globally for copper exploration by the US Geological Survey (**USGS**), with a number of copper-silver deposits currently under development by both Sandfire Resources (ASX: **SFR**, **Sandfire**) and Cupric Canyon Capital (**Cupric Canyon**) (*refer Figure 2*).

KML is currently owned by seven shareholders, including Cobre's largest shareholder, Metal Tiger plc (LON: **MTR**) which currently holds ~62%. In the circa 2 years since MTR acquired its stake, it has invested approximately US\$4.2m into KML, and has successfully identified copper mineralisation at multiple locations¹. Post completion, MTR will continue to hold a 49% stake in the KML JV, with all

other KML shareholders fully converting their existing KML shares into CBE shares. Other than MTR, none of the other KML shareholders are related parties of Cobre. Upon completion MTR will hold circa 21% of CBE.

Key terms of the HOA include:

- The KML vendors will collectively be issued circa 21.4m CBE shares in consideration for the 51% interest in KML. Cobre will initially acquire a 49.9% interest in KML, and subject to obtaining change of control approval from the Ministry of Mines of Botswana, will increase its shareholding in KML to 51% immediately thereafter.
- The new shares, to be escrowed until 31 January 2022, will be issued at an implied CBE share price of 20cps.
- KML and each vendor have agreed to a 60-day exclusivity period in order for Cobre to conduct detailed due diligence on KML and its exploration licences.
- Transaction completion is conditional upon:
 - Cobre conducting due diligence enquiries in relation to KML and its licences to Cobre's satisfaction;
 - Cobre and the vendors negotiating and executing an agreed share purchase agreement;
 - Cobre and MTR negotiating and executing a shareholders' JV agreement in relation to the future management of KML;
 - Cobre obtaining shareholder approval at its upcoming AGM in mid-October 2020; and
 - MTR obtaining FIRB approval, if required, for the receipt of additional Cobre shares.

Assuming completion occurs on or before 30 November 2020, it is estimated that KML will hold a cash balance of approximately US\$600,000. These funds will be used for ongoing exploration activities within the Kalahari tenements over the next 6 months. Once this cash balance is exhausted, Cobre and MTR have agreed to commit A\$1.75 million each (A\$3.5 million in total) to fund further exploration for the following two years. Cobre can fund this commitment from existing cash holdings.

Background on Kalahari Metals Limited (KML)

In geological terms, copper mineralisation in the KCB is typically hosted above the contact between the D'Kar Formation (reduced sediments) and the Ngwako Pan Formation (oxidised continental red beds). This is evidenced by nearby copper discoveries held by Cupric Canyon and Sandfire (through its acquisition of the formerly ASX-listed MOD Resources). In recent years, KML has undertaken a systematic exploration program across its Kalahari tenements. This included Airborne Electromagnetic (**AEM**) surveys to identify conductive carbonaceous marker units within the lower D'Kar Formation stratigraphy, which are critical in determining the underlying D'Kar/Ngwako Pan contact position, combined with magnetic survey interpretations of the geological structure, which together identify favourable locations for exploration drilling.

KML's 8,100 km² of licences are separated in to four project areas:

- Okavango (2,720 km²)
- Ngami (720 km²)
- Kitlanya East (2,750 km²)
- Kitlanya West (1,900 km²)

Okavango includes tenements immediately along strike from Cupric Canyon's Zone 5 and Zone 5N copper deposits. KML has utilised high resolution magnetics and AEM surveys to map out target areas

for exploration drilling. Of the six core holes drilled in 2019 as an initial test of these targets, KML has reported that five holes intersected the mineralised D’Kar/Ngwako Pan contact¹. The Okavango tenements are a mix of 100%-owned and JV holdings (refer **Figure 2**).

Similarly at Ngami, KML has reported that early stage exploration drilling based on magnetic and AEM survey interpretation has resulted in successful intercepts of the copper mineralised D’Kar/Ngwako Pan contact². The Ngami tenements are held as JVs (refer **Figure 2**).

Kitlanya East includes tenements in close proximity to Cupric Canyon’s Banana Zone and Sandfire’s T3 and A4 copper deposits. Recent magnetic and AEM data interpretation by KML has identified a number of prospective anticlinal fold hinge targets. Initial drill testing commenced in Q1 2020 confirmed the presence of lower D’Kar stratigraphy before drilling was suspended due to COVID-19. These tenements are 100% owned by KML.

100%-owned Kitlanya West, located proximal to the Ngami tenements, includes three conductive dome targets considered analogous to Sandfire’s T3 and A4 deposits as identified in recent AEM surveys. Soil sampling by KML has displayed positive base metal responses in this location.

Botswana’s recent COVID-19 lockdown has now eased allowing KML to restart their 2020 exploration program, which is scheduled to include drilling of the Kitlanya East and Kitlanya West prospects. Drilling has already commenced at Kitlanya East.



Figure 1: Recent KML drilling operations

¹ <https://www.metaltigerplc.com/news/1351-kalahari-metals-limited-botswana-drilling-update-2019-12-06-070000>

² <https://www.metaltigerplc.com/news/1341-kalahari-metals-limited-drilling-progress-update-2019-10-07-083037>

Background on the Kalahari Copper Belt (KCB)

The KCB comprises a 1000km long linear belt of north-east to south-west trending volcanic sedimentary rocks extending from Klein Aub in Namibia to the Shinamba Hills in northern Botswana. The region has been highlighted by the USGS as the world's most prospective area for yet-to-be-discovered sediment hosted copper deposits³. In 2015, the USGS released Scientific Investigations Report 2010-5090-Y titled: 'Qualitative Assessment of Selected Areas of the World for Undiscovered Sediment-Hosted Stratabound Copper Deposits'. The KCB, referred to in the report as the Northwest Botswana Rift, was ranked as the number one area for yet-to-be-discovered copper deposits (refer **Table 1**).

The KCB's exploration potential is demonstrated by the Boseto Copper Mine and surrounding Khoemaçau Project, acquired by Cupric Canyon Capital in 2015, with the subsequent discovery of the Zone 5 deposit (91.7Mt @ 2.13% Cu and 22g/t Ag)⁴. This was followed by discovery of the T3 copper deposit by MOD Resources, which was acquired by Sandfire Resources in 2019 through a scheme of arrangement⁵. Sandfire is fast tracking exploration and feasibility studies at the T3 project, with the aim to commence mine development before the end of 2020 (refer **Mining Review Africa, Issue 7, 2020**).

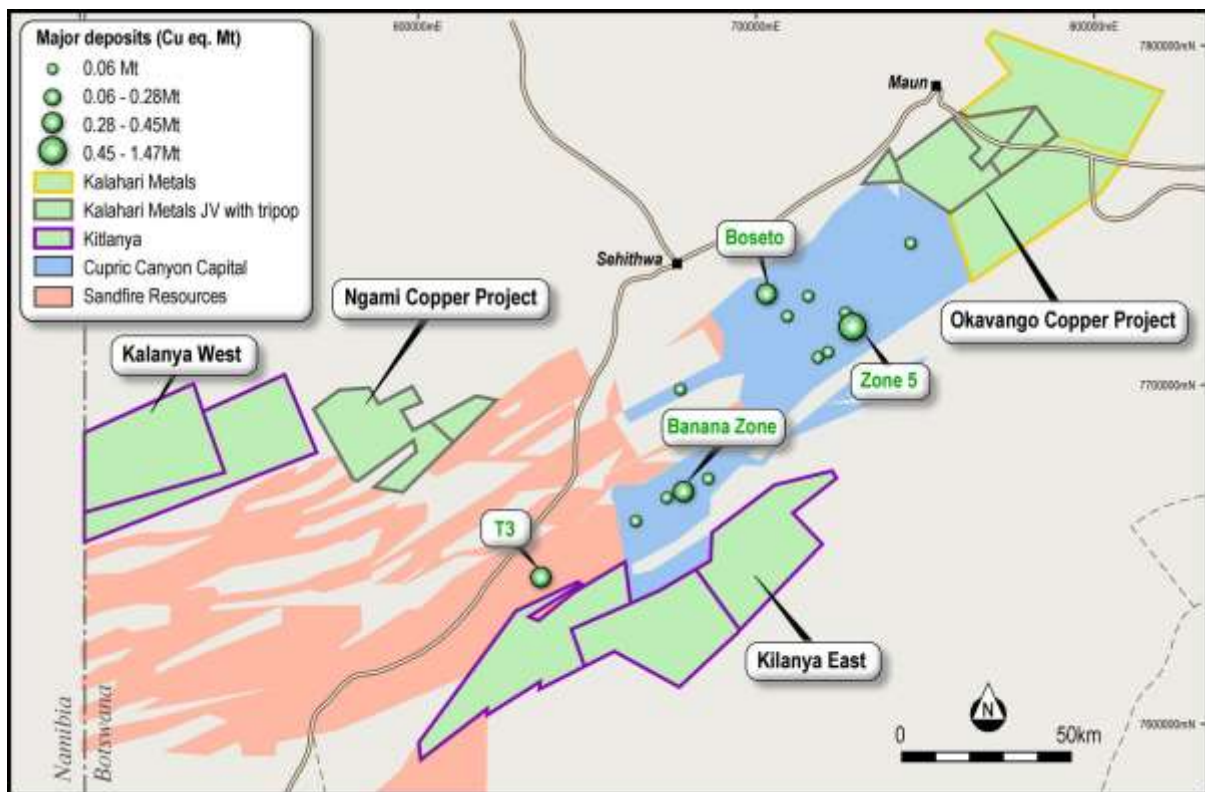


Figure 2 – KML tenements (in green) and copper deposits held by Sandfire and Cupric Canyon

³ USGS Scientific Investigations Report 2010–5090–Y

⁴ <https://www.khoemacau.com/project-development-exploration/zone-5-resources>

⁵ <https://www.asx.com.au/asxpdf/20190625/pdf/44638n8m0tvps6.pdf>

USGS Global Survey on Sediment-Hosted Copper Deposit Discovery Potential

Rank	Economic geologist 1	Economic geologist 2	Group AHP
1	Northwest Botswana Rift	Northwest Botswana Rift	Northwest Botswana Rift
2	Benguela and Cuanza Basins	Egypt-Israel-Jordan Rift	Benguela and Cuanza Basins
3	Egypt-Israel-Jordan Rift	Benguela and Cuanza Basins	Egypt-Israel-Jordan Rift
4	Chuxiong Basin	Redstone Copperbelt	Redstone Copperbelt
5	Dongchuan Group rocks of China	Dongchuan Group rocks of China	Dongchuan Group rocks of China
6	Belt-Purcell Basin	Chuxiong Basin	Belt-Purcell Basin
7	Redstone Copperbelt	Belt-Purcell Basin	Neuquén Basin
8	Maritimes Basin	Maritimes Basin	Maritimes Basin
9	Neuquén Basin	Neuquén Basin	Chuxiong Basin
10	Salta Rift System	Salta Rift System	Salta Rift System

Table 1 - USGS rankings of copper exploration assessment areas based on expert opinion and group analytic hierarchy process analysis. The top ranked assessment areas are considered to have the highest potential for undiscovered sediment-hosted stratabound copper deposits. Published in 2015.

While the success of other operators in the area and what is considered by organisations such as the USGS, as the highly prospective nature of the KCB, there has not yet been enough exploration on KML's tenements to guarantee that KML will have similar success in the future and further exploration is required.

Kalahari Metals JV with Metal Tiger

MTR, as a past shareholder in MOD Resources (acquired by Sandfire for A\$167m) and an existing shareholder in KML, brings critical experience regarding operating in the KCB, with a demonstrated ability to realise value from successful copper exploration in the area.

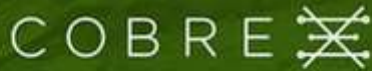
When MTR first acquired an interest in KML in 2018, MTR's CEO Michael McNeilly said:

"Metal Tiger has had a long focus on the exploration of the region and through its close partnership with MOD Resources and its involvement with the seminal T3 deposit discovery, and is able to bring exceptional strategic and technical expertise to create an exciting new joint venture with the experienced operational team at KML."

Along with MTR's continued support of the project, KML's existing multi-disciplinary locally-based operational team will continue exploration activities in Botswana.

Cobre's Executive Chairman and Managing Director, Martin Holland, said in relation to the planned acquisition:

"We believe in the untapped potential of the Kalahari Copper Belt, and the ability of experienced local operators to deliver substantial exploration success. This transaction not only gives Cobre exposure to the second largest package of KCB tenements in Botswana, but also expands and diversifies our copper exploration activities beyond Western Australia. While our primary focus remains the ongoing exploration of the Perrinvale high-grade VHMS Project, the Kalahari Metals JV provides another exciting opportunity for Cobre and its shareholders."



COBRE

This ASX release was authorised on behalf of the Cobre Board by: Martin C Holland, Executive Chairman and Managing Director.

For more information about this announcement, please contact:

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Cautionary Statement

While the success of other operators in the area, and what is considered by organisations such as the USGS, as the highly prospective nature of the KCB, confirms general prospectivity, there has not yet been enough exploration on KML's tenements to guarantee that KML will have similar success in the future, Further exploration is required.

Competent Persons Statement

The information in this report that relates to mineral exploration results and exploration potential is based on work compiled under the supervision of Mr Todd Axford, a Competent Person and member of the AusIMM. Mr Axford is the Principal Geologist for GEKO-Co Pty Ltd and contracted to the Company as Exploration Manager and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Axford consents to the inclusion in this report of the information in the form and context in which it appears.

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