



HALLGARTEN & COMPANY

Initiation of Coverage

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Cobre (ASX: CBE) Strategy: LONG

Key Metrics		
Price (AUD)	\$0.225	
12-Month Target Price (AUD)	\$0.58	
Upside to Target	158%	
12mth hi-low	\$0.085-\$0.30	
Market Cap (AUD mn)	\$28.10	
Shares Outstanding (millions)	124.90	
(Fully Diluted)	140.20	
Insiders (except MTR)	28%	
	2020	2021e
Consensus EPS		n/a
Hallgarten EPS (est.)		(\$0.036)
Actual EPS	(\$0.029)	
P/E	n/a	n/a

Cobre

Into Copper's Prime Hotspot

- + Copper took a long while to climb back above the key \$3 per lb mark and then soared to over \$3.50, underpinned by good demand and a skimpy new project pipeline
- + New copper listings have been scarce in recent years and Cobre's listing occurred right at the beginning of the Red Metal's awakening from a long somnolence
- + Cobre's latest deal positions the company in the Kalahari Copper Belt (KCB), the hottest new location for discoveries in a metal where it was often said there is "nothing left to find"
- + Purchase of a controlling position in Kalahari Metals, gives Cobre the second largest land position in Botswana's KCB, after Sandfire Resources
- + Botswana has reputation as one of the best mining jurisdictions in Africa
- + Tentative plans to bootstrap a starter pit at Perrinvale to production is extremely welcome as it moves the company into the "producers" column while providing a source of internally generated cash for further exploration/development there and in Botswana
- ✗ Exploration in the Kalahari frequently involves having to deal with extensive cover
- ✗ The environment for funding projects is improving at the moment but is, as ever, subject to the whims of the marketplace

Into Africa

Cobre is, of course, the Spanish word for copper and while the company does not have any activities in Spanish-speaking countries (yet) its Executive Chairman has a track record in Chile through his leadership at Lithium Power International (a company that we covered in 2017 and 2018 and still have in the Model Resources Portfolio).

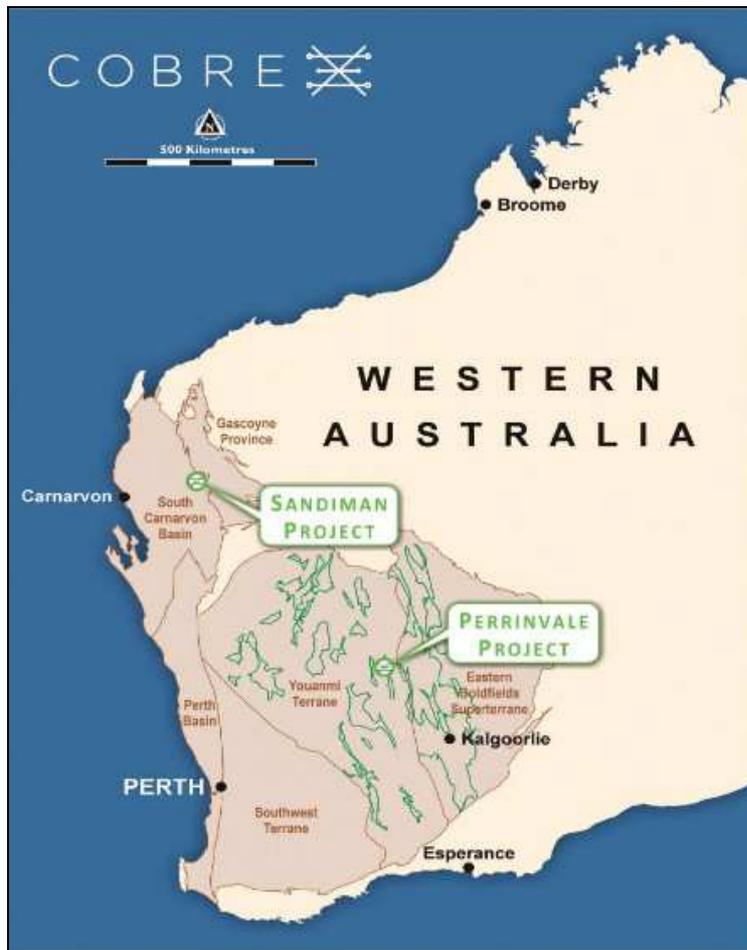
Having originally been launched earlier this year based upon copper targets in the state of Western Australia, Cobre has now ventured forth into the currently seething Kalahari Copper Belt in Botswana. Recent discoveries have made the Belt into a significant emerging Cu district, with various recent transactions highlighting the prospectivity of what the USGS is calling one of the most prospective for new copper discoveries in the world.

In this initiation of coverage we shall look at the Australian projects and the newly acquired positions in Botswana and the outlook for Cobre in an age of a firming copper price.

Some Background

Cobre was listed on the Australian Stock Exchange in January of 2020. Upon listing its two core assets were both base metals targets (with potential for precious metals). These were the Perrinvale and Sandiman properties which are shown on the map below.

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Botswana – Into the Kalahari

Up until recently the sole focus of Cobre had been copper exploration in Western Australia and it was on this basis that it was listed on the ASX in January of 2020.

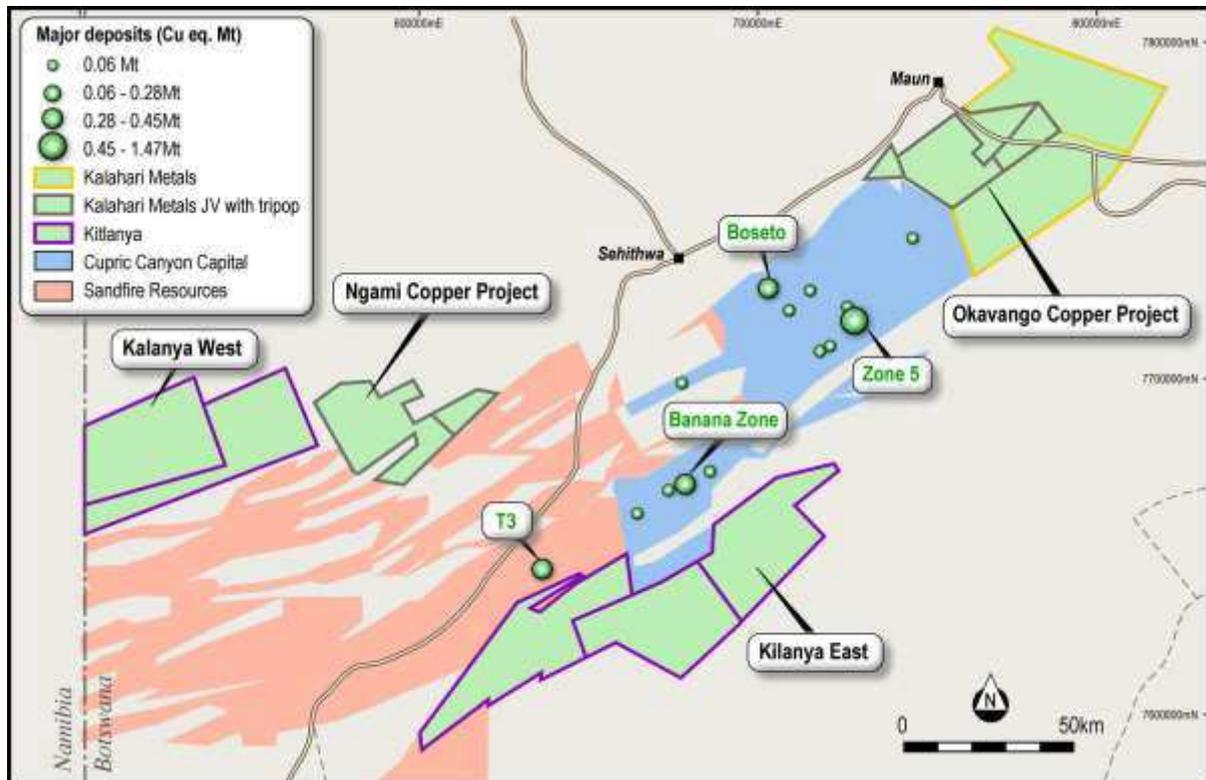
In late August of 2020 the company announced the signing of a binding Heads of Agreement (HOA) for the proposed scrip-based acquisition of 51% of the equity of Kalahari Metals Limited (KML). KML is a private UK company which controls approximately 8,100 km² of tenements within the Kalahari Copper Belt (KCB) in Botswana (with 6,650 km² owned 100%, and 1,450 km² in JVs).

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)

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➤ Kitlanya West (1,900 km²)



The Deal

Until the consummation of the deal, KML was owned by seven shareholders, including Cobre's largest shareholder, Metal Tiger plc (LSE: MTR) which held 62.2% of KML. Post completion, Metal Tiger will continue to hold a 49% stake in the KML JV, while all other KML shareholders will fully convert their KML shares into CBE shares. Other than MTR, none of the other KML shareholders are related parties of Cobre. Upon completion of a small placing MTR will hold circa 21% of CBE.

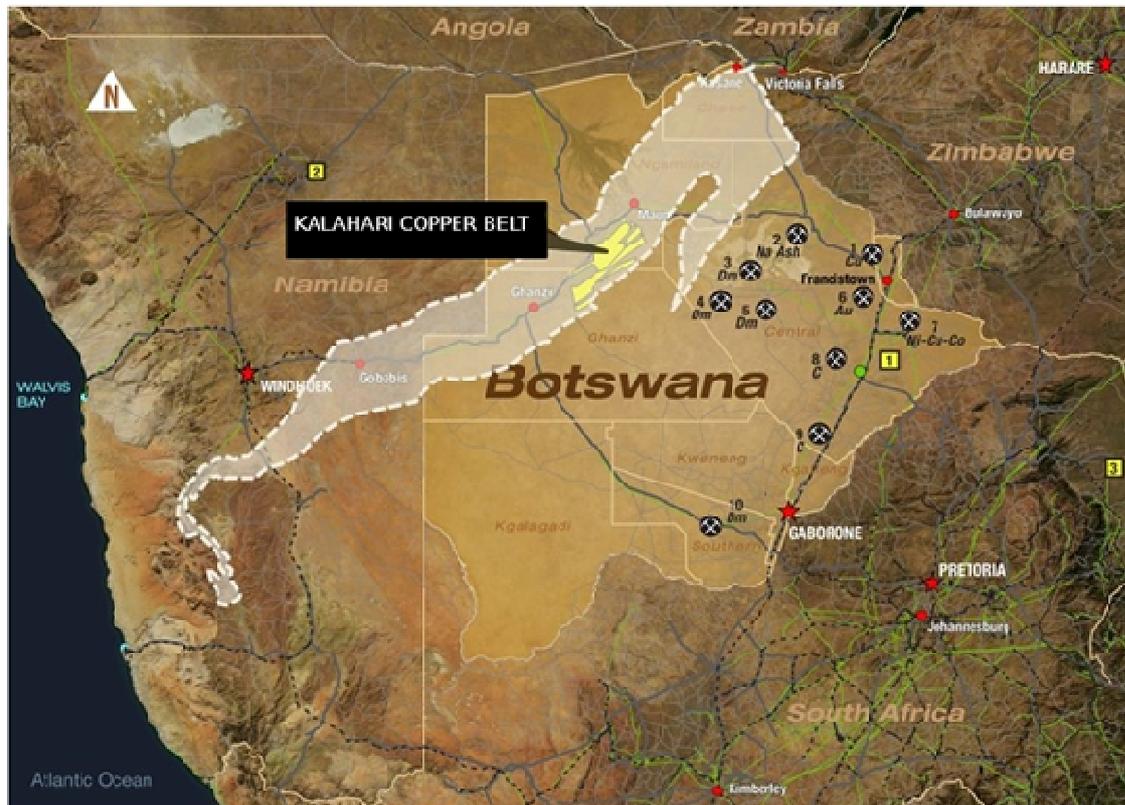
Key terms of the transaction were:

- + The KML vendors would collectively be issued circa 21.4m CBE shares in consideration for the 51% interest in KML.
- + Cobre is initially acquiring 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 20 cents per share

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In early December, Australia's FIRB gave approval for Metal Tiger upping its stake in Cobre.

Kalahari Copper Belt – Elephant Country?



The KCB comprises a thousand kilometre-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 deposits.

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).

Early exploration campaigns carried out by US Steel, AngloVaal, Anglo American and BHPB focused primarily on identifying and delineating large, shallow, low-grade, stratabound Cu resources.

From the early 2000s, exploration models changed with a greater emphasis on moderate-sized, higher-grade, structurally controlled targets which may be amenable to underground mining. This led to a number of discoveries which were largely attributed to the effective use of high resolution geophysics and better understanding of the geological and structural controls to mineralisation.

The issue of cover is important in the KCB, as much of the prospective geology sits below younger sediments. Historical exploration in the Belt was based on aeromagnetic surveys and soil sampling, used

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to locate the Ngwako/D’kar Formation contact which was then tested by inclined drilling, usually core and occasionally reverse circulation drilling.

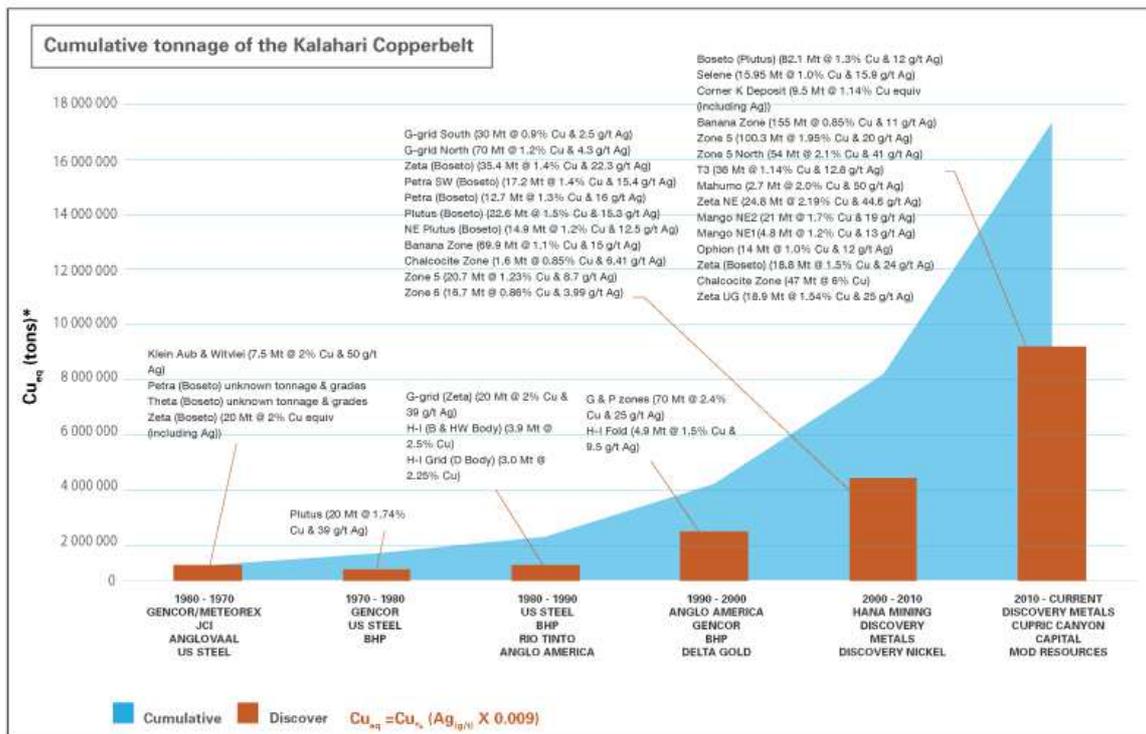
While still applied, this methodology has been refined. KML have re-processed historic aeromagnetics and acquired new datasets and soil sampling now uses more advanced partial extraction techniques such as Terraleach™.

The last 10 years has also seen more reliance has been placed on airborne EM systems (AEM), especially helicopter borne systems such as New Resolution Geophysics’s “Xcite” system. AEM surveys are widely used in the KCB and are credited with the discovery of Sandfire’s A4 deposit.

Closeology?

KML’s landholdings are prospective for sedimentary-style copper deposits. This is evidenced by nearby copper discoveries, along strike, held by Cupric Canyon and Sandfire (ASX: SFR), through its acquisition of the formerly ASX-listed MOD Resources.

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.



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The KCB's exploration potential is demonstrated by the Boseto Copper Mine and surrounding Khoemacau Project, acquired by Cupric Canyon Capital in 2015, with the subsequent discovery of the Zone 5 deposit (91.7mn tonnes @ 2.13% Cu and 22g/t Ag). This was followed by discovery of the T3 copper deposit by MOD Resources, which was acquired by Sandfire Resources for AUD\$167mn in 2019. Both Khoemacau and T3 are scheduled to go into production over the next 2-3 years.

Sandfire - The Corollary

The closest comparative to the asset that Cobre has just acquired is the A4 project of Sandfire Resources, located 8 km from the planned processing plant and infrastructure at T3. Sandfire is fast tracking exploration and feasibility studies at T3, with the aim to commence mine development before the end of 2020.

The company has recently published a maiden Inferred Mineral Resource estimate for A4 of 6.5mn tonnes grading at 1.5% Cu and 24g/t Ag).

In drilling subsequent to the completion of the maiden resource estimate the company encountered strong mineralisation at the A4 deposit, including very high-grade intercepts of 7.15m @ 16.0% Cu and 222.0 g/t Ag and 12.40m @ 13.3% Cu and 232.8g/t Ag. This mineralisation was intersected in three drill holes at the eastern end of the A4 deposit.

Hole MO-A4-122D intersected two zones of strong vein-hosted bornite and chalcocite mineralisation as follows:

Upper Zone: Including:

33.0m @ 4.6% Cu and 74.3 g/t Ag from 109m down-hole

22.0m @ 6.0% Cu and 98.2g/t Ag from 120m down-hole

Including: 9.5m @ 11.7% Cu and 188g/t Ag, from 130.5m down-hole

Lower Zone: 13.15m @ 10.2% Cu and 142.6g/t Ag from 169.0m down-hole

Including: 7.15m @ 16.0% Cu, 222.0g/t Ag and 2.9% Mo from 175.0m down-hole

Hole MO-A4-138D (located 50m east along strike from MO-A4-122D) intersected strong bornite and chalcocite mineralisation. Assays received to date include the following intercepts:

35.70m @ 7.1% Cu and 116g/t Ag from 128.5m down-hole

Including: 12.40m @ 13.3% Cu and 232.8g/t Ag, from 131.6m down-hole

Hole MO-A4-134D (located 100m east along strike from MO-A4-122D) also intersected strong bornite and chalcocite mineralisation, as follows:

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6.48m @ 5.8% Cu and 80.9g/t Ag from 135.52m down-hole

KML Geology

The copper mineralisation, of the KML concessions that Cobre holds, is present as chalcocite, bornite and chalcopyrite. There is a vertical and horizontal zoning of hydrothermal mineralisation from chalcocite & bornite at the base, to chalcopyrite, to minor sphalerite and galena to an outer iron rich zone with pyrite and pyrrhotite. The iron is often present as hematite, usually as specularite. The copper oxide phases are mainly malachite and chrysocolla. The mineral zonation also occurs laterally away from the mineralised copper centre. However, the centres of hydrothermal mineralisation are not well mapped.

Past Exploration at KML

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.

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 contact. The Okavango tenements are a mix of 100%-owned and JV holdings.

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 contact.

The Ngami tenements are held as JVs.

Kitlanya East includes tenements in close proximity to Cupric Canyon's Banana Zone



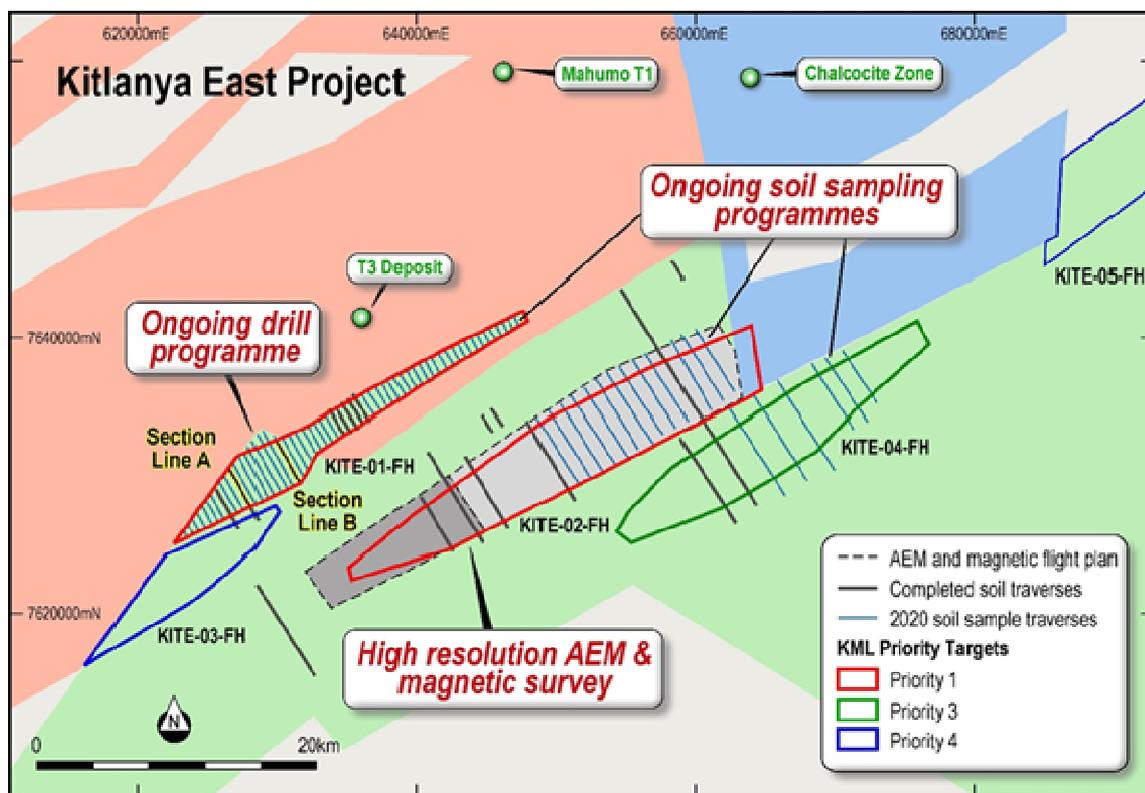
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and Sandfire's T3 and A4 copper deposits. Recent magnetic and AEM data interpretation by KML has identified a number of prospective anticlinal fold hinge targets. Initial drill testing commenced in Q1 2020 confirmed the presence of lower D'Kar stratigraphy 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.



Planned Exploration

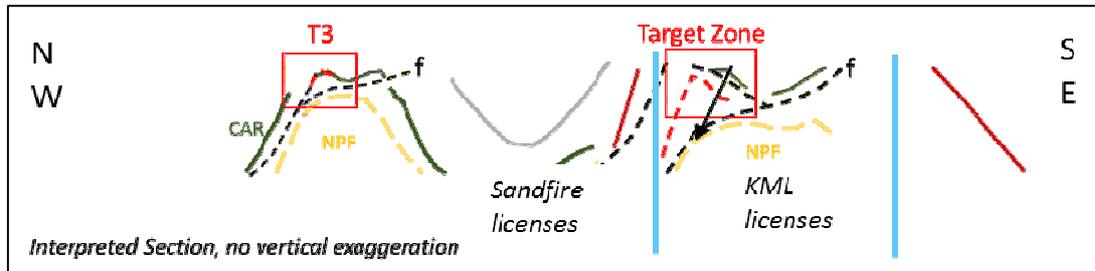
It is worth stressing that cover is an issue in the Kalahari. Targeting has relied heavily on airborne magnetic and airborne electromagnetic (AEM) survey data due to the variable Kalahari cover thickness over the licenses.

The main focus will be upon concealed anticlinal closures or domes (especially Kitlanya East and Kitlanya West). The dome targets are described as analogues of Sandfire Resources' T3 project, immediately

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west of the Kitlanya East project. Drilling has already commenced at Kitlanya East.

Below can be seen an interpreted AEM layered earth section with magnetic modelling through T3 and the northern portion of Kitlanya East with target structures highlighted



In the past other exploration companies have targetted sub-outcropping mineralisation at the Ngwako/D'kar contact on the limbs and closures of anticlines. These structures can often be traced along strike for many kilometers, but typically are only mineralized for short distances.

The focus is now turning to anticlinal closures or domes which do not sub-outcrop, but can be concealed beneath hundreds of meters of D'kar Formation. These domes are found in the deeper parts of the Ghanzi Group basin, towards to southwest. The uneroded anticlinal closures may be overlain by several zones of mineralisation in hydraulic breccias containing mineralisation as a network of veins.

The budget for exploration on the KML territory in 2021 is US\$3.5mn which will be funded 50/50 by Metal Tiger and Cobre with each contributing \$1.75mn. We would also note that KML came with US\$500,000 in cash already embedded in it.

Local Considerations

The exploration areas all have very low population densities and most of the ground is within private farms (either freehold or leasehold). KML have access agreements in place with the land occupiers (mainly individual farmers).

Two of the Kitlanya East licenses, PL071/2017 and P072/2017, overlap the Central Kalahari Game Reserve. It is understood that the current exploration project is focused outside the CKGR, but if activity and/or development going forward extends into the CKGR then tighter restrictions are likely to apply.

Both of the Kitlanya West licenses, PL342/2016 and PL343/2016, and the Ngami licenses PL35/2012 and PL36/2012 overlap the NG/5 Cgae Cgae Tlhabologo Trust ground. These are Tribal Lands and administered by the Tawana Land Board, but it is not clear if there are additional restrictions on project activities within this area.

Metal Tiger – On the Prowl

The London-listed Metal Tiger is a form of corporate structure in the mining space that had long been

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thought extinct, the mining finance house. The examples, par excellence, of this were companies like Selection Trust and Consolidated Goldfields that essentially promoted corporate entities, taking projects and spawning spin-outs in which they would continue to hold (or not) stakes. This is somewhat like a project generator but taking it to the next level.

Metal Tiger's involvement with this project in Botswana dates back to a binding agreement to acquire up to 50% of KML in June 2018, for a total consideration of US\$1.6mn, with the right to appoint two non-executive directors to the board of KML. In May 2019, Metal Tiger made an additional US\$1.1mn investment to provide full funding for KML to complete its planned first round drilling at both the Ngami Copper Project and the Okavango Copper Project.

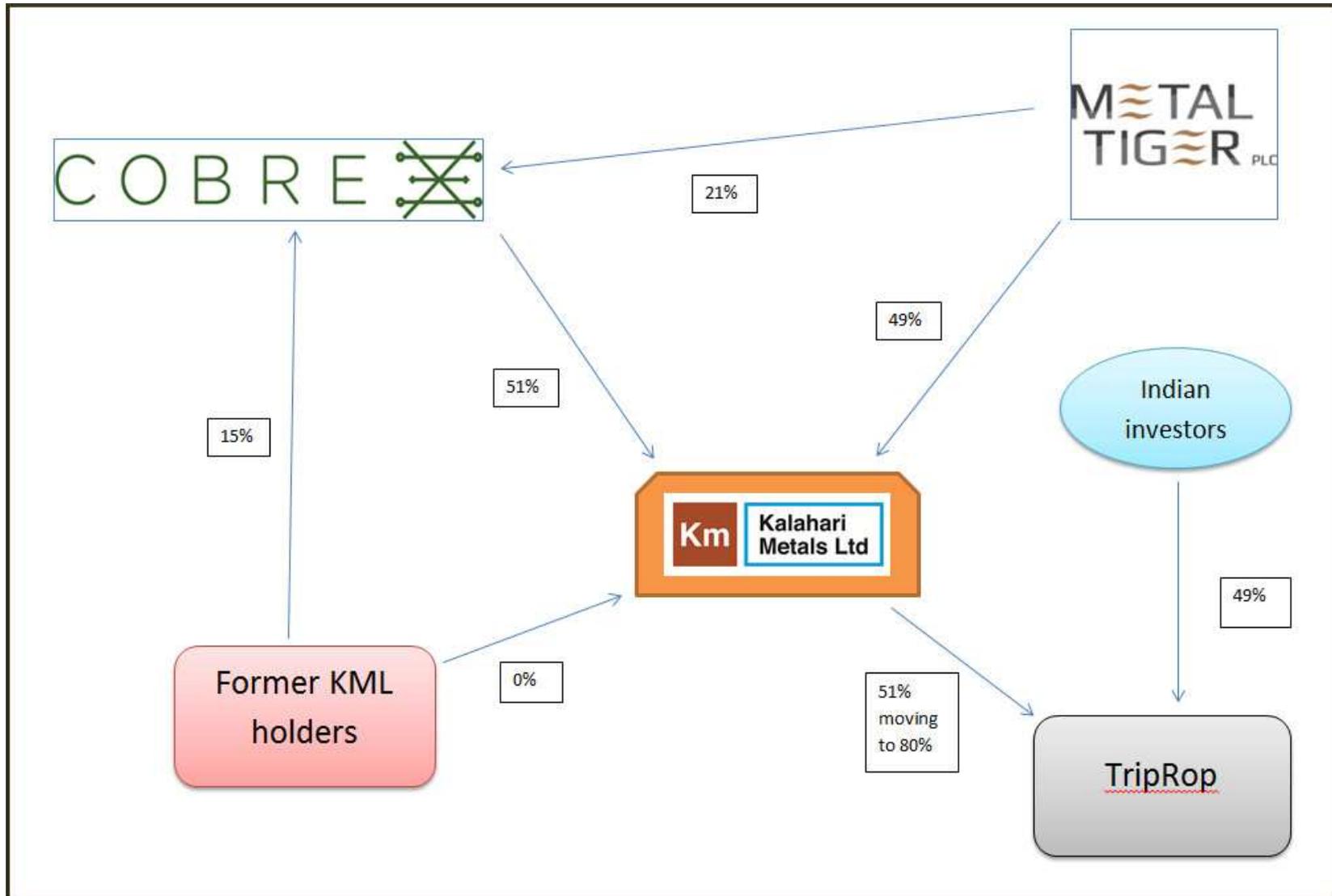
MTR has had a relationship with Cobre since September 2019 when the UK company invested AUD\$500,280 in the then-private Cobre Pty Ltd, representing around a 15% stake.

This rose to 19.9% at the IPO. With the consummation of the Kalahari Metals deal, it rises to 21%.

As announced on 14 February 2020, Metal Tiger held approximately 62.2% of KML together with a conditional 2% net smelter royalty over all KML's wholly-owned licences, being seven licences covering, in aggregate, 6,650km².

Licence Number	Registered licence holder	Issue date	Area (km²)	Metal Tiger (NSR)
PL148/2017	Kalahari Metals Ltd	1-Jul-17	999	2%
PL149/2017	Kalahari Metals Ltd	1-Jul-17	1000	2%
PL342/2016	Kitlanya Pty Ltd	1-Jan-17	942	2%
PL343/2016	Kitlanya Pty Ltd	1-Jan-17	956	2%
PL070/2017	Kitlanya Pty Ltd	1-Apr-17	994	2%
PL071/2017	Kitlanya Pty Ltd	1-Apr-17	914	2%
PL072/2017	Kitlanya Pty Ltd	1-Apr-17	845	2%

The five exploration licences owned by Triprop (in which KML has a 51% interest) do not form part of the royalties.



Some Colour on Botswana

Botswana has been a gold mining destination for nigh on a millennium. Diamonds though are obviously the mineral product the country is known best for these days and its biggest money spinner. Manganese has a history here but not exploited in recent memory.

As a mining destination, most surveys rank the country as the best mining jurisdiction in Africa and in one survey it is ranked 7th best mining country globally. The obvious advantages are the political stability (in a notoriously unstable continent and legal stability with English Law as the basis for the system).

The Fraser Institute mining survey Investment Attractiveness Index and Policy Perception Index ranked Botswana within the top-three African jurisdictions for mining investment in 2019. It was the highest ranked jurisdiction in Africa on policy, ranking 12th (of 83) in 2018. In the 2020 survey, it was pipped for top post by South Africa.

On the economic front, there has been strong GDP growth in recent years and the country has an AA credit rating. On the corporate front, the corporate tax rate can be as low as 22% and there is a 3% royalty on base metals sales. There are no exchange controls.

Perrinvale

The main asset of Cobre until now has been the Perrinvale project which covers a 408 km² area, with ten exploration licences (including one under application). It is located around the eastern side of Lake Barlee approximately 260kms NW of Kalgoorlie in the Yilgarn Craton of Western Australia. The project area is accessed from Kalgoorlie via the Goldfields Highway to Menzies, then via the Menzies – Sandstone Road.

Parts of the Perrinvale Project were previously owned by Fortescue Metals Group Limited (FMG) and includes three prospects, called Schwabe, Zinc Lago and Ponchiera, where FMG retains a 2% net smelter royalty on future copper production.

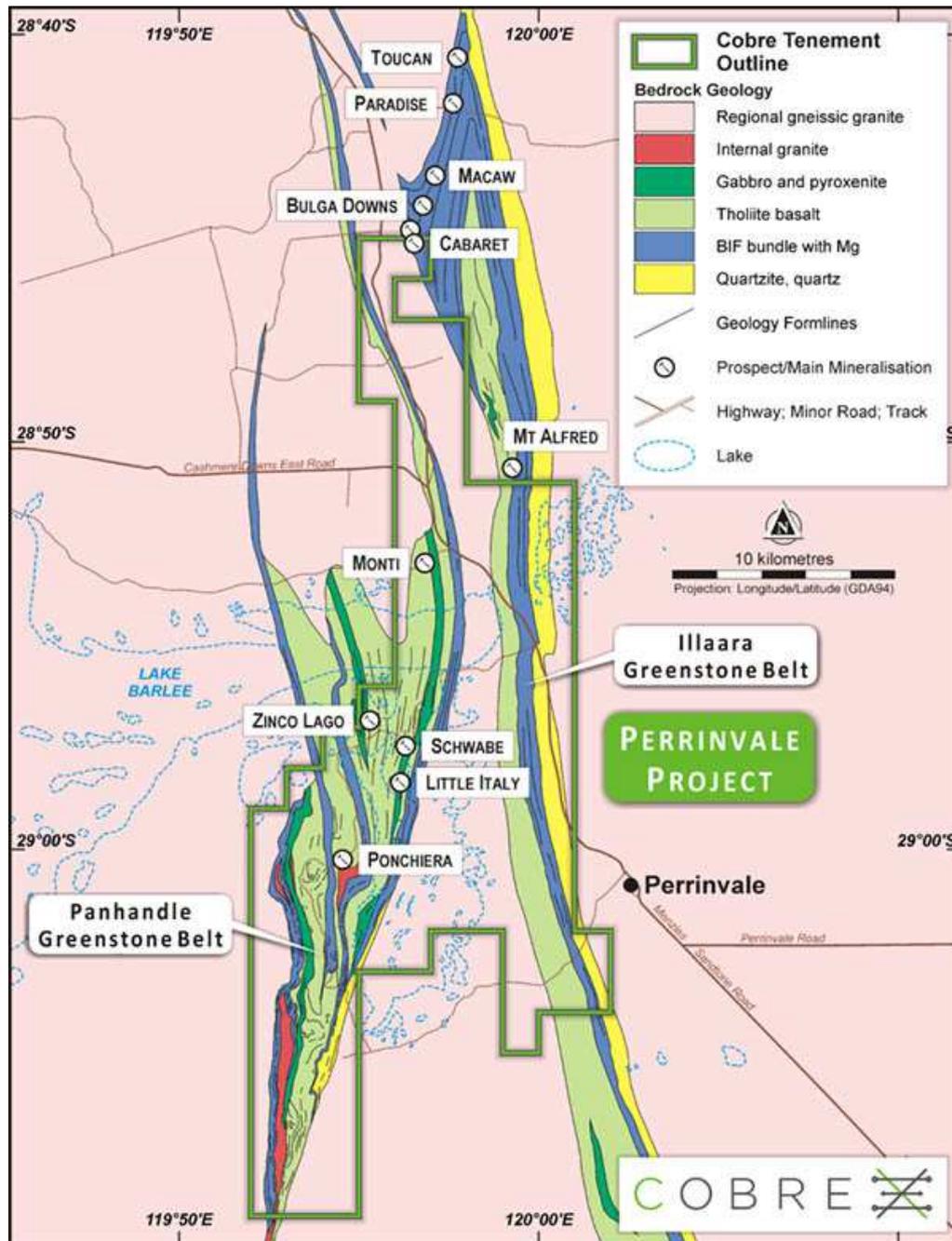
Toucan's exploration was initially focused on known gold mineralisation in the area. However, a detailed review of historical work and ground reconnaissance suggested that part of the Perrinvale Project area was highly prospective for base metals as well. Under the acquisition terms, Cobre provided funds to Toucan to undertake the initial ground EM geophysical surveys, conducted in March 2019, and preliminary RC drilling, conducted in June 2019, in exchange for 80% of Toucan and 20% of Cobre's equity.

Geology

While base metals were identified in the area in the early 1970's, subsequent exploration has predominantly been focused on gold and iron ore, despite significant historic near-surface high-grade

copper and zinc results.

Located on the eastern side of the Youanmi Terrane, at this early stage of geological understanding, the project geology could fit the bimodal mafic or potentially mafic back arc-ophiolite VHMS setting, unlike Western Australia's preminent VHMS deposits of Gossan Hill and Scuddles at Golden Grove, which are hosted in a bimodal-siliciclastic setting.



While explorers looking for the next Golden Grove might rightly walk away from the Panhandle and Illaara Greenstone Belts, similar mafic dominant settings are known to host some globally significant VHMS deposits, such as:

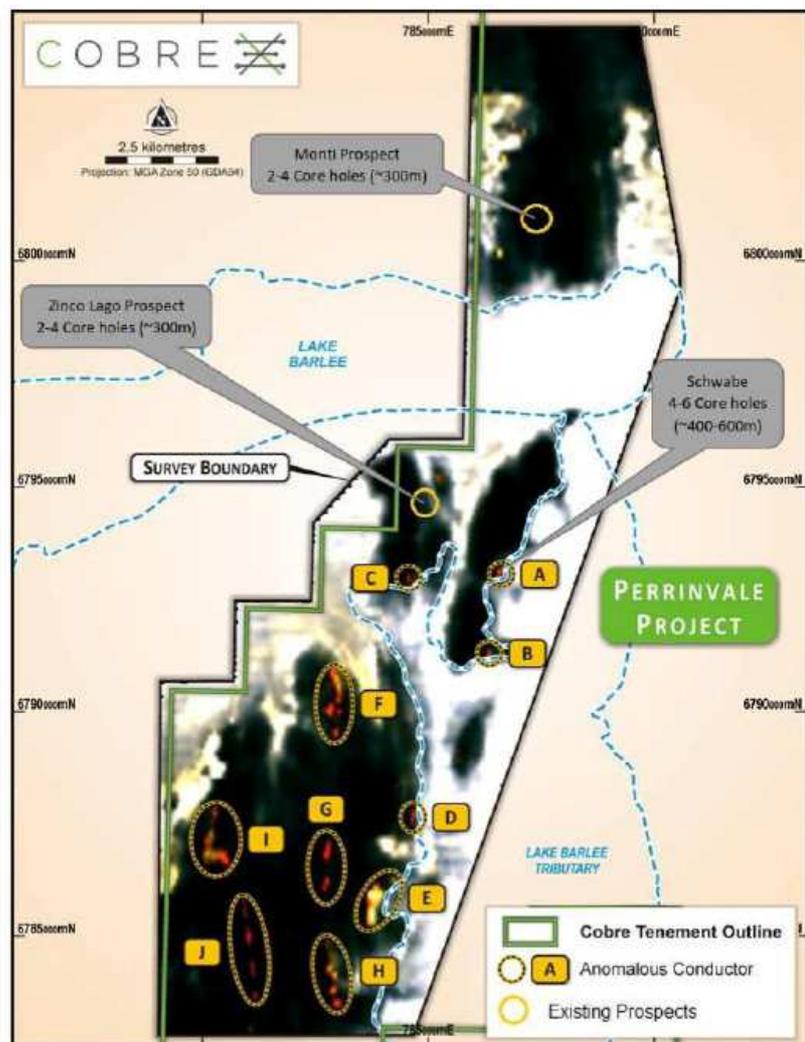
- Flin Flon deposit in Manitoba at 50mn tonnes, in a bimodal mafic setting
- Buribai Lod deposit in the Urals in Russia at 13mn tonnes, in a bimodal mafic to back arc setting
- Mavrovouni deposit in Cyprus at 15mn tonnes, in a mafic back arc-ophiolite setting

Such VHMS deposits are known to occur in clusters (or camps), with individual deposits often formed in the same stratigraphic position or at different stratigraphic levels along 'feeder' faults.

With the early confirmation of the VHMS potential via drilling at the Schwabe Prospect, Cobre's team is focused on assessing the entire tenement package to unlock the broader potential. In parallel with developing a comprehensive understanding of the local geology, a combination of the latest airborne and ground geophysics is being applied to the Perrinvale Project.

In 2019 an Airborne Electromagnetic (AEM) survey was flown over approximately one-third of the project area, and this has been a key input in guiding initial field-based exploration activities beyond the early prospects of Schwabe, Zinco Lago, and Monti.

As a private company in June 2019, Cobre undertook an initial reverse circulation drilling program within the Perrinvale tenements to investigate targets identified by earlier exploration. At that time, the drilling program



intersected very high-grade VHMS base metal & gold mineralisation at shallow depth.

Subsequently in August 2019, Cobre completed an airborne electromagnetic survey within the Perrinvale project area and identified a total of 10 potential VHMS prospects. Since listing, Cobre has embarked on a systematic exploration program of RC and diamond drilling and electromagnetic surveys in order to further investigate the VHMS potential of the Perrinvale area.

Schwabe to the Fore

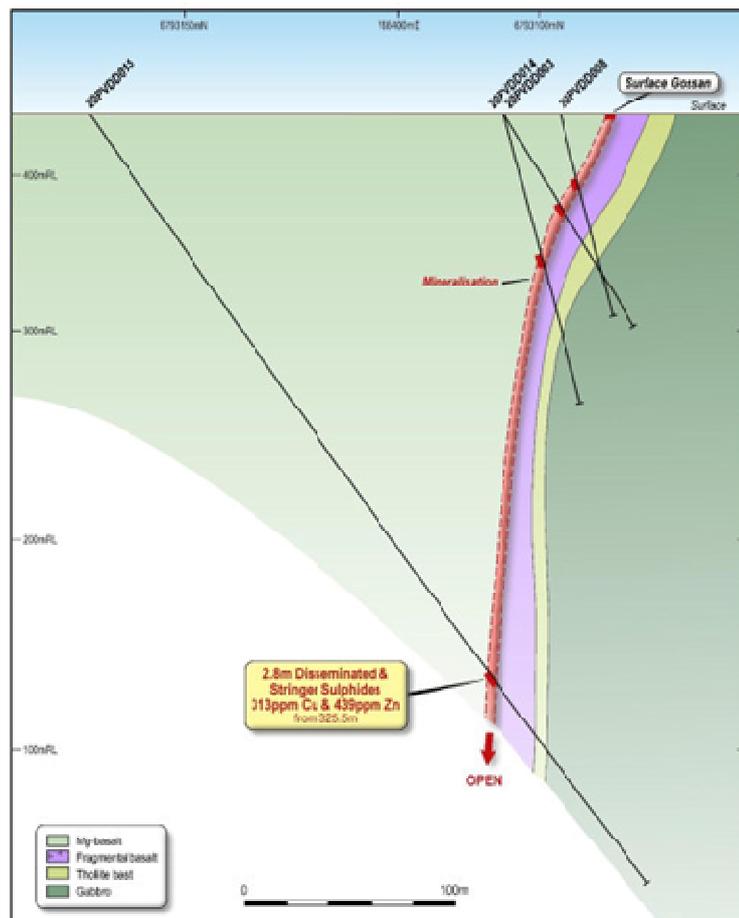
The main feature at Schwabe is the gossans which occur over shaley interflow sediment between hyaloclastic basalt breccia forming the eastern footwall, and glassy tholeiite basalt in the western hanging wall.

The N1 gossan zone is exposed in a series of shallow costeans over a strike distance of 150m The N7 zone, 700m to the north, is exposed in a series of scrapes over a strike distance of 75m. Exposures in the scrapes indicate widths of 2-3 meters. Copper staining is abundant at N1.

As mentioned earlier, there was early confirmation of the VHMS potential via drilling at the Schwabe Prospect (shown at right). The drilling program in June 2019 intersected very high-grade VHMS base metal & gold mineralisation at shallow depth. The best assayed intercept to date was at the Schwabe Prospect: 5m at 9.75% copper, 3.2g/t gold, 34g/t silver and 3.1% zinc from 50m depth.

Historically at Schwabe N1 Main Zone ten percussion holes (PP1 – PP13 but excluding PP10-12) were drilled at 600 metres east into this zone. Drillhole PP2 recorded 8m at 3.9% Cu and 5.2% Zn from 30m. Others recorded lesser, but significant copper and zinc.

Three step-back diamond holes (PD1-3) were aimed at this zone at depth, but failed to find significant



intersections. It is unclear from the logs if the diamond holes encountered the footwall basalt breccias. The collars have been picked up by position-averaging GPS. The cores have been lost.

The table below shows historic drill hole data Schwabe N1 (PP & PD), and three RC holes (19PVRC) drilled in the year before Cobre's listing.

HoleID	Easting	Northing	Depth	Azimuth	Dip	Result
PP1	786484	6793127	36	90	-60	10m @ 1.8%Cu, 0.2%Zn from 24m
PP2	786465	6793087	48	95	-60	8m @ 3.9%Cu, 5.2%Zn from 30m
PP3	786463	6793053	42	95	-60	4m @ 2.2%Cu 2.0%Zn from 32m
PP4	786461	6793027	36	90	-60	Not assayed
PP5	786416	6793067	100	95	-60	6m @ 3.1%Cu, 1.5%Zn from 90m
PP6	78606	6793036	110	90	-60	4m @ 0.04%Cu, 0.1%Zn from 94m
PP7	786426	6793092	104	95	-60	1m @ 0.3%Cu, 1.0%Zn from 90m
PP8	786437	6793122	30	95	-60	12m @ 0.1%Cu, 0.1%Zn from 64m
PP9	786447	6793147	30	95	-60	2m @ 0.8%Cu, 0.2%Zn from 24m
PP13	786499	6793146	18	0	90	Not assayed
PD1	786370	6793083	201	95	-60	0.7m @ 0.6%Cu 15.8% Zn from 174m
PD2	786391	6793132	188	95	-60	Not assayed
PD3	796351	6793035	186	90	-60	Not assayed
19PVRC001	786449	6793060	87	106	-60	2m at 0.9%Cu, 5.8%Zn from 65m
19PVRC002	786449	6793097	99	105	-60	5m at 3.2g/tAu, 9.8%Cu, 3.1%Zn from 50m
19PVRC003	786395	6793159	201	105	-60	2m @ 0.4g/tAu, 0.9%Cu, 0.8%Zn from 187m



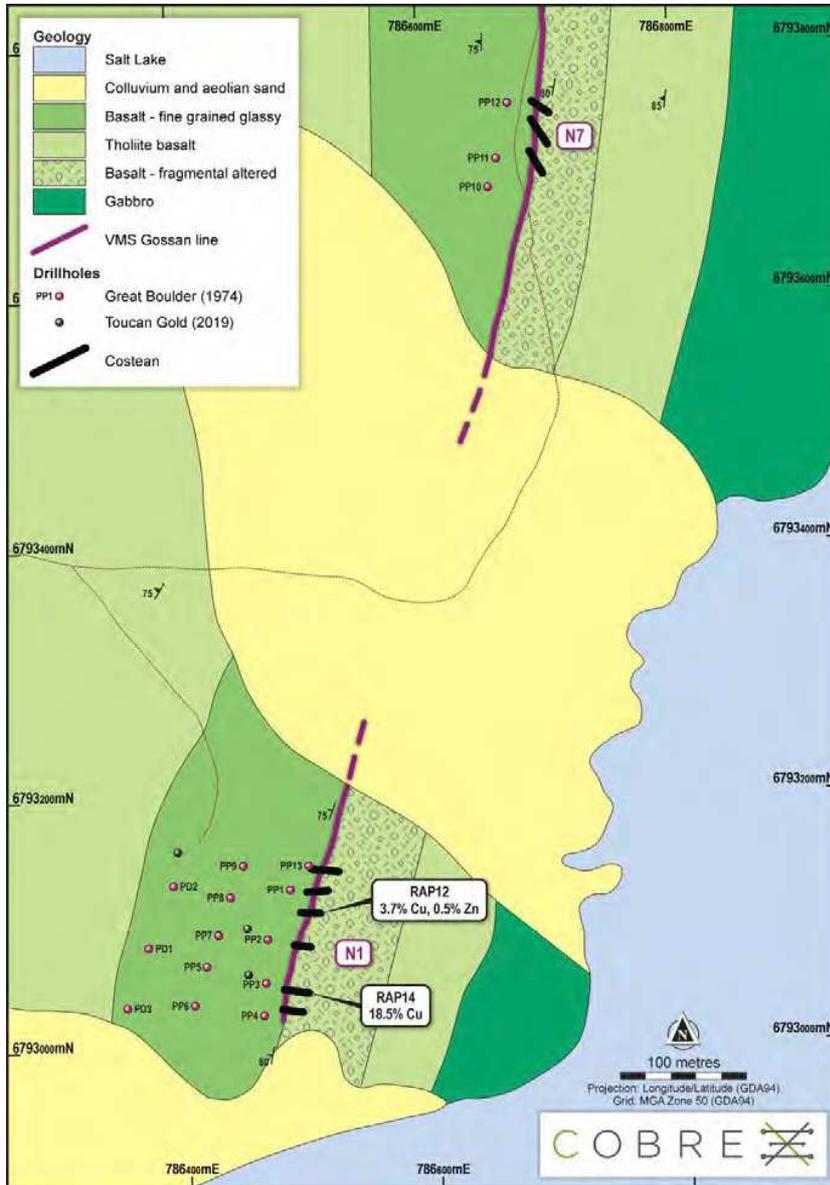
Historical drilling by previous holder, Great Boulder, and more recent (Toucan/Cobre) drilling is shown in more detail in the selected cross section at the left.

Validation drilling at Schwabe Prospect has revealed ore-grade copper-zinc values in sulphides, with significant gold. Detailed prospecting and geological mapping, together with interpretation from high-resolution aeromagnetics, has established along-strike continuity of this specific horizon.

The presence of gold in both gossan and drill samples from the main Schwabe Gossan was viewed as a strongly positive sign that would enhance any future evaluation.

Also of significance is a strong correlation of copper with cobalt, with elevated cobalt up to 0.2% in the Cu-Zn mineralised zone in PVRC002.

There is 510 meters of ground between N1 and N7 that is covered by colluvium and wind-blown sand, which is probably no more than five meters thick. Three of the more recent (2020) RC holes were drilled in this area, intersecting favorable mineralized stratigraphy, but no ore grades.



Bootstrapping Production?

The company is working on the premise that there is potential for a starter open-pit on high-grade zones at the Schwabe prospect at Perrinvale. It is likely that such an operation would be a pit that was 0-100 metres deep. The low capex would be debt-funded. An internal resource estimate and optimization and scoping study is underway. Positive results will support further work to firm up assumptions, such as a

small drill program to confirm at what depth fresh base metal sulphides start (all drilling to date has intersected fresh sulphides, as shallow as 20m).

With potential for ore to be toll-treated at nearby plants (around 200kms distant), it would appear that this could be a very profitable and low-capex kickstart to operations with not only Copper output but also gold and Zinc by-products.

The strategy would be to generate cashflow in the short-term and utilizing this cashflow to advance further work at Perrinvale and to fund KML exploration. Such a development is very welcome to us and consistent with our favouring of production stories.

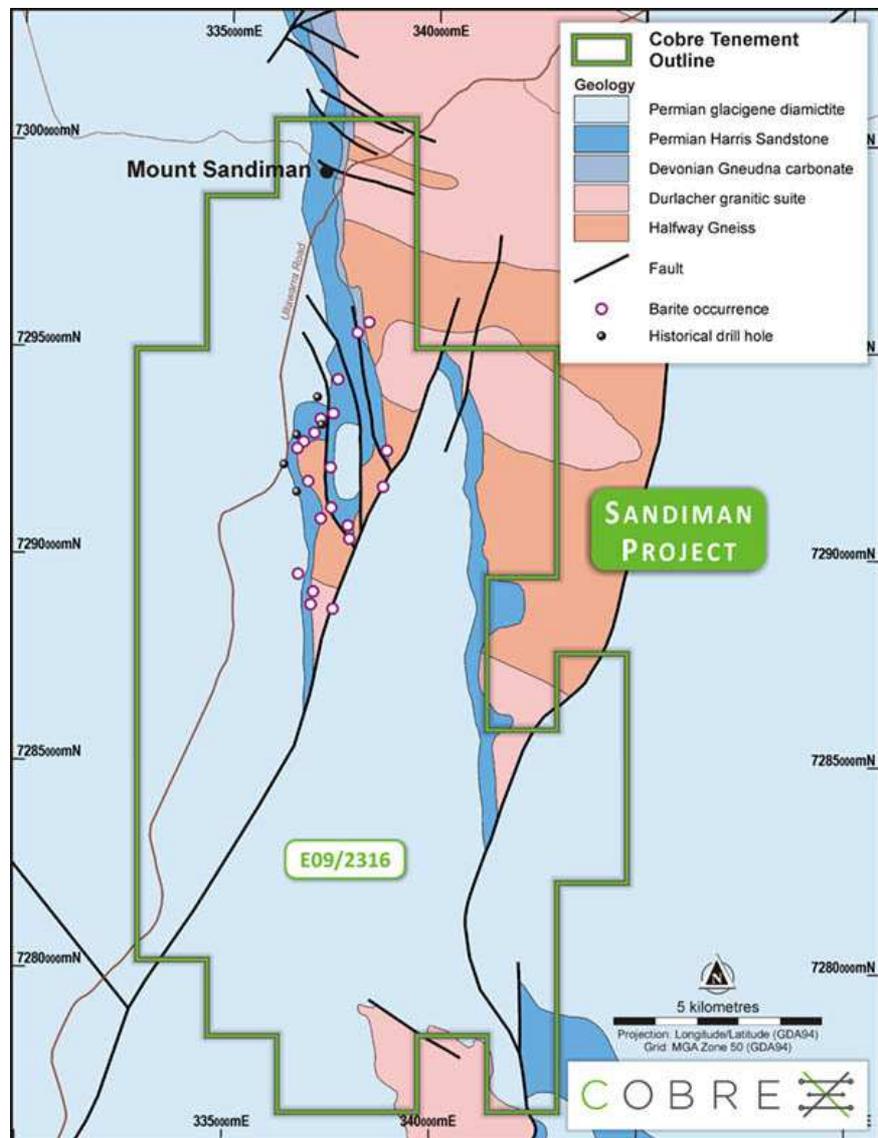
Sandiman Project

Sandiman is a conceptual base-metals project located in Western Australia's Upper Gascoyne region.

Cobre has the right to earn up to 80% interest in the Sandiman Project, which consists of a single 202km² tenement held by private company GTTS Generations Pty Ltd.

The project is accessible by road from Carnarvon to Gascoyne Junction, then 85km north along the Lyndon Road in an area subject to limited past exploration,

Located in the Upper Gascoyne Shire on the eastern edge of the Southern Carnarvon Basin, the Sandiman tenement is judiciously selected on the complex boundary of two major tectonic units of



Western Australia – the Proterozoic Gascoyne Province to the east, and the Palaeozoic Carnarvon Basin to the west.

Geology

The Sandiman tenement is on the complex boundary of two major tectonic units of Western Australia – the Proterozoic Gascoyne Province to the east, and the Palaeozoic Carnarvon Basin to the west.

Prospectivity of Sandiman is based on the cluster of barite veins in sedimentary basin rocks in a craton-margin geological setting. Barite has known association with Mississippi and VHMS base-metal deposits, along with mention of locally observed galena and sphalerite in historic exploration reports, gives the project area exploration potential in management’s view.

The basement beneath the Sandiman Project includes metasedimentary rocks, including calc-silicates after carbonates, and amphibolites after mafics. This basement segment contains numerous mineral occurrences, including Cu-Pb-Zn, W-Mo, and Ta-Nb associations. No significant basement mineral occurrences are known on E09/2316, although significant base-metal occurrences occur 35km to the northeast.

The boundary zone contains remnants of older sedimentary rocks of Devonian age that mark the initial transgression onto the Gascoyne basement. These include limestone and evaporite-facies sedimentary rocks, overlain by black shale. These remnants outcrop within the Sandiman project area, and will be present in greater extent deeper in the basin within E09/2316.

This is a favourable situation for Mississippi-type lead-zinc mineralisation, as for example the Lennard Shelf lead-zinc deposits in the Canning Basin of Devonian age. These deposits form by hydrothermal fluids coming up deep fault fractures, and leaching metals (such as lead, zinc, barium) from basement sources, then precipitating them as sulphides and sulphates in carbonate and pyritic rocks.

The company’s early field work has confirmed the barite veining is of a hydrothermal nature and along with some of the host sediments, contains base metal sulphides and anomalous silver. With these early results supporting sediment-hosted base metal potential. Cobre plans to continue systematic exploration including detailed surface mapping studies, a ground gravity survey, and an aeromagnetic survey scheduled for January 2021. The company has allocated a 2020/21 exploration budget of AU\$610,000.

Our Take on Copper

The global crisis of 2008 was a seminal year for the copper market. It was not that the metal went down. All metals did. It was that up until that time the global copper market had been in the hands of the major miners. While the prices did not always work out for them in the way they wanted they had quite a large degree of control over the stock of copper that was “seen” in the markets.

The wrenching effects of the crisis enabled the Chinese with trillions of dollars in accumulated reserves to devote some small part of the financial firepower to start to accumulate sizeable copper stockpiles in unmeasured warehouses and port facilities. Having substantial undisclosed” stockpiles meant that the Chinese could then add or subtract from exchange warehouses at will and pour cold water on the copper price when it was getting too overheated for Chinese purposes.

This new “nine-tenths of the iceberg one cannot see” provided the opportunity for scamsters on more than one occasion this decade to use the vagaries of stockpile sizes to borrow against supposed collateral with the likes of Standard Bank and Citibank falling prey to the ruse.

Some would dismiss this as mere conspiracy theory. However this period of Chinese control of the Copper price happens to have coincided with the depressed period of the mining sector in general (in a somewhat chicken-and-egg fashion) with the result that the Chinese have been able to position themselves in some of the most sizeable Copper assets under development such as Tenke Fungurume and Las Bambas. Funny that...

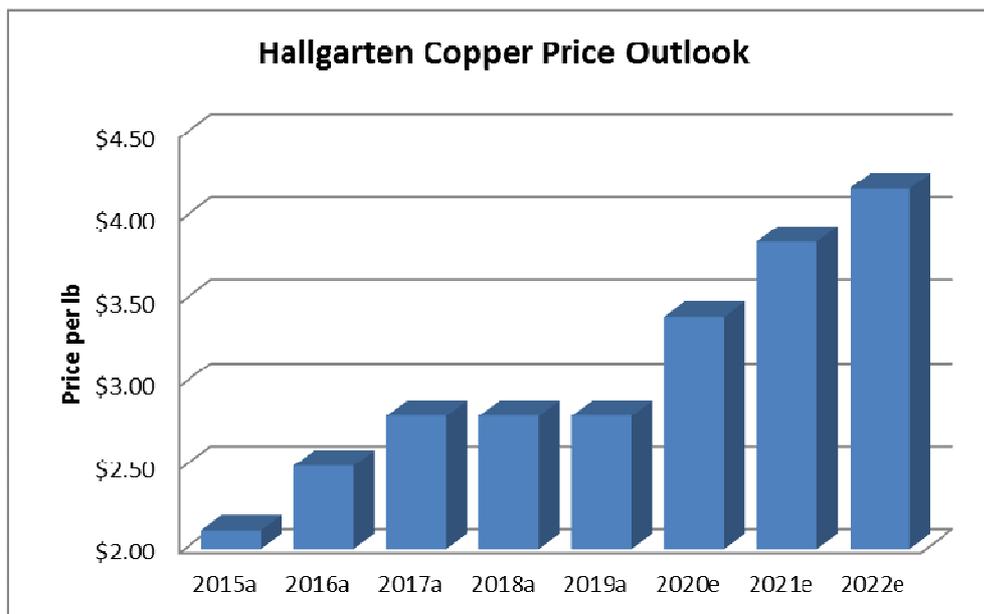


As the chart above shows the price started to pull out of its swoon in late 2016. It started a virtually unchecked march higher until it breached the \$3 per lb level. After mid-2018, the price doodled about, but chiefly lower. It plunged to a five year low on the outbreak of the pandemic but has since powered higher, decisively breaking through the key \$3 per lb mark, then leapt to over\$3.50 in recent weeks.

The following chart shows the LME warehouse stocks. This shows an interesting seesaw action in recent times. Anyone would think that the trend is down and someone keeps moving in stocks to make it look like a stock build and then it gets slapped down again.



Unlike metals like Zinc/Lead and Nickel, there was some copper development during the downtime (e.g. Las Bambas, Constancia etc) but this is nowhere near sufficient to replace mines that have exited or reduced production and deal with even conservative forecasts of growth in consumption.



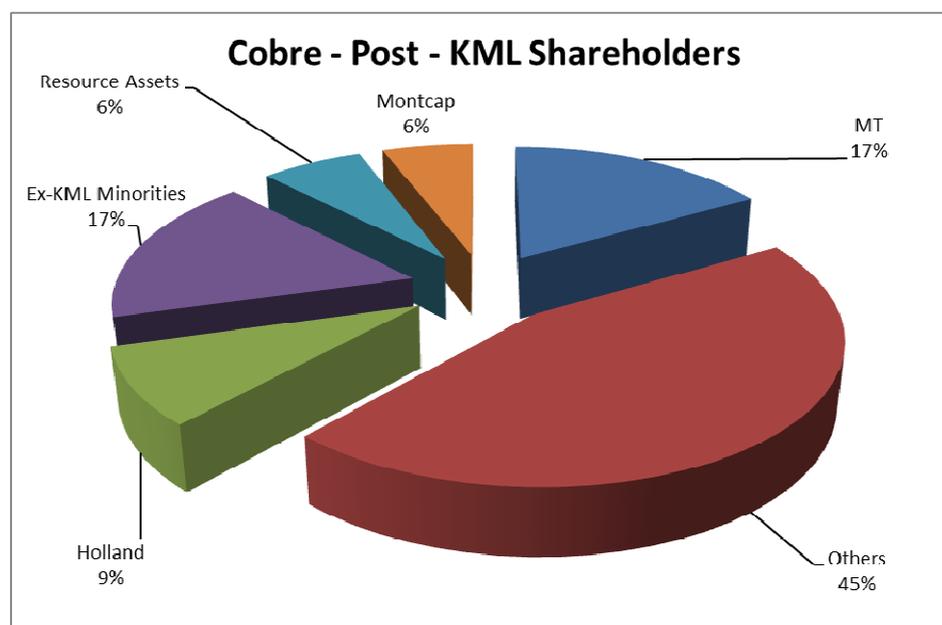
As the chart on the proceeding page shows we are looking for gradualism in our price projections from here through to 2022. We see resistance at US\$4 per lb, not so much from the general marketplace, but from the Chinese. They do not want to be at the mercy of “Western” miners again in this metal. How the pushback might manifest itself is not clear, but the Chinese firepower is considerable and should not be underrated.

In any case, the Copper price lingering between the current levels and we view any price over \$3.50 as a good place to be for copper miners and it ensures that mines with fair grades and CapEx numbers “within the ball park” will be seen as doable and desirable.

Shareholder Base

The largest shareholder by far after the closing of the KML transaction (and a small placing to MTL) is Metal Tiger at slightly over 20% but Cobre could not in any sense be viewed as being in the orbit or group of Metal Tiger with only one representative, Michael McNeily, on the Cobre board.

As can be noted from the shareholder pie chart below that the next largest category, at around 17%, is the ex-KML shareholders (that are escrowed until the end of January 2022) who are not monolithic. Then there are the interests of the Executive Chairman, in Holland International, and several other shareholders with between 7-9%. Finally there is the public with 45% but really over 60% if one combines the ex-KML minorities with the pre-existing public holdings.



Financing

At the end of September, Cobre held AU\$5.323mn in cash. As previously mentioned, KML had US\$500k in cash on hand and with CBE's contribution to KML's exploration plan for 2021 at only US\$1.75mn, there is no pressing need for a financing at Cobre. Metal Tiger has executed a binding agreement to subscribe to AU\$300,000 at 20 cents per share, subject to shareholder approval at the company's AGM. Upon approval Metal Tiger will move to 19.99%.

Directors & Management

Martin Holland, Executive Chairman and Managing Director, is a mining executive with over a decade of corporate experience. He is a co-founder of Cobre, and is the founder and former CEO of ASX-listed Lithium Power International Limited (ASX: LPI) owner of the Salar de Maricunga in the Atacama desert which is one of the world's highest grade and largest lithium mine projects in Chile. LPI was listed in 2016 and raised in excess of \$70 million in new equity. We launched coverage in late 2017 and it remains in our Model Resources Portfolio. He is chairman of the Sydney-based private investment company, Holland International.

Andrew Sissian, CFO and executive director, with over 15 years' experience, and is a co-founder of Cobre. He is also an executive and co-founder of Procon Telematics Pty Ltd, a global asset management platform that was established in 2011. He previously worked as an Associate Director with NAB's institutional bank based in Australia and China, focused on acquisition finance in the Mining, Agriculture and Retail sectors. Prior to NAB, he worked with Wilsons Stockbroking.

Michael McNeilly, a non-executive director, is a corporate financier having advised several private, Main Market listed, AIM quoted and ISDX listed companies on a variety of corporate transactions during his tenure at Arden Partners (AIM:ARDN) and Allenby Capital respectively. He was appointed as a Non-Executive Director of Connemara Mining Company PLC in February 2018 and was appointed as a Non-Executive Director of MOD Resources Limited in November 2018. He was also previously a director of GGP, as well as a Corporate Executive at Coinsilium (NEX:COIN) where he worked with early stage blockchain focused start-ups providing corporate finance and strategy advice. Prior to his career in corporate finance, he worked at Simmons & Simmons and PartnerRe and founded two start-up companies. He studied Biology at Imperial College London and has BA in Economics from the American University of Paris.

Michael Addison, non-executive director, has a long history of involvement in the Australian and international mining industry, having founded two former ASX-listed explorers and developers: Endocoal (formerly Atlas Coal) and Carabella Resources. He has held positions on the boards of three other ASX-listed resource companies (Stratum Metals, Intra Energy and Frontier Diamonds) and two unlisted public resource companies (Scott Creek Coal and Northam Iron). He was most recently a founding director of ASX-listed Genex Power (ASX:GNX), a company focused on the origination and development of

innovative clean energy generation and electricity storage solutions across Australia.

He has worked as an investment banker with three global investment banks. Since the early 1990s, he has held a number of senior executive positions on the boards of publicly listed companies on the London, Johannesburg and Australian Securities Exchanges.

Adam Wooldridge, director of exploration in Botswana, has worked extensively as a consultant geologist and geophysicist, technical and project manager throughout Africa, Europe and the Middle East. Over the last 23 years he has worked on a range of commodity types including base and precious metals, iron-ore, diamond and uranium projects. He was founder shareholder of KML.

Thomas Krebs, principal geologist in Botswana, has over 10 years of experience in the minerals exploration industry. He has been responsible for target generation, planning, implementing and managing of grassroots exploration and to a lesser extent brownfields exploration programs with emphasis on copper related projects in Botswana, Zambia, Namibia and South Africa.

Todd Axford, principal geologist in WA, has over 23 years of experience spanning mine and exploration geology across various commodities, in 2010 He started the geological services company, Geko-Co Pty Ltd, where he is Director and Principal Geologist. He is engaged in various projects and roles for listed and unlisted companies such as Cliffs Asia Pacific, Torian Resources NL, Resources & Energy Group, New Gold Inc. and Rimfire Pacific Mining NL.

Risks

There are a number of potential risks that should be taken into consideration:

- ✘ Global economic conditions deteriorate due to a rising interest rate scenario or slowing growth or both
- ✘ That the Copper price loses upward momentum
- ✘ Political risk in Botswana evolves against miners
- ✘ Financing difficulties for larger projects

The copper market is on the move but doubts still exist as to whether this is a secular change prompted by long term lack of new projects & development or whether it is a surge in demand. We would still signal caution as the long term economic effects of the current pandemic are still not clear. A number of Western economies have been severely battered and are showing decreased, or negative, growth.

The copper price could weaken again if it rises too far too fast, if interest rates perk up or if China shows significant slowdown due to the effects of retaliatory measures against the country or just slower exports to the West. As noted earlier, China has an interest in lower prices and has significant stockpiles

and trading positions that it can exploit to play whackamole with the prices of metals it wishes to see lower.

Botswana is not a concern at the moment but African countries have long shown an ability to surprise to the downside, sometimes due to external effects beyond whatever the internal politics may be like. Mali and Burkina Faso are examples of two countries where political risk has risen steeply, with little warning, over the last five years.

The hope is that insufficient projects will appear to satisfy demand, thus extending the cycle and making a sustained period of higher copper prices more likely. At the moment this looks the most probable scenario.

Conclusion

One does not need to be a subscriber to apocalyptic views of shortages caused by the EV revolution to be nevertheless bullish on copper. The metal has not been an underinvested in recent times as say, Zinc, but the long period of quiescence in mining markets meant exploration was minimal and development to mining status was largely in the hands of the Chinese, (e.g. MMG at Las Bambas). While it is not said out loud in public “Peak Copper” in Chile is a real threat.

While Australia has long been a source of copper (though mainly mid-size and small mines) the new territory in Botswana is the attraction which gets pulses racing. What was formerly a sound but rather obscure jurisdiction (mainly known for diamonds) has become a hot spot for copper prospecting in the wake of several substantial transactions in the country over the last 18 months and in particular, the immensely attractive exploration results that Sandfire has been registering. It is clear that Cobre wishes to follow in these footsteps and is on trend to do so.

We may not be back in a Commodity Supercycle 2.0, but we have definitely seen a lengthy period of underinvestment in copper exploration and capacity. Below \$3 there was little incentive to build new mines and below \$2.50 (pre-November 2016) there was no incentive to explore either as despair was the only sentiment around. In 2020 copper has “turned on a dime” going from a low of \$2.50 to over \$3.50, showing that the metal has the potential to move far and fast. While it may pause and consolidate here it would also not surprise us to see it over \$4 in 2021. This will greenlight those few projects sitting on the launch pad but not precipitate a production surge because there is not that much capacity to “turn on” and the unbuilt potential is small and a long way from actualization. It is indeed welcome that the management at Cobre is converted to our mantra of “production, production, production” and at levels just below \$3.50 they are immensely incentivized to get Perrinvale producing in the very short term.

We have afforded Cobre a **LONG** rating with a 12-month target price of AUD\$0.58.



Important disclosures

I, Christopher Ecclestone, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

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