

Site Visit Report

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T3 Copper Deposit Site Visit

Summary

Tamesis visited MOD Resources' (ASX: MOD) copper development assets located on the Kalahari Copperbelt in western Botswana. The current focus is the 70% owned T3 copper project which contains a 36Mt resource at 1.14% Cu (at a 0.5% cut-off) with a pre-feasibility study completed in January 2018 with a pre-tax NPV8% of US\$281 million using a copper price of \$3.00/lb. What is most exciting however is the district-scale exploration potential along a 140km corridor - previously undiscovered due to a lack of outcropping material under a calcrete cap. The deposits are located in the best mining jurisdiction in Africa, with a workforce experienced in mining, low sovereign risks, and good local infrastructure.

Figure 1 – Diamond Drill Rig at the T3 deposit



Source: Tamesis

Asset Location

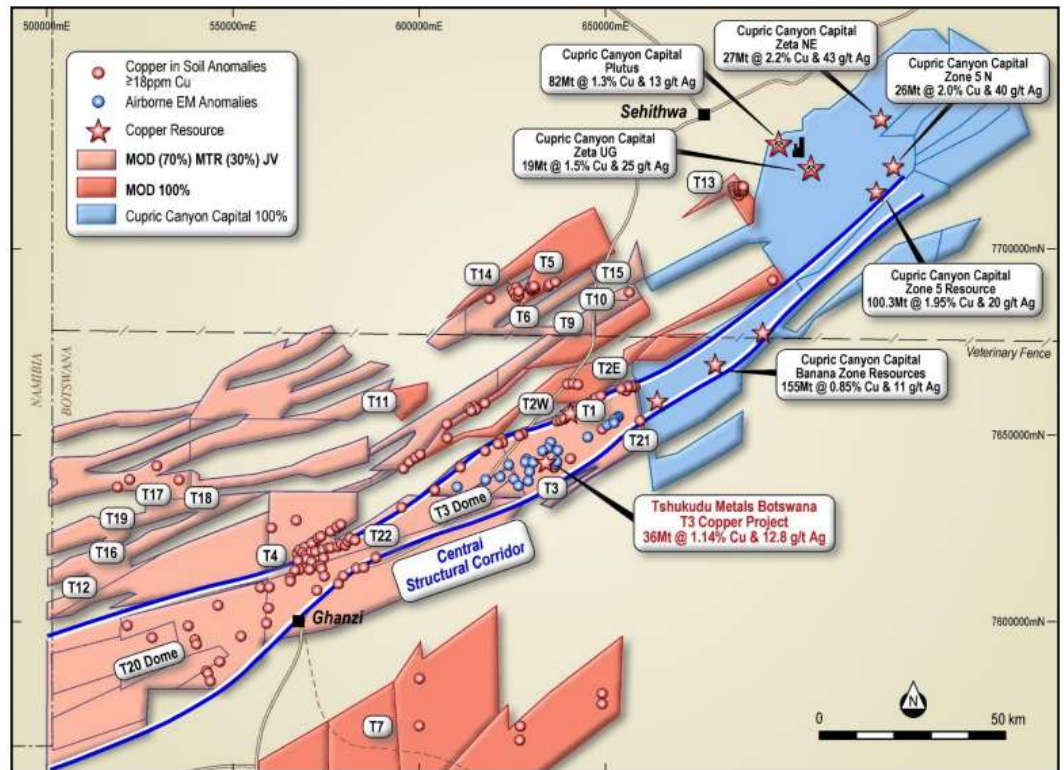
The company's key discoveries to date are located along strike from Cupric Canyon's Zone 5 deposit and Boseto concentrator, now owned by specialist private equity group GNRI. Cupric Canyon's licences were previously held by ASX, AIM, and BSE listed Discovery Metals before it went into liquidation in part caused by metallurgical issues relating to the processing of oxide resources and low commodity prices. The MOD licences are adjacent to Cupric Canyon's ground and previously represented Discovery Metal's exploration port-folio. Cupric Canyon's Zone 5 project is entering the construction phase of an underground development following a major investment programme, initially producing 50ktpa Cu and 1.5Mozpa Ag with an expansion project.

MOD has a 30% contributing joint venture partner on the licence areas on the central structural corridor, AIM-listed Metal Tiger Plc (LON: MTR). Metal Tiger are an investment company which targets strategic stakes in natural resource investments. Other licence areas to the north and to the south are 100% owned by MOD.

In terms of the country risk, Botswana was again the highest ranked jurisdiction in Africa in 2017 on policy factors according to the Fraser Institute. The country has an established mining industry, employing c.20% of the total workforce and contributing

approximately one third of GDP and half of tax revenues. The exploration management and core yard are located in Ghanzi, an administrative centre that is a ~3 hour drive from the international airport at Maun.

Figure 2 – Licence area map and adjoining Cupric Canyon licence

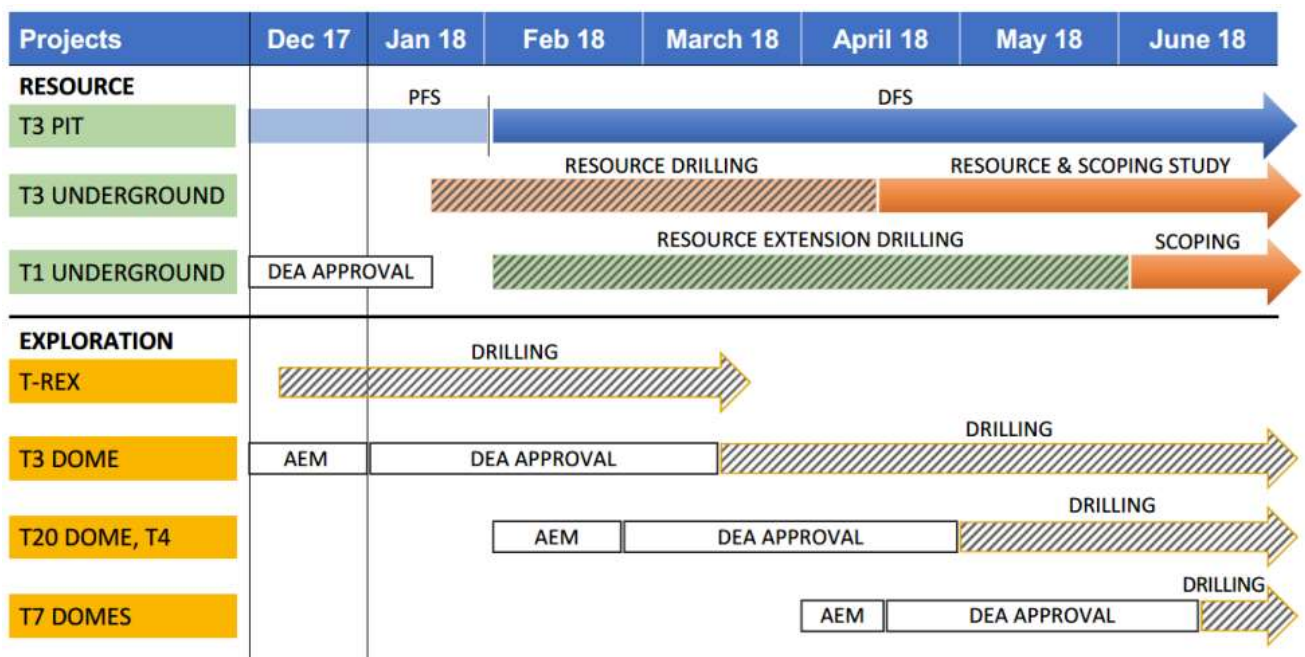


Source: MOD

Drilling Plan

Only a very small proportion of the total licence package has been drilled to date. The company has an extensive drilling plan for the remainder of 2018 to both expand the resources base at T3 and T1, and first drilling at T-Rex, T3 dome, T20 and T7. We observed six diamond drill rigs on site.

Figure 3 – Drilling Schedule

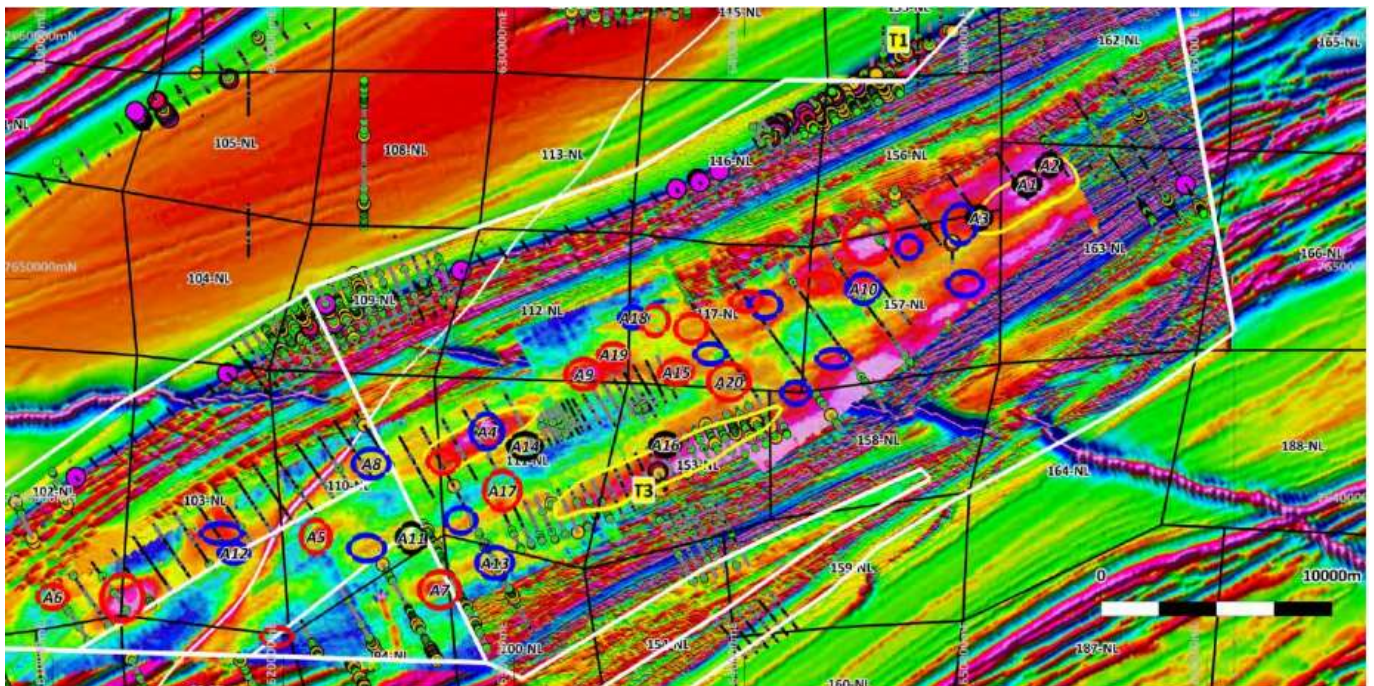


Source: MOD

At the time of our visit, drilling programme at T3 was currently focused on sterilisation drilling and moving on to infill drilling to convert Inferred resources to Measured and Indicated status to form part of a resource upgrade and a better understanding of the underlying geology. The other focus at T3 is on exploring the continuity of the main zone at depth as part of a potential underground extension, via a portal from the open pit. We observed a diamond drill targeting mineralisation at depths of approximately 550-560 metres. At this depth the mineralisation is tighter (c. 5 metres) but could feasibly be accessed through a decline from the T3 open pit.

The newer drill targets have been defined through a mixture of soil sampling and Airborne Electromagnetic studies. The company is targeting shallow dipping domes that are thought to host sedimentary copper mineralisation, and the highest priority targets have been marked A1-A10 in the chart below.

Figure 4 – Airborne Electromagnetic work done to date



Source: MOD

One target of particular interest is the A9 target, which is located 5km from the T3 deposit. Airborne Electromagnetic studies show chargeability down to 400m, the limit of the survey capability. The circular structure with a diameter of 600m and raised topography observed on the ground make it a high priority target. It could be a VMS or other structure breaking through. This would be the top target for new mineralisation once the Environmental Management Plan for drilling the T3 dome has been approved by the Department of Environmental Affairs.

Geology

T3 is a sediment hosted copper and silver deposit with three distinct zones containing both disseminated and vein mineralisation. Based on a review of the core, MOD has identified three copper sulphide ore domains, Chalcopyrite (approximately 60% of the deposit), Bornite (30%) and Chalcocite (10%).

Flotation test work done to date has shown very positive recoveries and low mass recovery across all three domains. Some small levels of deleterious elements have been identified in the metallurgical test work (Arsenic, Bismuth, and Lead), the company is looking to either reject penalty elements in the flotation process or blend ore to take the concentrate below penalty levels.

Figure 5 – Recoveries by element

	Mass		Copper		Silver	
	% Recovery	% Recovery	Conc Grade %	% Recovery	Conc Grade g/t	
Chalcopyrite	3.2%	93.3%	33.1%	82.6%	199	
Bornite	3.2%	96.2%	43.6%	92.2%	668	
Chalcocite	2.3%	93.4%	48.6%	89.0%	850	

Source: MOD

We observed coarse veins of copper mineralisation in the drill core alongside more disseminated mineralisation, which is consistent with the positive metallurgical response. Metallurgy might be more difficult than expected due to the three distinct ore types but

given the positive test work results for each domain and management’s experience in this area we are confident that fundamentally this will not be an issue.

Figure 6 – Coarse veins of chalcopyrite visible at the MOD core shed



Source: MOD

One of the key issues historically at other Botswana copper projects has been the nearer surface zone of oxide material that does not process economically through traditional flotation processing plants. This has often had terminal effects on companies, for example Discovery Metals (now privately held Cupric Canyon) and African Copper (now AIM listed Cradle Arc). The company’s hypothesis is that the c. 10 to 15 metre calcrete cap has minimised this oxide zone. Whilst there is still a lot of work to be done, and some oxidisation has been observed in shallow drill core, we were given confidence that the company is working to understand the structural geological interpretation.

Reserves and Resources

The company’s current reserves and resource statement can be found in the tables below. We note that this only takes into account the planned open pit at T3 and we would expect an increase in the total reserves and resources as and when MOD has new discoveries on its existing licence area.

Figure 7 – T3 Open Pit Reserve Statement

Ore Reserve Category	Tonnes (Mt)	Copper		Silver	
		Grade (%)	kt	Grade (ppm)	Moz
Proved	8.78	1.13	98.95	11.1	3.14
Probable	12.65	0.94	118.64	9.7	3.93
Total Ore Reserve	21.43	1.02	217.59	10.3	7.07

Source: MOD

Figure 8 – T3 Open Pit Resource Statement

Mineral Resources (0.25% Cu cut-off)	Quantity (Mt)	Grade Cu (%)	Grade Ag (g/t)	Cu (Kt)	Ag (Moz)
Measured Resources	10.29	1.15	11.59	118.34	3.83
Indicated Resources	14.16	1.01	10.93	143.02	4.98
Inferred Resources	25.62	0.76	9.98	194.71	8.22
Total Resources	50.07	0.91	10.58	456.07	17.03

Source: MOD

T3 Pre-Feasibility Study

MOD has released a PFS at T3 outlining annual production of 23kt Cu and 690koz Ag over a 9 year mine life and an expansion case of 28ktpa Cu and 903kozpa Ag, The base case assumes production throughput of 2.5Mtpa for estimated capex (including capitalised pre-stripping) of US\$154.8 million. Incremental capex to take processing capacity to 4.0Mtpa is assumed to be cUS\$30 million and should be funded through operating cash flows. Overall strip ratio for 2.5Mtpa case is 4.7x and drops to 4.3x for the expansion case. There are minimal mine plan changes for the 4Mtpa expansion case, allowing the company to take a staged approach.

Figure 9 – T3 Pre-Feasibility Study Summary

T3 Project Summary	Base Case 2.5Mtpa	Expansion Case 4Mtpa
Development capital	US\$154.8m	US\$191.6m
Life of Mine from production start	8.8 years	11.7 years
Waste: ore ratio	4.76	4.28
Copper grade	1.02	0.86
Average annual production	23kt Cu, 690koz Ag	28kt Cu, 903koz Ag

Life of Mine Financials (US\$3.00/lb, AUD:USD \$0.76)	Base Case	Expansion Case
Revenue	US\$1,410m	US\$2,263m
C1 Cash Costs LOM	US\$1.22/lb Cu	US\$1.30/lb
AISC, LOM	US\$1.36/lb Cu	US\$1.46/lb
EBITDA	US\$734m	US\$1,103m
Net Cash Flow (pre-tax)	US\$530m	US\$840m
NPV (8% real, pre tax)	US\$281m	US\$402m
NPV (8% real, pre tax)	A\$370m	A\$529m
IRR (pre tax)	39%	38%
Payback (from first production)	2.7 years	3.3 years

Source: MOD

Typical for the region is production of a high value concentrate, with copper content potentially over 40%. Reportedly Discovery Metals received 96.5% payability for a 40% copper concentrate, and the company is expecting as high as 90% payability on contained silver metal in the concentrate.

Grid power is being brought to the area as part of a \$495 million project recently announced by Botswana Power Corporation, which is due for completion in 2020. MOD conservatively budgeting to utilise diesel gensets for the first 2 years of operations until 2022. Water is expected to come from boreholes near the eventual plant site – the licence area is contained within the local Ghanzi aquifer so we do not see water availability as an issue.

The company is planning accommodation for workers to be in the city of Ghanzi, approximately 80km on the highway south-west of the T3 deposit. There are no communities near the T3 deposit, the area is currently used for cattle farming and access is negotiated via the land owners. At this stage, it is expected that MOD will truck the concentrate c.1000km through Namibia to Walvis Bay. Tamesis representatives have driven the majority of this road and found it to be in very good condition.

Figure 10 – Road from T3 to Ghanzi



Source: MOD

Another interesting capital saving proposal is the use of an integrated tailings/waste facility. At the current study level it is assumed that the tailings facility will be lined. The natural pH level of the waste rock is quite basic, neutralising any acid that could be generated in the tailings or waste rock. There will be further work to confirm the viability of this integrated landform solution but it is encouraging to see management exploring new technologies to reduce capital and operating costs, as well as the overall permitting burden.

Permitting and Land Rights

Critical to being able to drill targets are DEA (Department of Environmental Affairs) approval and land access agreements. T3 benefits from being on a single farm including space for all plant, tailings and infrastructure.

The formal EIA process commenced in December 2017 however meetings with local stakeholders (for example the farmers co-op) had started well before that. Most of the questions focused on water. Given the importance of agriculture to the region, water is clearly going to be a critical issue. The question is how local the draw down is. MOD are actively engaging the local communities and business groups and expect to get EIA approval within 9 months and receive their mining licence by early 2019.

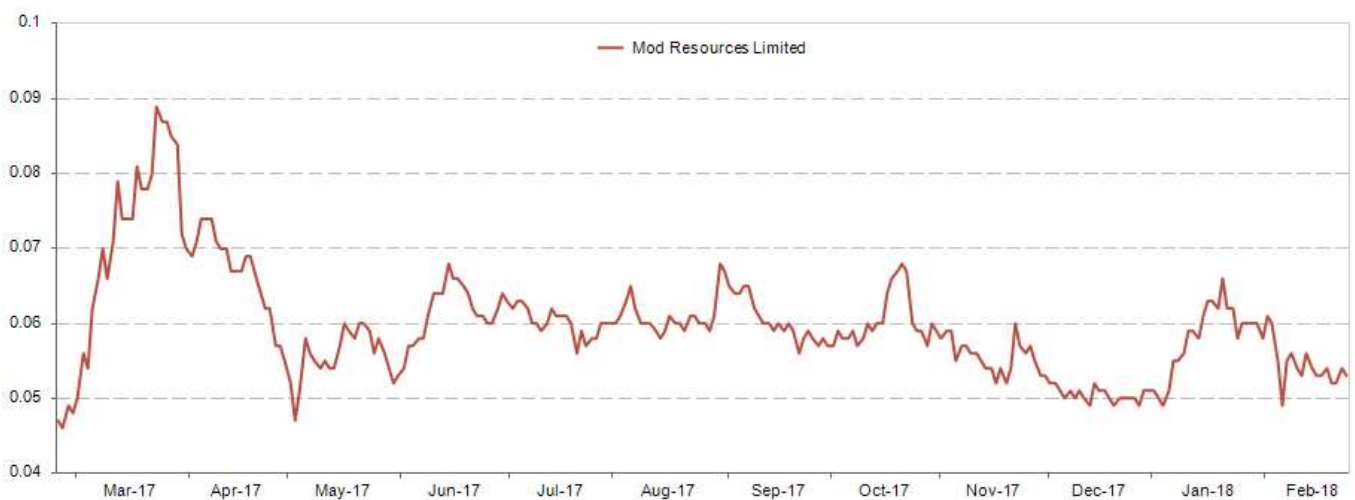
Management

MOD's management team are well experienced in mine exploration and development. We were impressed by the amount of time spent on site in Botswana by senior management and their day to day involvement at the core shed. The three key management officers (Mark Clements, Julian Hanna, and Steve McGhee) have the combined geological, metallurgical, corporate finance and governance experience essential for bringing a project into production. Country Manager, Gaba Chinyepi appeared to be very engaged with the local businesses and community.

Corporate

MOD currently has a market capitalisation of A\$99 million / US\$78 million with A\$10 million (US\$8 million) in cash as of 31 December 2017. The burn rate for exploration and development funding is in the range of A\$1 million per month – the company is keeping non-development overheads low at A\$100k per month.

Figure 11 – MOD Share Price Chart



Source: MOD

Conclusion

Our site visit underlined that MOD represents an exciting combination of a robust near-term development project at T3 and district scale exploration potential across a large ground holding with the potential to host several economic copper deposits both within trucking distance of T3 and to support standalone operations, for which T3 could be seen as a proof of concept. One could hardly ask for a better place in Africa to operate a mining company. The calcrete cover which prevented the discovery of MOD's deposits until recently appears to have also prevented the oxidisation which has troubled other Botswana copper projects. We expect the share price to perform well on the back of regular news flow as part of the drilling and development programs.

Near Term Catalysts

- Ongoing exploration drilling and airborne electromagnetic surveys
- Resource upgrade at T3 (Q2 2018)
- Scoping Studies at T3 underground (Q3 2018)
- Completion of T3 DFS (Q4 2018)
- Mining licence for T3 (Q1 2019)

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