

Successful \$15 million Capital Raise and Response to Media Speculation

Highlights:

- Successfully raised \$10 million through an oversubscribed institutional Placement at \$0.30/sh.
- \$5 million to be raised through a fully underwritten Rights Issue at \$0.24/sh.
- Confirms strong shareholder confidence in the Company and the quality of the T3 Copper Project
- Received an unsolicited, non-binding, indicative, conditional proposal from Sandfire at \$0.38/sh.
- The Board believes this proposal undervalues the Company's assets
- MOD continues to explore all options including further engagement with Sandfire

MOD Resources Limited ("the Company") (ASX/LSE: **MOD**) is pleased to announce that it has received firm commitments to raise \$10 million through an institutional share Placement with an additional \$5 million fully underwritten Rights Issue to be offered to existing shareholders. The majority of funds are intended for working capital to advance the T3 Copper Project towards production and defining additional resources within the surrounding T3 Expansion Project area.

Furthermore, following media speculation, the Company announces receipt of an unsolicited, non-binding, indicative and conditional proposal by ASX listed Sandfire Resources NL ("**Sandfire**") (ASX:**SFR**). The proposal is to acquire 100% of MOD shares via an all scrip transaction equivalent to \$0.38 per MOD share. The Board believes this proposal undervalues MOD's unique and extensive assets.

MOD's T3 Copper Project in Botswana lies within a largely under-explored, highly prospective region offering a dominant copper-belt scale opportunity. The T3 Copper Project, discovered in March 2016, presents the potential for a long-life, high-margin, open pit copper mine with significant exploration upside. The Company continues to progress the T3 Feasibility Study to reach a decision to mine in the first half of 2019. The Company has also advanced discussions with a number of parties which has provided the Board with confidence in the availability of a range of funding options to progress the T3 Copper Project into production.

MOD's Managing Director, Julian Hanna, said "*Funding from this capital raise will enable the Company to progress the T3 Copper Project towards a development decision and conduct further drilling for additional resources. The unsolicited, indicative proposal for 100% of the Company received from Sandfire confirms the potential of the T3 Copper Project, however the Board considers it significantly undervalues the assets of the Company. With strong ongoing support of our shareholders through a placement and a fully underwritten rights issue, we believe that the Company will have sufficient working capital to achieve our objectives.*"

Successful placement of \$10 million with a \$5 million Fully Underwritten Rights Issue

The Company is pleased to announce that it has received firm commitments to raise \$10 million through the issue of approximately 33.33 million fully paid ordinary shares to institutional and sophisticated investors (“**the Placement**”). The Placement will be conducted using the Company’s existing Listing Rule 7.1 placement capacity.

The issue price for the Placement is \$0.30 per share representing a 36% premium to the Company’s last closing share price on ASX. This indicates strong shareholder confidence in the Company and the opportunity that T3 Copper Project and the regional exploration represents to shareholders.

To ensure that all shareholders can participate in the capital raising, the Placement will be followed by a non-renounceable rights issue to raise approximately \$5 million (approximately 21.7 million shares) from eligible shareholders (“**Rights Issue**”), offering 1 new share per 13 shares held. The Rights Issue is fully underwritten by Ashanti Capital. The Rights Issue will be priced at \$0.24 per share, a price that closely reflects the Company’s last closing share price on ASX. Further details relating to the Rights Issue timetable will be released to the market shortly.

The funds raised from the Placement and Rights Issue are intended to be used to complete a 2019 capital works program, which will include:

- Progress the T3 Copper Project through Feasibility Study, mining licence application and early T3 development work to reach a decision to mine, targeted by the end of the first half of 2019;
- Completion of purchase of the farm on which T3 Open Pit is located and construction of initial project related infrastructure;
- Infill drilling to upgrade part of the early stages of T3 mine production to a JORC compliant Measured Resource category;
- Advance conceptual underground mining studies for the T3 Expansion Project and A4 Dome with resource drilling as appropriate; and
- Conduct follow-up drilling of initial, shallow copper and silver intersections at the T4 - T23 Dome.

Funds will also enable the Company to progress negotiations with a number of parties in respect of funding the development of the T3 Copper Project.

The Company’s Board of Directors (“**the Board**”) and Metal Tiger Plc have committed to take up their entitlements in the Rights Issue.

Ashanti Capital is acting as lead manager and underwriter of the capital raising. Canaccord is acting as co-manager of the capital raising. Blue Ocean Equities provides corporate advice to the Company.

Sandfire Indicative Proposal and Update on Strategic Funding Process

On 16 January 2019, the Company received an unsolicited, non-binding, indicative and conditional proposal (“**Indicative Proposal**”) from Sandfire to acquire 100% of shares in MOD.



The Indicative Proposal was made after a period of technical due diligence, including access to a data room and a site visit, with respect to a potential joint venture arrangement, the potential sale of a partial interest in T3 Copper Project and a potential market placement to support development of the T3 Copper Project.

The Indicative Proposal comprises a full scrip consideration equivalent to \$0.38 per MOD share, valuing the Company's equity, on a fully diluted basis, at \$113 million¹. This is equivalent to an exchange ratio of 1 Sandfire share for approximately every 17 MOD shares¹.

The Indicative Proposal is subject to conditions, including:

- Completion of definitive due diligence to the satisfaction of Sandfire;
- Execution of a Merger Implementation Agreement;
- Receipt of a unanimous recommendation from the MOD Board;
- Binding commitments or statements of intent by MOD shareholders holding 19.9% or more, in support of the transaction; and
- Sandfire Board approval.

The Board believes that the Indicative Proposal undervalues the assets of MOD:

- MOD holds a dominant position (~11,700km² in granted licences) in one of the last under-explored sediment hosted copper belts in the world, within a safe jurisdiction²;
- MOD owns 100% of the T3 Copper Project, a high-quality copper development asset;
- Strong exploration results indicate the potential for additional economically viable copper mineralization within several priority targets within MOD's landholding;
- MOD expects the T3 Copper Project will produce a high-grade, high-quality concentrate, attracting strong interest from metal traders and smelters;
- MOD is on track to release the T3 Copper Project Feasibility Study by end of the first quarter of 2019;
- MOD's share price and the MOD / SFR exchange ratio are at a 2.5-year low³;
- The last placement price was \$0.47 per share⁴;
- NPV (pre-tax) for the T3 Copper Project based on the PFS is \$370m under the Base Case and \$529m under the Expansion Case⁵; and
- The acquisition would be highly accretive to Sandfire in terms of resource, reserve, extended mine-life and NPV per share⁶.

¹ As at close of market on 15 January 2019.

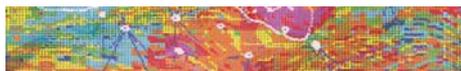
² Refer to Sprout Capital Partners research report dated 15 January 2019, available at www.modresources.com.au/research_reports

³ Based on closing prices

⁴ MOD's \$18m placement and rights issue announced on 6 March 2018.

⁵ Refer to ASX announcement "T3 Pre-Feasibility Study Confirms Robust, Long Life Copper Mine" released on 31 January 2018.

⁶ Based on average broker NPV.



The Board remains fully committed to act in the best interests of, and to maximise value for MOD shareholders. The Company is willing to engage with Sandfire and grant confirmatory due diligence if a compelling price is presented and capable of being supported by the Board and MOD shareholders.

MOD has not received any offer capable of acceptance by the Company's shareholders and no certainty that the Indicative Proposal will result in a transaction. The Company will continue to update the market with any material developments in relation to the Indicative Proposal.

The Company has appointed Sternship Advisers as financial advisor and DLA Piper as legal advisor with respect to Sandfire's Indicative Proposal.

-ENDS-

For and on behalf of the Board.

Julian Hanna
Managing Director

Mark Clements
Executive Chairman and Company Secretary

Jeff Sansom
Investor Relations
+61 9322 8233
IR@modresources.com.au

Jos Simson / Emily Fenton (UK PR & IR)
Tavistock
+44 207 920 3150
MOD@tavistock.co.uk

Subscribe at: www.modresources.com.au

Follow us on:   

About MOD Resources

MOD Resources Ltd (ASX/LSE: MOD) is a dual listed Australian copper company with a goal of becoming a substantial copper producer. After discovering copper in the first drill hole in March 2016, MOD is now under three months away from completion of a Feasibility Study for its 100% owned 60Mt T3 Copper Project in the central Kalahari Copper Belt, Botswana. The in-country operating company for the T3 Copper Project is Tshukudu Metals Botswana (Pty) Ltd (MOD 100%).

Total cost of discovery of T3 and delineation of the maiden resource was an exceptionally low US\$1.7 million, equivalent to only US\$0.22 cents/lb copper contained within the resource. As announced 16th July, 2018, the total resource now comprises of an Indicated Resource of **36.6Mt @ 1.14% Cu and 16 g/t Ag containing ~417 Kt copper and 18.6 Moz silver** and an Inferred Resource of **23.5Mt @ 0.74% Cu and 11 g/t Ag containing 173.3 Kt copper and 8.3 Moz silver** (Table 1). Results of the Pre-feasibility Study, announced on 31 January 2018 suggest a robust, long life, open pit mining and processing operation at T3 with 9-year Base Case for 2.5Mtpa production, pre-tax NPV A\$370m, IRR of 39% and payback within 2.7 years. Since the announcement of the PFS, there has been a 20% increase to the Base Case process plant throughput to 3Mtpa, with allowance for staged future expansion.

In parallel with the development of the T3 Copper Project, a major exploration program is underway across a combination of 100% owned and JV licenses covering approximately 11,700km² in this under-explored region, to explore for additional resources that could be processed through the planned T3 process plant and potentially add significant value to the expanded project. JV Exploration Assets are operated by Tshukudu Exploration (Pty) Ltd, which is a wholly owned subsidiary of UK incorporated joint venture company, Metal Capital Exploration Limited, owned 70% by MOD and 30% by AIM-listed Metal Tiger Plc (AIM: MTR).



MOD’s state of the art exploration techniques have developed the Company’s understanding of the unique ‘dome’ style geology in the region. Drilling at multiple high priority exploration targets, supported by airborne electromagnetics has already proved successful in discovering encouraging copper mineralisation within the 5km long A4 Dome and the ~12km long A1 Dome which lie only 8kms and 20kms from the T3 Copper Project respectively.

There are two styles of mineralisation being tested by drilling in the domes around the T3 Copper Project; shallower high-grade vein hosted mineralisation and deeper sediment contact hosted mineralisation known as the NPF contact. NPF contact mineralisation is an important target as this contact hosts most of the substantial copper deposits located east of MOD’s licences, including the ~100Mt @ 2% Cu ‘Zone 5’ resource planned to be mined underground by Cupric Canyon Capital.

MOD has an option to acquire MTR’s interests in any new JV resource which progresses to a scoping study within three years from 15 November 2018, as well as an option to acquire all the remaining JV assets at the end of the three-year period.

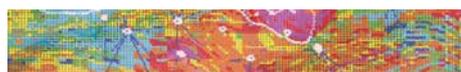
Table 1: T3 Revised Mineral Resources (16 July 2018)

JORC Category	Cut-off Cu%	Tonnes	Grade Cu%	Grade Ag g/t	Contained Cu (Kt)	Contained Ag (Moz)
Indicated	0.25	50,040,000	0.92	13	461.3	20.95
	0.4	36,631,000	1.14	16	417.0	18.60
	0.5	27,139,000	1.38	19	374.5	16.82
	1	14,154,000	2.06	31	291.9	14.30
	1.5	10,962,000	2.29	36	250.7	12.61
Inferred	0.25	27,667,000	0.68	10	187.3	9.18
	0.4	23,524,000	0.74	11	173.3	8.30
	0.5	19,884,000	0.79	11	156.9	7.35
	1	3,511,000	1.58	22	55.6	2.46
	1.5	1,640,000	2.04	29	33.5	1.55
TOTAL	0.25	77,706,000	0.83	12	648.6	30.14
	0.4	60,155,000	0.98	14	590.4	26.90
	0.5	47,023,000	1.13	16	531.5	24.17
	1	17,665,000	1.97	30	347.6	16.77
	1.5	12,602,000	2.25	35	284.2	14.16

Forward Looking Statements and Disclaimers

This announcement includes forward-looking statements that are only predictions and are subject to risks, uncertainties and assumptions, which are outside the control of MOD Resources Limited.

Actual values, results, interpretations or events may be materially different to those expressed or implied in this announcement. Given these uncertainties, recipients are cautioned not to place reliance on forward-looking statements in the announcement as they speak only at the date of issue of this announcement. Subject to any continuing obligations under applicable law and ASX Listing Rules, MOD Resources Limited does not undertake any obligation to update or revise any information or any of the forward-looking statements in this announcement or any changes in events, conditions or circumstances on which any such forward-looking statement is based.



This announcement has been prepared by MOD Resources Limited. The document contains background information about MOD Resources Limited current at the date of this announcement. The announcement is in summary form and does not purport to be all-inclusive or complete. Recipients should conduct their own investigations and perform their own analysis in order to satisfy themselves as to the accuracy and completeness of the information, statements and opinions contained in this announcement.

The announcement is for information purposes only. Neither this announcement nor information contained in it constitutes an offer, invitation, solicitation or recommendation in relation to the purchase or sale of shares in any jurisdiction.

The announcement may not be distributed in any jurisdiction except in accordance with legal requirements applicable in such jurisdiction. Recipients should inform themselves of the restrictions that apply to their own jurisdiction as a failure to do so may result in a violation of securities laws in such jurisdiction.

This announcement does not constitute investment advice and has been prepared without taking into account the recipient's investment objectives, financial circumstances or particular needs and the opinions and recommendations in this announcement are not intended to represent recommendations of particular investments to particular persons.

Recipients should seek professional advice when deciding if an investment is appropriate. All securities transactions involve risks, which include (among others) the risk of adverse or unanticipated market, financial or political developments.

To the fullest extent of the law, MOD Resources Limited, its officers, employees, agents and advisers do not make any representation or warranty, express or implied, as to the currency, accuracy, reliability or completeness of any information, statements, opinion, estimates, forecasts or other representations contained in this announcement. No responsibility for any errors or omissions from the announcement arising out of negligence or otherwise is accepted.

No New Information

To the extent that this announcement contains references to prior exploration results and Mineral Resource estimates, which have been cross referenced to previous market announcements made by the Company, unless explicitly stated, no new information is contained. The Company confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcements and, in the case of estimates of Mineral Resources that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

