HELMSEC
GLOBAL SECURITIES

27 APRIL 2015

Cobre Montana NL (ASX:CXB)

LITHIUM IN WA | LITHIUM IN EUROPE | OTHER OPPORTUNITIES

COMPANY DATA

ASX Code	CXB
Recommendation	SPECULATIVE BUY
Share Price (A$)	A$0.079
Fully paid ord. shares on issue (m)	116.7
Partly paid ord. shares on issue (m)	49.6
Options on Issue (m)	15
Market Capitalisation (A$m)	A$9.7
Cash 31 Dec 15 (A$m)	A$0.85
Debt	Nil
Enterprise Value (A$m)	A$8.8

SHARE PRICE PERFORMANCE

BOARD & MANAGEMENT

Eduardo Javier Valenzuela	Non-Executive Chairman
Adrian Griffin	Managing Director
Bryan Dixon	Non-Executive Director
Belinda Ting	Chief Financial Officer
Amanda Wilton-Heald	Company Secretary

MAJOR SHAREHOLDERS

Dennis Bell	8.23 %
Directors	4.9 %

SPECULATIVE BUY

Cobre Montana – the high potential Lithium market "disrupter" moves toward "Czech-mate"

SUMMARY

Cobre Montana has accelerated its endeavours at the forefront of a new lithium production technology which is showing the strong potential to be the market "disrupter" altering the global lithium landscape through a combination of low-cost technology and globally scaled deposits.

Without detracting from the prospectivity of its numerous projects, the most recent exciting developments have occurred in relation the Cinovec project in the Czech Republic.

In the space of only 4 months Cobre has moved from a 'standing start' MOU at Cinovec to a non-binding HOA for a 50:50 joint venture, has successfully demonstrated battery-grade lithium production from a different lithium mica (called zinnwaldite) based on Cinovec's tin/tungsten tailings, and a scoping study is due from its partner very soon (as a prelude to a possible PFS).

This success at Cinovec is significant in general, but specifically the results so far promise a globally low-cost operation at a globally significant lithium inferred resources – Cinovec is in the global top 5 hard rock lithium deposits excluding its large exploration target. Cobre Montana is estimating an operating cost of less than US$2,000 per tonne of lithium carbonate (net of sulphate of potash by-product credits, but prior to further tin/tungsten credits).

In addition to Cinovec, Cobre has a number of WA located projects (including having shown battery–grade lithium production at Lepidolite Hill), and its powder remains dry to enter into another global lithium venture under the exclusivity terms with its technology partner.

The excitement of the lithium market is predominantly due to important advances in battery technology, whether for handheld devices, electric cars or potential for heavy transport too, and so is expected by industry forecasters to continue its 10%+ CAGR rates of demand through the next couple of decades.

Cobre Montana is poised for a **potentially significant re-rating** given the rapid progress it has made over recent months, and accordingly Cobre Montana is recommended as a **SPECULATIVE BUY**.

Given the formative (albeit rapidly advancing) stage of the development of the lithium business and Helmsec Global's recent advisory roles for Cobre Montana, a valuation has not been undertaken for this report.

Ben Guo
Analyst
Phone: +61 2 9993 4441
Email: bg@helmsec.com.au

COBRE'S RAPIDLY ADVANCING STRATEGY

Since Cobre Montana commenced efforts toward its exciting new focus on lithium production it has made substantial progress with numerous new arrangements entered into since November 2014, including:

- **Cinovec HOA for Lithium JV: in mid-April 2015 Cobre entered into a non-binding heads of agreement (HOA) for a joint venture (JV) with ASX-listed European Metals Holdings Ltd (EMH) in relation to lithium production from EMH's globally sized Cinovec tin/tungsten/lithium/potassium deposit in Czech Republic;**
- Pilgangoora MOU: the Company entered into a MOU with ASX-listed Pilbara Minerals Ltd (PLS) for a 6 month test program by Cobre to evaluate the potential to produce lithium from pegmatites at Pilbara's Pilgangoora project;
- Donnybrook-Bridgetown ELA lodged: the Company has lodged an application for an Exploration Licence in southern Western Australia to assess potential spodumene and lithium mica proximate to the well-known Greenbushes lithium mine;
- Ravensthorpe EL acquisition: Cobre has completed all the legal requirements for the acquisition and is awaiting governmental transfer approvals; and
- Laser Spectroscopy technology: the Company has teamed with SciAps to test a hand-held technology for the identification of buried lithium pegmatites.

These efforts are part of Cobre Montana's pursuit of significant and low-cost lithium production from globally prevalent lithium micas by taking advantage of its strategic technology tie-up with Strategic Metallurgy aimed to deliver a globally low-cost lithium processing solution in order to make available lithium from mica in deposits not previously considered ore, in dumps or tailings, and/or in waste materials currently being discharged.

MOVE TOWARD "CZECH-MATE" – CINOVEC JV PENDING

Rapid and Successful Progress

Cobre Montana has recently made numerous significant steps forward at the Czech-based Cinovec project having only commenced its MOU at Cinovec in December 2014:

1. Success at producing battery-grade lithium from Cinovec ore using Cobre's lithium processing technology;
2. Scoping study by EMH for tin/tungsten/lithium project at Cinovec is due in the very near term;
3. Cobre has proposed a commercial development plan to EMH; and
4. Announcement of a non-binding HOA with EMH for a 50:50 JV over lithium production at Cinovec;

Global Scale and Global Low Costs

The Cinovec project is a potential game-changer for Cobre Montana given the globally significant scale involved and the potential to operate in the lowest quartile of the global cost curve:

1. EMH has reported JORC Inferred Resource that places Cinovec in the top 5 global hard rock lithium deposits, where conversion of its exploration target would move it into first place globally; and
2. Indicative lithium processing costs of less than US$2,000 per tonne after sulphate of potash by-products, but prior to further tin/tungsten credits – this would put the Company's costs into the realm of "brine" lithium producer costs, which are at the low end of the cost curve.

Successful Testwork for Cobre's "Disrupter" Technology

Cobre has successfully produced battery-grade lithium carbonate from the Cinovec deposit from a 50 kg sample of drill core in two batches, with potassium and other minerals recovered as by-products. The carbonate purity exceeded 99.6%.

Importantly, this is now the second instance of Cobre's technology being shown as successful using specific ores from specific deposits, not only providing high confidence in the robustness of the process and demonstrating its applicability at deposits where

Cobre has (or is forming) a business interest, but also showing its flexibility to process differing ore types which augurs well for Cobre's other projects and pending projects in WA and globally.

VALUABLE LITHIUM EXTRACTION TECHNOLOGY

Exclusive Technology Arrangements

Cobre Montana has entered into a technology agreement with Strategic Metallurgy Pty Ltd to commercialise the extraction of lithium and rare metals. The technology is the subject of patent applications. Cobre Montana has been provided, on a confidential basis, the know-how, information and test samples to pursue independent metallurgical reviews of the technology.

The licence arrangements contain the following provisions:

- Exclusivity within Western Australia for up to 25 years (first period of 5 years, then extension of 20 years if a WA plant is commissioned within the first 5 years), and exclusivity at two other locations in the world at Cobre Montana's option;
- Option exercise price of $100,000 within the following 6 months, with two time extensions of 6 months by making $5,000 payments; and
- Gross product royalty of 2%.

First Mover Advantage

Lithium is contained in many forms with the two existing "viably producible" sources being processed from lithium in brine solutions and lithium in hard-rock deposits (predominantly spodumene and petalite).

Cobre Montana and its technology partner have demonstrated in laboratory scale tests that battery-grade lithium is able to be produced using the new technology from lithium micas, including lepidolite and zinnwaldite. Lepidolite is a lithium bearing mica often found in lithium pegmatites. Zinnwaldite is another example of a lithium mica that is pervasive within the Cinovec deposit. Usefully, for the future economics of processing, these minerals also can contain potassium and rare metals (such as caesium, rubidium and gallium), and the technology has been shown to be able to liberate these elements as by-products.

The technology is a hydrometallurgical lithium extraction process undertaken at atmospheric pressure that is understood to result in good recoveries for a relatively low energy input (being largely energy self-sufficient).

BATTERY-GRADE TEST RESULTS AT TWO PROJECTS

Cobre's technology has now successfully produced battery-quality lithium carbonate from two of its projects. Being initial testwork from ore samples this is indicative of what may be possible, and further pilot work in the commercialisation phase will determine the ultimate reliability of results going forward.

Significant Results for Cinovec, Czech Republic

As mentioned above, Cobre has successfully produced battery-grade lithium carbonate from the Cinovec deposit from a 50 kg ore sample of drill core in two batches, with potassium and other minerals recovered as by-products. The carbonate purity exceeded 99.5%.

This lithium carbonate result was preceded by successful froth flotation and leaching testwork of the tin tailings from Cinovec in order to demonstrate that attractive concentrate grades can be achieved. This testwork successfully achieved a flotation yield of 98% recovery of lithium, with a concentrate grade of c.1.8% lithium oxide (Li_2O) and 7.4% potassium oxide (K_2O), meaning a post potassium by-product credit lithium concentrate grade of >6%. Further, the leaching testwork indicated that high lithium recoveries can be achieved from the tin tailings in preparation for lithium carbonate production using Cobre's technology.

Significant Results for Lepidolite Hill, WA

Cobre's technology has produced battery-quality lithium carbonate using a bulk sample of lepidolite from the Coolgardie venture under laboratory conditions and scale. The Company reported its initial laboratory scale test as delivering 99.6% battery-grade lithium carbonate purity with potassium sulphate by-product, a lithium yield of 81% and a Li_2O grade of 3.34%.

FROM EVALUATION TOWARD PRODUCTION

Cobre Montana is at an exciting juncture in the formation of its lithium production business, ie.

- Cobre has first mover technology advantages and exclusivity advantages;
- Cobre's initial testwork - of the lithium extraction technology applied to ore from 2 minerals deposits - has been successful;
- Cobre has MOUs and now a HOA in relation to deposits that contain the required mineral types (lepidolite and zinnwaldite), and relevant mineral types being in (relative) abundance in Australia and globally; and
- Scoping studies and a commercial development plan are underway.

The broad steps from here are to move to JORC resources status and plan the commercialisation including undertaking pilot plant scale test work, completing appropriate feasibility studies, attracting offtakers, arranging funding, etc. In broad terms, these steps are planned over the next couple of years.

Joint Venture HOA and Development Proposal Underway at Cinovec Project

As mentioned above, the Company has entered into a non-binding HOA with EMH relating to the formation of a 50:50 JV for lithium extraction from tin/tungsten tailings at Cinovec in the Czech Republic. The HOA is intended to be shortly followed by EMH's scoping study in relation to Cinovec that will encompass tin, tungsten and lithium extraction from tailings. Assuming a positive scoping study, EMH would next plan for a pre-feasibility study for the tin/tungsten/lithium.

Evaluation Study Progressing at Pilgangoora Project

The Company is undertaking an evaluation of the lithium occurrence to determine the suitability of the deposit to Cobre's processing technology. From the positive testwork so far the Company anticipates making positive findings to their MOU partners from that work. Following the evaluation work, the next step would be to propose a formal commercial development proposal.

Ongoing Exploration/Evaluation for the other projects

At its WA ventures the Company plans to undertake exploratory activities over the coming months to bed down the quantum and mineral make-up of those projects.

POTENTIAL LOW-COST PRODUCTION

Cobre Montana anticipates that full-scale lithium production at "brine-like" costs levels can be achieved at its lithium mica deposits with processing locations/sites that provide: i. low minerals handling costs (eg. handling and infrastructure), ii. appropriate access to the technology's necessary lithium mica and chemical inputs, and iii. by-product credits, such as from potassium based by-products.

Cobre Montana and EMH are estimating lithium production operating costs at Cinovec of less than US$2,000 per tonne of lithium carbonate produced, after sulphate of potash credits, with the tin and tungsten produced offering further credits providing further reduction to the net cost per tonne.

Cinovec is proximate to infrastructure with a sealed road adjacent to the deposit, two rail lines nearby, and an active 22kV transmission line running to the mine. EMH's studies have shown it is suitable to bulk underground mining with over 400,000 tonnes having been trial mined as a sub-level open stope.

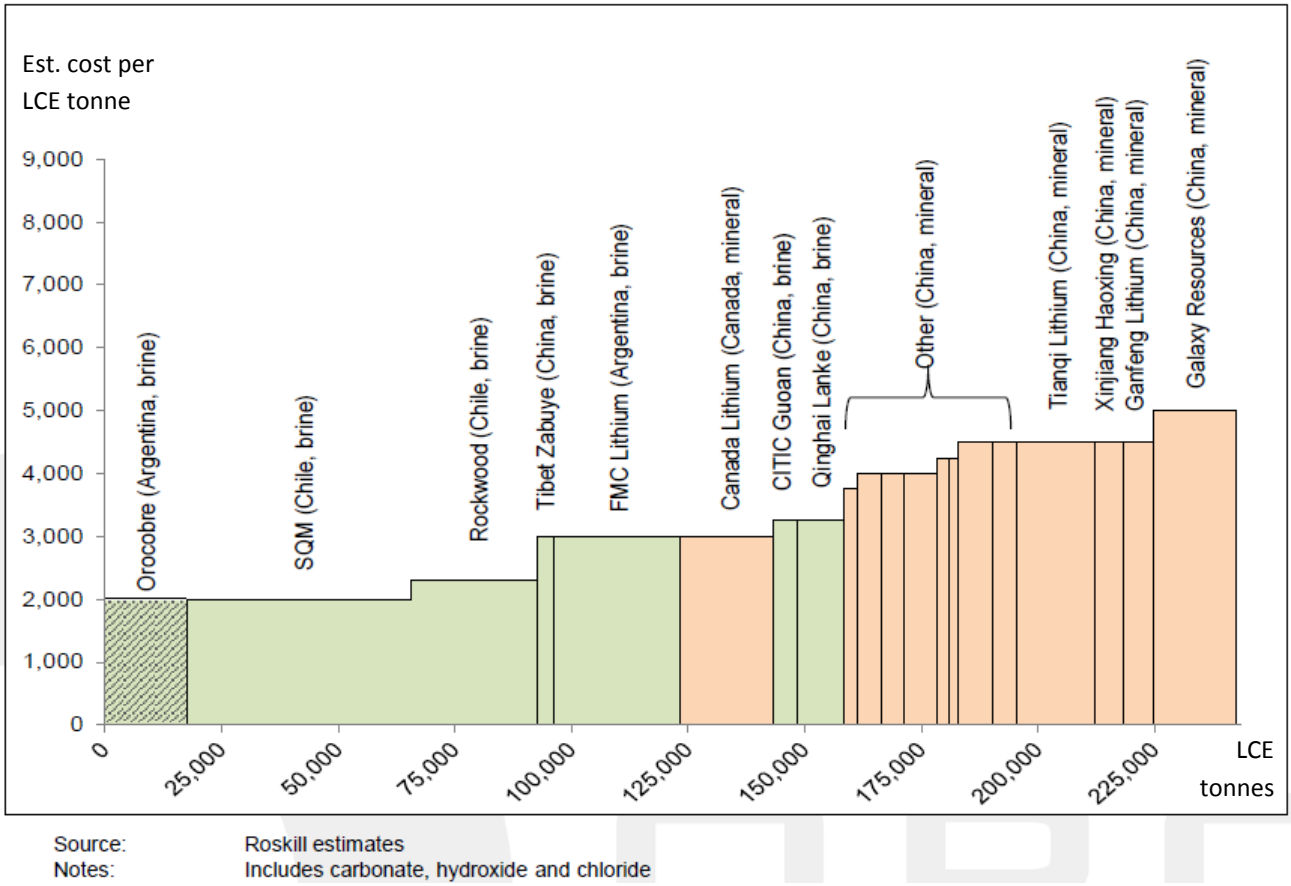

Figure 1: Estimated global lithium cost curve. Source: Roskill (with modifications) and Orecobre 2014 presentation.

WORLD SCALE LITHIUM DEPOSIT POTENTIAL

Cinovec - Top 5 Global-Sized Hard Rock Lithium Deposits

As mentioned above, EMH, the owner of the Cinovec deposit, recently reported the following inferred Resource estimates which put Cinovec's lithium component into the top 5 hard rock lithium deposits globally, where conversion of its exploration target would move it into first place globally:

- *Inferred Li Resource: 5.5Mt LCE*, 514.8Mt @ 0.43% Li_2O (0.1% Li cut-off); and*
- *Additional Exploration Target: 3.4-5.3Mt LCE, 350-450Mt @ 0.39-0.47% Li_2O*

*LCE = lithium carbonate equivalent, a common measure for reporting lithium production and demand. LCE = Li_2O% x 2.473.

EMH's estimates are based primarily upon 83km of drilling, 21.5km of underground exploration drifting, and extensive government exploration in the 1970s-1980s. The inferred resource reported by EMH was pursuant to a 285% increase in lithium in part due to the successful testwork undertaken by Cobre on ore/tailings from the deposit.

Pilgangoora – only 10% of Pegmatites Drilled

Pilbara Minerals, the owner of the Pilgangoora deposit, reports the following lithium JORC 2012 Inferred Resource estimate:

- *Inferred Li Resource: 8.6Mt @ 1.01% Li_2O for 87,000 tonnes of lithium*

This estimate is understood to reflect only a small portion of the pegmatites in Pilbara Minerals' ground having been drilled to date.

LITHIUM MARKET

Attractive Global Lithium Market

Lithium is becoming very well known as an integral component in the recent step-changes achieved in battery technology. This applies not only to the accelerating handheld electronic device market, but also to battery technology applicable to "green" energy uses, such as the burgeoning electric car market and heavy transport markets (including the potential use in commercial aviation).

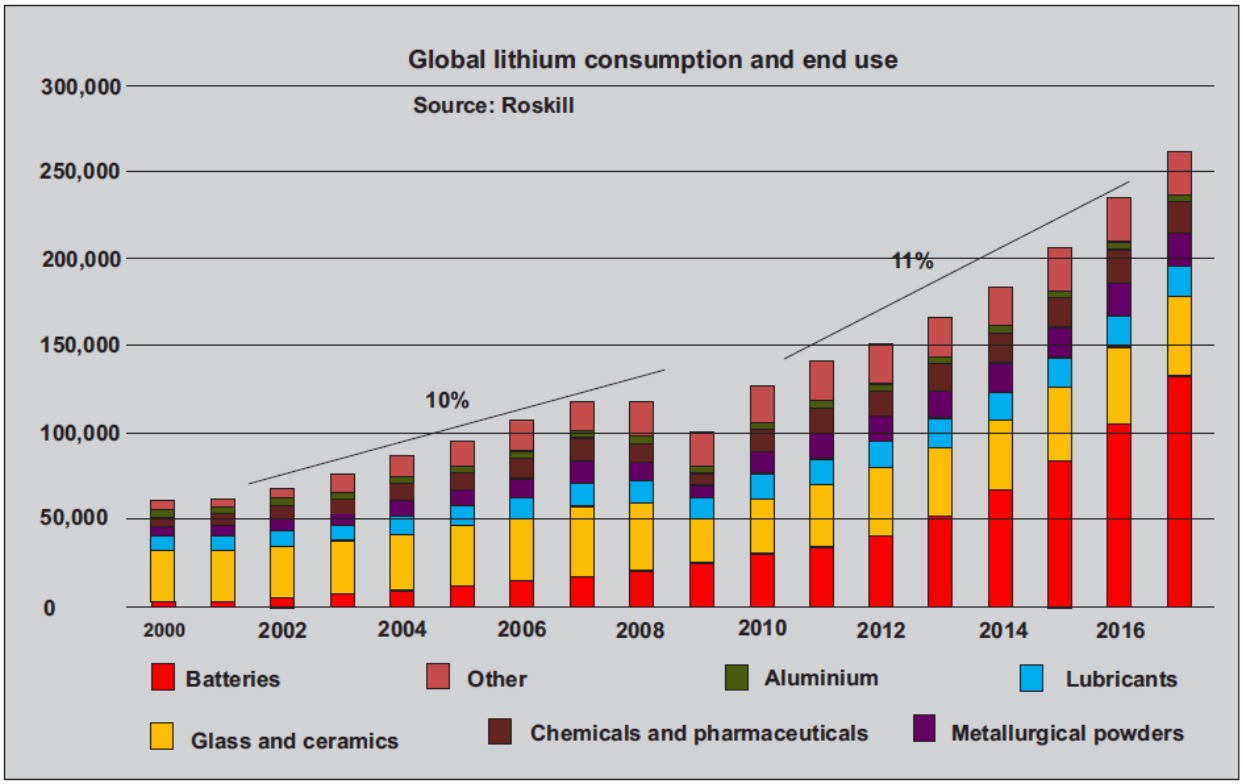

Figure 2: Uses of lithium and expected consumption profile. Source: Modified after Roskill

Like all commodities with exciting global demand growth potential, there are also numerous suppliers proposing to meet that demand with their own supply, and the possibility of competitive substitutes to arise (for instance, the advances being made with graphene). Accordingly, the ability for Cobre Montana's new technology link-up to produce at globally competitive costs is the critical task, which Cobre Montana believes can be achieved.

RISKS

- Exploration, drilling, development and operating risks;
- Technology risks: including achieving the patent applications, Cobre Montana ultimately obtaining the licences currently under option, the advent of competing technology, commercial success of the technology, potential withdrawal of the technology by its partner, etc;
- Commodity price and currency risks: including the extent of Lithium market supply and demand at the time of Cobre Montana commencing lithium production, the ability to enter into offtake agreements, etc;
- Liquidity/funding risks: pre-development resources sector companies should be expected to have to undertake fund raising exercises from time to time, which includes risks of not receiving the amounts sought at all or only in part, or the potential to receive them only on unfavourable terms. This risk is acknowledged in the Company's recent half-yearly accounts that refer to

the Company successfully raising capital when needed as important in supporting the going concern assumption in those accounts;

- Capital funding risks: in order to proceed to development of one or more projects Cobre Montana and its partners will require significant development capital in the form of debt, equity or hybrids, or to have to undertake selldowns, or may have to prioritize one project over another, etc, where achieving success for these or other options carry risks;
- Market price and liquidity risks: an investment in Cobre Montana is subject to general and specific stockmarket and pricing risks, including the level of liquidity in the ASX traded market for Cobre Montana.
- Resources and commercial project risks: whilst strong potential upside exists from the various ventures and the new technology, there is no guarantee that deposits will contain lithium micas, that JORC Resource status will be achieved, that the technology will succeed on a commercial scale, that the deposits will result in positive feasibility studies or economic development, that commercial arrangements (eg. JVs, offtake arrangements, etc) can be satisfactorily entered into with counter-parties, etc. Further, should success in these matters result, there is a risk that the timeframe for doing so will be longer than anticipated.

An investment in Cobre Montana is also subject to other general and specific investment risks.

RECOMMENDATION

Cobre Montana is recommended as a **Speculative Buy** on the basis of its merits and risks (including funding risks) as described in this report including:

- **Exciting potential to enter the strongly growing lithium market as a "disruptive" low cost producer**: Cobre Montana stands ready to profit from the potential new crossroad for the lithium industry created by its new technology;
- **Re-rating potential from rapid success being achieved with globally significant ramifications**: Cobre Montana's management is rapidly progressing its numerous projects and in so doing is forging a trail of testwork success for its exclusive technology at multiple deposits; and
- **Longer-term value creation upon entry into lithium production**: while there are numerous steps to take over the next couple of years, forecasts for the future demand for lithium are strong and success in achieving low cost lithium production would see significant value creation for shareholders.

Given the formative (albeit rapidly advancing) stage of the development of a lithium business and Helmsec Global's recent advisory roles for Cobre Montana (see disclaimer), a valuation has not been undertaken for this report.

DISCLAIMER AND DISCLOSURE OF INTEREST

This document (Report) is issued by Helmsec Global Securities Limited (Helmsec) an authorised representative of Helmsec Global Capital Limited (HGCL), Australian Financial Services Licence No. 334838. This Report is intended solely for the use by wholesale/institutional clients within the meaning of section 761G of the Corporations Act 2001 (Cth) (Act), sophisticated investors pursuant to Section 708(8) of the Act, professional investors pursuant to Section 708(11) of the Act and/or otherwise persons to whom a disclosure document is not otherwise required to be given under Chapter 6D of the Act.

To the extent that any recommendations or statements of opinion made by Helmsec in this Report constitute financial product advice, they constitute general financial product advice only and do not constitute personal financial product advice in any manner whatsoever. Accordingly, any such recommendations or statements do not take into account the investment objectives, financial situation, taxation requirements and/or the particular needs of any recipient. Before subscribing for securities in the Company named in the Report (the Company), you should consider, with the assistance of your independent financial and legal advisers, whether the potential investment is appropriate in light of your particular investment needs, objectives and financial circumstances.

Any recommendations or statements of opinion contained in this Report are based on assumptions made by Helmsec. These assumptions may or may not eventuate and accordingly, any such recommendations or statements of opinion may prove to be incorrect. This Report has been distributed in confidence and may not be reproduced or disclosed to any other person without the prior written consent of Helmsec.

The information contained in this Report has been prepared by Helmsec with due care but no representation or warranty whatsoever is made, express or implied, in relation to the accuracy and/or completeness of this information. This Report is based on information obtained from sources believed to be reliable and Helmsec has made every effort to ensure the information in this Report is accurate however Helmsec does not make any representation and/or warranty that any information in this report is accurate, reliable, complete and/or up to date. Except for any liability which cannot be excluded, Helmsec disclaims all liability for any error or inaccuracy in, or omission from the information contained in this Report or any loss or damage suffered, directly or indirectly by the reader or any other person as a consequence of relying upon the information.

Helmsec, HGCL and their Directors, employees, agents and consultants accept no obligation or liability whatsoever to correct and/or update any information and/or opinions in this Report. Opinions expressed are subject to change without notice and only accurately reflect the opinions of Helmsec at the time of writing this Report. Helmsec, HGCL and its Directors, employees, agents and consultants accept no liability whatsoever for any direct, indirect, consequential and/or other loss arising from any use of this Report and/or further communication in relation to this Report. The historical information in this Report is, or is based upon, information that has been released to the general market.

HGCL may receive professional fees from the Company for the provision of services relating to the capital market activities of the Company. Also, HGCL may earn fees and/or new securities in the future from advisory or raising services as may be requested by the Company from time to time.

HGCL their Directors, employees, authorised representatives, consultants, associates, related entities and/or family members may have interests in the securities of the Company. If you require further information in relation to the parties referred to above and their interest(s) in the Company please contact Helmsec.