COVE RESOURCES LIMITED

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708 Murray Street, West Perth, WA 6005 | PO Box 810, West Perth, WA 6872

ASX Release **10 July 2012**

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COVE REOURCES LIMITED

"An emerging Western Australian mineral resource company focused on titanium, copper, gold, iron and base metals"

ASX: CVE

Capital Structure

45,686,988 Shares on issue

31,199,823 Listed options

12,000,000 Performance options

Cash in Bank: $2.5M (@31.3.2012)

Board of Directors

Winton Willesee
Non-Executive Chairman

Garry R Hemming
Managing Director

Grant Freeman
Non-Executive Director

Greg Miles
Non-Executive Director

Contact Us

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Cove to Acquire Major Titanium Project in Finland

HIGHLIGHTS

- **Cove Resources Limited (Cove) has executed definitive agreements to acquire the Koivu Titanium Project in Finland from Endomines AB (publ), Sweden.**
- **Cove's Due Diligence (DD) Study outcome supports mine production of a high quality titanium pigment concentrate to supply the European market.**
- **Cove will complete scoping study in the next 2 weeks & will then commence a Bankable Feasibility Study (BFS) for an initial 20 year/250,000t titanium pigment concentrate output operation.**
- **Consideration is €3m cash paid over 27 months + 2 % NSR royalty to Endomines AB (publ) as seller and a share component with Delta Minerals FZE under a nomination agreement equivalent to €6m based at A$0.20 per Cove share – a significant premium to current share price.**

SIGNIFICANT FACTORS

- **The acquisition of the Koivu Titanium Project will enable Cove to quickly progress from explorer to producer and become an international supplier of high quality titanium pigment feedstock.**
- **The project area hosts five titanium deposits with aggregated JORC Indicated and Inferred Resources of 68.7Mt averaging 7.5% titanium dioxide (TiO_2). This equates to over 5 million tonnes of contained TiO_2.**
- **Potential to expand the titanium resource through drilling as the current JORC compliant ore bodies remain open at depth. Also the resource inventory can be significantly increased by proceeding to JORC estimates at the Pera Lyly and Riutta deposits.**
- **The DD undertaken by Cove confirms the robust nature of the project. A BFS is scheduled to be completed during Q2 2013. First full year production is planned for 2015.**
- **Cove has a significant freight differential for delivery of titanium pigment concentrate into Europe versus distant suppliers from Australia, India and Africa offering Cove a long term competitive advantage.**
- **The Koivu Project also hosts potentially economic bi-products of magnetite and phosphorus which may complement the mining economics.**

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Cove Resources Limited (ASX: CVE & CVEO) is pleased to announce the execution of a definitive agreement to acquire the advanced-stage Koivu Titanium Project in Finland for a total consideration of €9 million (~A$11.2 million) plus a 2% net smelter royalty ('NSR').

Cove has entered into a Sale and Purchase Agreement with Endomines AB (publ), Sweden, to acquire Kalvinit Oy, which is the company that owns the Koivu Titanium Project. The right to enter into the Sale and Purchase Agreement was acquired from Delta Minerals, a private company based in the UAE, through a nomination agreement.

Details of the consideration and terms of the acquisition are outlined below. The Koivu project is a significant, advanced-stage titanium project, located 60km southeast of the city of Kokkola in the western region of the country (See Figure 1; Project location map).

Cove regards the acquisition as a significant achievement and aims to develop the project to produce a high quality titanium feedstock for local Finnish and European markets. Titanium feedstock is used in the manufacture of titanium dioxide. Titanium Dioxide has the ability to impart brilliant whiteness and brightness, in addition to being an excellent opacifier and UV reflector. For this reason it is widely used in paint, plastic, paper and cosmetics industries. Pure Titanium metal is valued for its strength to weight ratio and resistance to oxidation. As a result it is widely used in the aerospace, medical implant and sporting goods industries.

Cove will have the right to conduct a BFS on the project until 15 April 2013, at which point Cove is to confirm whether it wishes to proceed with completion of the acquisition with Endomines AB (publ).

Consideration and terms of the acquisition:

- **Cash consideration under the agreement with Endomines AB (publ) of €3 million**
  - The timing of these cash payments will be:
    €150,000 deposit on signing has been made with the balance of €850,000 payable on 15/4/2013 if Cove elects to proceed with completion of the acquisition following the BFS.
    €1,000,000 on 15 January 2014
    €1,000,000 on 15 October 2014
- **A share consideration equivalent to €6 million in respect of Delta; based on an implied Cove share price of AUD$0.20 per share, which is a significant premium to current share price.**
- **A 2% NSR on all saleable products to Endomines AB (publ), Sweden, up to a maximum of €7 million.**
- **Delta Minerals (UAE) will receive a 2% NSR after the above mentioned royalty to Endomines AB (publ) has been paid and Delta Minerals (UAE) have the right to appoint one director to the board of Cove Resources Limited.**

The script will be issued in two tranches with an implied Cove share price of AUD$0.20 follows:

- 19,050,000 shares subject to Cove shareholder approval being obtained at a shareholders meeting planned for August 2012; and
- 19,050,000 shares on or about 14/4/2013.

Both tranches of shares are to be voluntarily escrowed for 12 months from the date of issue of the first tranche of shares. If shareholder approval is not obtained for the issue of the share consideration then Cove will be required to satisfy its obligation by paying the cash equivalent of €6 million to Delta.

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The project is made up of five deposits (See Figures 2 and 3) and has an aggregate **JORC Indicated and Inferred Resource of 68.7 Mt @ an average 7.5% titanium dioxide (TiO_2),** as reported by Micon 2006. As part of the acquisition due diligence, the Company has begun to re-optimise and validate the resources and conduct an updated scoping study. It is envisaged it will then immediately initiate a bankable feasibility study (BFS) for an initial 20 year mining operation, starting with an output of 250,000 tonnes per annum of titanium pigment concentrate and over 50,000 tonnes of magnetite and phosphorus. The 20 year mine life requires only 32 Mt to be extracted from the Resource of 68.7 Mt.

Cove plans to supply pigment feedstock to European plants.

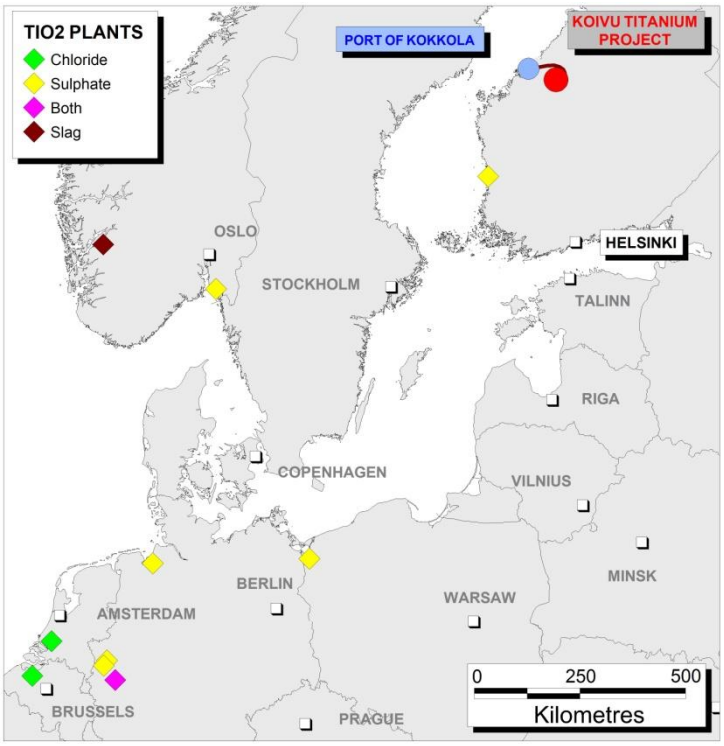

Figure 1: Location of the Koivu Titanium Project relative to the port of Kokkola and TiO_2 plants in the region.

Mineralisation and Resources

The Koivu Titanium Project is located in Western Finland in a geological domain termed the central Finland granitoid complex. The area contains a number of Paleoproterozoic layered gabbro intrusions (dated at approximately 1.9 billion years old) some of which host the KIP ilmenite-magnetite mineralisation. These are collectively termed the Kalvia Intrusions.

Five mineralised intrusions are currently delineated. Their size varies from 0.5 to 1 kilometre in width and 1 to 3 kilometres in length. Ilmenite and Magnetite occurs in both massive and disseminated layers within these sills. Post-emplacement displacement has occurred along discrete faults some of which have also been the controlling structures for dyke intrusions.

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Koivu

The Koivu deposit trends northeast and forms a 2000 metre long by 30 to 110 metres wide zone. The bulk of mineralisation is hosted in the centre of the mineralised interval. This zone is up to 30 metres thick and grades from 6% to 24% TiO_2 and 2% to 25% Magnetite. Lower grade material containing between 4% to 6% TiO_2 flanks the higher grade core.

Kaire

The Kaire deposit is approximately 400 metres long and up to 50 metres wide. The disposition of mineralisation is similar to Koivu, with a central higher grade core with between 10% to 22% TiO_2 and 10 to 20% Magnetite. The overall trend of the deposit is northeast. A JORC estimate for both Koivu and Kaire was conducted in 2006 by Micon Co. International Limited (See Table 1, appended to this announcement).

In 2001, a 17,000 tonne trial mine sample was subject to a successful full scale test run by VTT Mineral Processing at Outukumpu in Finland to produce an ilmenite concentrate. This concentrate was then successfully processed to produce 1600 tonnes of titanium pigment concentrate product.

Also, the project hosts magnetite and phosphorus as bi-products, and Cove is of the view that they have the potential to complement the project's mining economics.

Other agreements and negotiations complimentary to the Acquisition

Kokkola Port Authority: Cove Resources has held preliminary discussions with Kokkola Port Authorities and are working toward a contract to transport concentrate to Pori and into Europe.

Offtake : Cove Resources has held discussions with potential off-take parties and agents with a view to formalising a Letter of Intent regarding a potential off-take agreement.

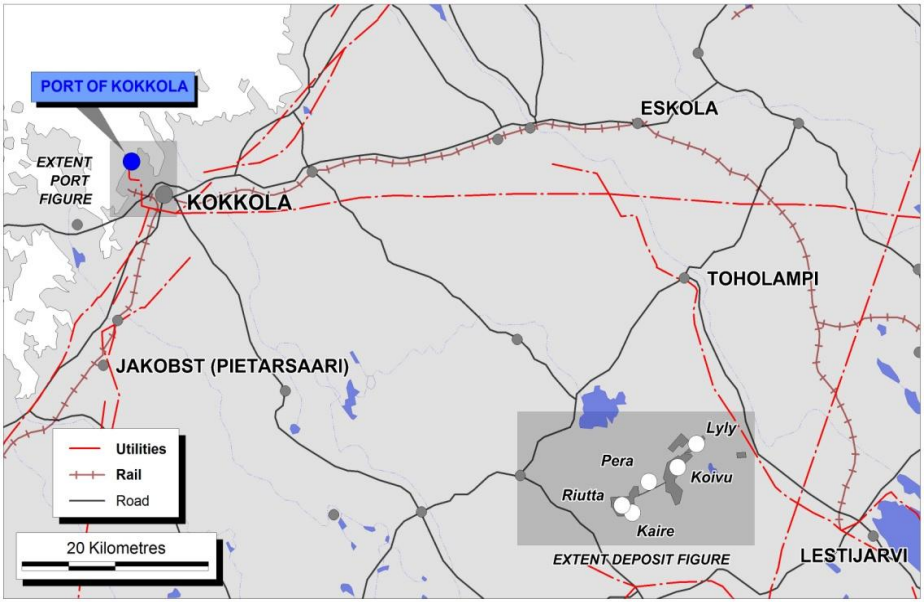

Figure 2: Location of Koivu Project relative to Kokkola. The Deposits are located within 5km of hard-top all weather roads into Kokkola Port.

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Location, Climate and Infrastructure

Finland is an advanced European Union country with many large scale industries and a vibrant mining environment. Finland was the only county to not be downgraded during the recent period of economic instability. Government framework, workforce and infrastructure are conducive to an efficient and cost effective mining and processing operation.

The Koivu project is located in the west Finland administrative district. The main industries (outside of mining) in the region are local government, peat and forestry. The project area is located within five kilometres of the national highway grid, which is an all weather connection to the port of Kokkola (Figure 2).

Temperatures very between 14 to 20° Celsius in summer and -2 to -11° Celsius in winter, and can drop to lows of -30° Celsius. Rainfall varies between 470 to 550 millimetres per annum and snow cover averages 55 centimetres in winter.

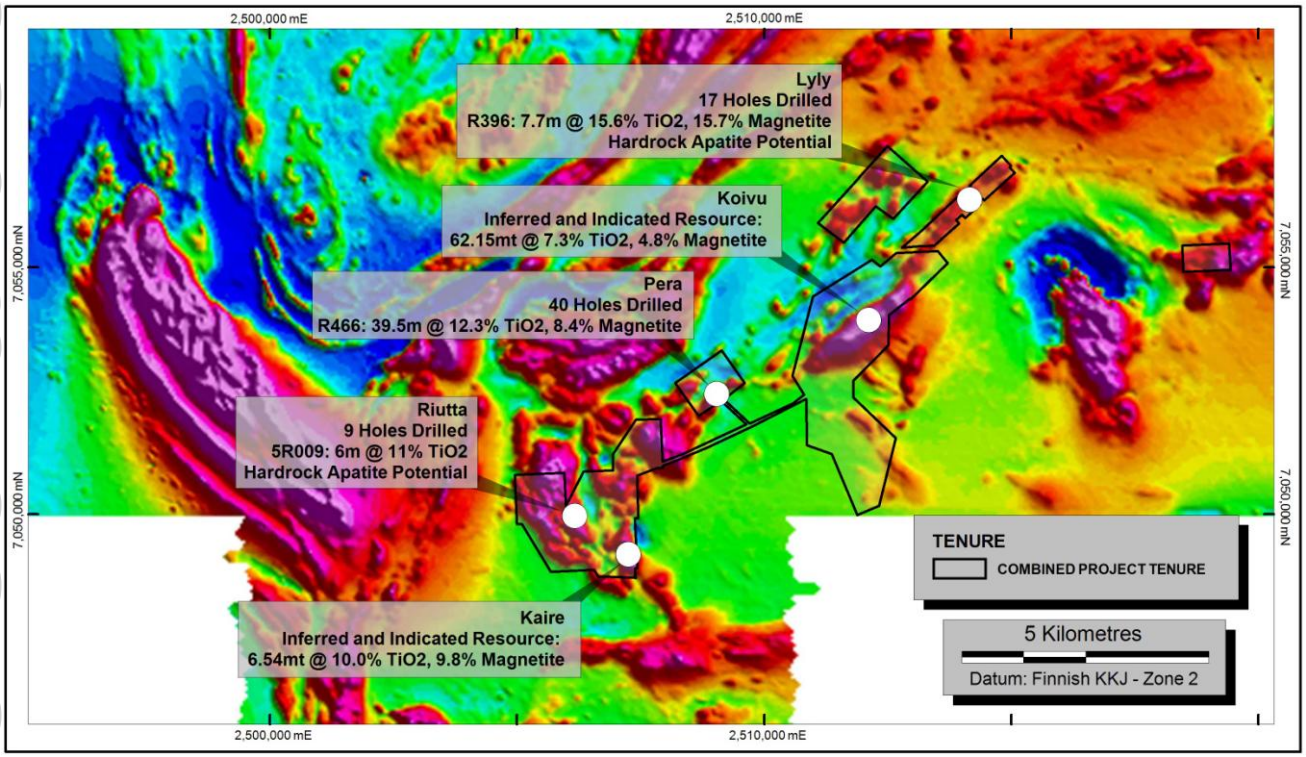

Figure 3: The Koivu Titanium Project Deposits on aeromagnetic imagery

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Cove Resources Limited Company Background

Cove Resources listed on the ASX on 27 January 2011 to explore and evaluate gold development opportunities at the Goongarrie, Sunrise Dam, Carosue and Spargoville Projects in the Eastern goldfields of Western Australia and to evaluate complementary merger and acquisition opportunities

In October 2011, the company signed an agreement to acquire Blenheim Resources Limited including the Quartz Circle, Mud Crab and Gidgee Projects to add to the existing portfolio. The agreement brings Garry Hemming and Grant Freeman as strategic additions to the Board and Management.

In July 2012 the company has embarked on the process of acquiring the Koivu Titanium Project in Finland. This acquisition gives Cove a solid path to production.

ENDS

For further details please contact

Mr Garry Hemming
Managing Director
Cove Resources Limited

Grant Freeman
Director
Cove Resources Limited

www.coveresources.com.au

Competent Person Statement

Information in this release that relates to exploration results and geological interpretation has been compiled by Mr Mark Whittle MSc(Geol), MAusIMM, (CVE Exploration Manager) and Mr Garry Hemming, BAppScAppGeol, MAusIMM, (CVE Managing Director). Both Mr Whittle and Mr Hemming are Members of the Australian Institute of Mining and Metallurgy and have sufficient experience with the style of mineralisation and types of deposits under consideration, and to the activities undertaken, to qualify as competent persons as defined in the 2004 Edition of the "Australian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves" (The JORC Code). Both Mr Whittle and Mr Hemming consent to the inclusion in this report of the contained technical information in the form and context in which it appears.

The information in this release that relates to resource estimates has been compiled by Mr Stanley Bartlett, Managing Director of Micon International Co. Limited ("Micon"). Micon conducted this work for Kalvinit Oy. Mr Bartlett, Micon and Kalvinit Oy all have given their consent to the inclusion in this report of the contained technical information in the form and context in which it appears.

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Table 1: Koivu Titanium Project JORC Resource Tabulation (as of 1 January 2006)

KOIVU TITANIUM PROJECT - RESOURCES BY JORC CATEGORY						
JORC Category	Deposit	Tonnage (Mt)	TiO_2 (%)	Magnetite (%)	Metal Content (kt)	
					TiO_2	Magnetite
Indicated	Koivu	32.16	7.8	5	2,494	1,617
	Kaire	6.44	10	9.8	645	630
	Sub Total	**38.6**	**8.1**	**5.8**	**3,139**	**2,247**
Inferred	Koivu	29.99	6.7	4.5	1,998	1,358
	Kaire	0.1	7.3	7.3	8	8
	Sub Total	**30.09**	**6.7**	**4.5**	**2,005**	**1,366**
Total		**68.69**	**7.5**	**5.2**	**5,144**	**3,613**

KOIVU TITANIUM PROJECT - RESOURCES BY DEPOSIT						
Deposit	JORC Category	Tonnage (Mt)	TiO_2 (%)	Magnetite (%)	Metal Content (kt)	
					TiO_2	Magnetite
Koivu	Indicated	32.16	7.8	5.0	2,494	1,617
	Inferred	29.99	6.7	4.5	1,998	1,358
	Sub Total	**62.15**	**7.3**	**4.8**	**4,492**	**2,975**
Kaire	Indicated	6.44	10.0	9.8	645	630
	Inferred	0.10	7.3	7.3	8	8
	Sub Total	**6.54**	**10.0**	**9.8**	**653**	**638**
Total		**68.69**	**7.5**	**5.2**	**5,145**	**3,613**

Notes to accompany the tabulations
1. Mt and kt mean million metric tonnes and thousand metric tonnes respectively. Some rounding issues may be apparent with the metal content totals
2. The mineral resources were estimated above a 4% TiO_2 cut-off grade.
3. Data is stored in an Access database with results cross checked from original certificates and hard copies.
4. Geological Interpretation was based on the drill hole database and geological maps.
5. Inverse distance squared method was used to interpolate grades.
6. Bulk density was calculated using a correlation equation derived from SG determinations and the Fe_2O_3% and TiO_2% content.
7. Indicated mineral resources are defined as those resources calculated using 3 to 6 composites from at least 2 drill holes within a 75 metre search radius of the block centre. Inferred mineral resources are defined as those resources that satisfy the search criteria beyond the 75 metre search radius but within a 300 metre radius.
9. The mineral resource has been calculated following the guidelines of the JORC Code. Data was supplied by Kalvinit Oy and verified by Micon International Co. Limited. The competent person responsible for the mineral resource estimate is Mr. Stanley C Bartlett, PGeo., Senior Economic Geologist and Managing Director of Micon International Co. Limited, Norwich, UK.
10. This estimate was conducted in 2005 and it is reported here with the permission of Kalvinit Oy, Micon International Co. Limited and its Managing Director, Mr. Stanley Bartlett.