

**DUE DILIGENCE ON NELLY VANADIUM MINE TO BE EXPEDITED****HIGHLIGHTS**

- The Board has decided to expedite due diligence on Nelly Vanadium Mine (NVM) in Argentina, given:
  - Comparably solid financial case for re-opening the mine;
  - Straight forward regulatory process to reactivate a legacy mining licence; and
  - Potential to monetise legacy stockpiles as a direct shipping ore (DSO) vanadium product<sup>1</sup>
- Two local geology firms have been appointed in Australia and Argentina to jointly facilitate the due diligence review, while a global mining & engineering consultancy is set to conduct the site visit then thorough assessment
- Early due diligence highlights legacy stockpiles around NVM's historic mineralised workings and significant exploration upside on unexplored areas<sup>1</sup>
- A key priority will be to bulk sample these historic stockpiles to verify if they can be sold to third parties to secure early cash flow
- In completing due diligence, the geology team will confirm the veracity of legacy information, with a particular focus on historic mineralised working areas given they are highly prospective
- Post-due diligence tasks will be tailored towards proving up a resource to the JORC (2012) code, securing potential off-take partners for legacy stockpiles and re-opening the mine

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**Hardey Resources Executive Chairman, Terence Clee commented:** *"Since announcing the proposed acquisition of Nelly Vanadium Mine, the Board has moved quickly to line up a highly capable due diligence team. Notably, the discovery of legacy stockpiles, which could be monetised as a direct shipping ore product, is very encouraging. With the favourable outlook for vanadium demand globally and relative simplicity to reactivate a mining licence in Argentina, the Board has decided to expedite due diligence."*

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**Hardey Resources Limited's (ASX: HDY) ("HDY" or "the Company")** Board has decided to expedite the due diligence process for Nelly Vanadium Mine (NVM), particularly due to several favourable dynamics concurrently in play.

## PRE-ACQUISITION DUE DILIGENCE

### Monetising legacy stockpiles

Clearly, with demand for vanadium set to grow over the next few years, underpinning the prevailing high price, the financial case to re-open NVM is compelling. Further, with a relatively straight forward process to reactivate a legacy mining licence in Argentina and potential to monetise legacy stockpiles (Figure 1), the Board has decided to expedite due diligence.

So far, early due diligence clearly highlights substantial legacy stockpiles around NVM's historic mineralised workings. A clear priority will be to bulk sample these stockpiles to determine if they are viable as a potential DSO product to generate early cashflow from the project. Moreover, significant exploration upside is apparent from the unexplored areas in and around the historic workings, reflecting the views from earlier geological studies.<sup>1</sup>

**FIGURE 1: NVM – LEGACY STOCKPILES AROUND OPEN PIT & PROCESSING PLANT**



Source: HDY geology team

## Due diligence team

Already, geology teams in Australia and Argentina have been appointed to work collaboratively on preparing the due diligence. Incrementally, an international mining and engineering consultancy will be appointed to conduct an inaugural site visit, then write up a thorough assessment.

As part of the familiarisation process, the geology teams have reviewed several pictures from NVM, which provide some clear first-hand insights that will aid formulating the inaugural site visit. This includes open pit sections, shafts and underground workings (Figure 2A & 2B).

### FIGURE 2A: NVM – SHAFT AND OPEN PIT



Note: Significant vein outcrop mineralisation  
Source: HDY geology team

**FIGURE 2B: NVM – SHAFT AND OPEN PIT**



Source: HDY geology team

### Next steps

As part of the preliminary due diligence, the team will commence reviewing legacy information to garner a greater understanding of NVM's underlying geology. Notably, a key focus is historic metallurgy and mining processes, which are believed to have comprised a significant manual component. Implicitly, this means inefficient processing and a relatively high wastage component, signifying the stockpiles may be highly mineralised.

For and on behalf of the Board

A handwritten signature in black ink, appearing to read 'Terence Clee'.

Terence Clee  
Executive Chairman

### References

- 1) HDY ASX Release 3 July 2018