

## REGULATORY AND OPERATIONAL COMPARATIVE ADVANTAGES FROM RE-OPENING NELLY VANADIUM MINE

### HIGHLIGHTS

- The most critical regulatory comparative advantages with Nelly Vanadium Mine (NVM) is the ability to fast-track re-opening the mine under Argentina's mining laws
- This delivers the ability to expedite monetising legacy stockpiles<sup>1</sup> as a direct shipping ore vanadium product then, if a JORC compliant resource is modelled, re-commence mining operations
- Typically, the time to build a prospective vanadium area into a mining operation in many other mining jurisdictions can take up to 5+ years – acquiring NVM, which is a unique opportunity, delivers a significant head start
- The geology team are scheduling meetings with the directors of San Luis' mining and environmental departments to expedite reactivating the mining licence
- With a high-grade prospective ore grade<sup>1</sup> historically averaging 0.82% V<sub>2</sub>O<sub>5</sub>, the Board believes NVM can potentially be a primary low-cost vanadium producer
  - Over the longer-term, the Board's goal is to replicate the low-cost production structure Largo Resources' (TSX: LGO) Maracás Menchen Mine<sup>2</sup> (Brazil) achieves
- With global demand for vanadium expected to grow strongly over the next few years, especially from the crucial China market, being able to expedite creating a new supply chain should be well received by prospective off-take partners
- Further, with the vanadium price reaching a 10-year high, the Board is reviewing additional vanadium projects that complement NVM

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**Hardey Resources Executive Chairman, Terence Clee commented:** *"One of the attractive and unique features with Nelly Vanadium Mine is the potential to fast track the commencement of mining operations and cash flow. This is a material comparative advantage over building up a resource from inception, which can take many years. The Board is increasingly optimistic about the forward prospects for vanadium and is not averse to building a global footprint to meet growing demand, especially from China."*

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Hardey Resources Limited's (ASX: HDY) ("HDY" or "the Company") Board is pleased to provide shareholders with a further update on Nelly Vanadium Mine (NVM) focusing in on the regulatory and operational comparative advantages.

## COMPARATIVE ADVANTAGES

The Board's strategy is to create value for shareholders and select projects, opportunistically if appropriate, that deliver this outcome. Entering into the NVM transaction, at a time when disruptive forces (i.e. Vanadium Redox Batteries gaining traction) are propelling the price of vanadium higher (Figure 1) and end users are seeking new supply chains, meets this core criteria.

FIGURE 1: VANADIUM PENTOXIDE PRICE CHART



Source: Bloomberg

NVM is a unique proposition, as it delivers considerable comparative advantages, with the most significant falling within regulatory and operational, summarised below:

### Regulatory

Typically, establishing a mining platform from a prospective area in most jurisdictions takes up to five years, numerous studies and material capex. However, under Argentina's current laws, the process to reactivate a mining licence is relatively straight forward and fast.

HDY's geology team are scheduling meetings with the directors of San Luis' mining and environmental departments, so they can meet key decision makers and fast-track reactivating the mining license.

Clearly, the ability to rapidly reactivate the mining license will facilitate the potential to monetise the legacy stockpiles<sup>3</sup> (and generate early cashflow), coupled with bringing production back online. While the Board is cautiously optimistic, these plans will be progressed in a timely manner and within current budgets.

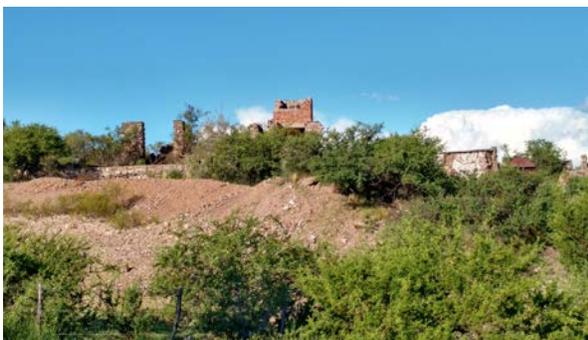
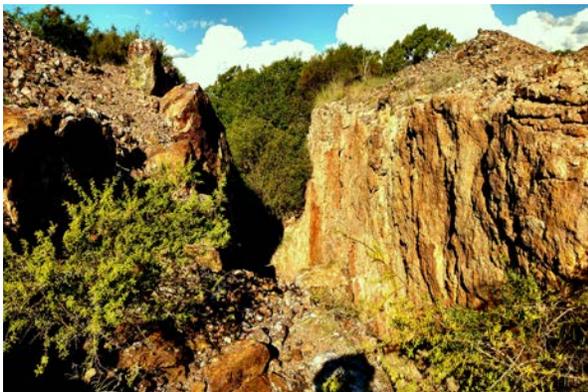
### Operational

With a potential high-grade ore body (historically averaging 0.82% V<sub>2</sub>O<sub>5</sub>)<sup>1</sup>, NVM can potentially be a primary low-cost vanadium producer, based on the costs associated with Argentina's mining services sector. In fact, over the longer-term, the Board is aiming to replicate the low production costs LGO's Maracás Menchen Mine<sup>2</sup> in Brazil has achieved, which are the second lowest globally.

While NVM's re-opening is still at a nascent phase, there are clear comparative advantages to potentially being a low-cost operator, particularly with the opportunity to expediate the estimation and reporting of a JORC (2012) code mineral resource.

Currently, with the global demand-supply imbalance potentially in deficit looking forward, being in a position to fast-track developing a new, low-cost, vanadium supply chain is arguably attractive to prospective off-take partners. In turn, securing early-stage off-take partners will aid securing project finance to accelerate mining operations recommencing.

### PHOTO GALLERY: HISTORIC WORKINGS AND PROCESSING FACILITY



Source: HDY geology team

### Next steps

Meeting with San Luis regulators and progressing due diligence.

For and on behalf of the Board



Terence Clee  
Executive Chairman

### References

- 1) HDY ASX Release 3 July 2018
- 2) LGO TSX Release 10 July 2018

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