



## ASX ANNOUNCEMENT

7 March 2019

ASX Market Announcements  
ASX Limited  
20 Bridge Street  
Sydney NSW 2000

### Acquisition of World Class Adidi-Kanga Project and High Calibre Team Appointed to Deliver DFS

Vector Resources Limited (“**Vector**” or the “**Company**”) is pleased to confirm that it has now provided the first tranche of the financial settlement required under the Share Sale & Purchase Agreement (“**Sale Agreement**”) entered into with Mongbwalu Goldfields Investment Limited (“**MGI**”) to purchase a 60% interest in the Adidi-Kanga Gold Project (the “**Project**” or “**Adidi-Kanga**”). Vector also confirms the appointment of a high calibre team to deliver the Definitive Feasibility Study (“**DFS**”) for the Project.

Key highlights include:

- **Adidi-Kanga Acquisition**
  - Vector has acquired a 60% interest in the world class Adidi-Kanga Gold Project located in the Democratic Republic of Congo (“**DRC**”) including concession PE5105 – previously owned by AngloGold Ashanti;
  - JORC (2012) Mineral Resource Estimate of 15.0Mt @ 6.6g/t Au for 3.2Moz of contained gold (ASX Announcement 5 February 2018) with extensive near exploration upside;
  - Strong existing relationships / partnerships with government and state-owned corporations, particularly Société Minière de Kilo Moto - SOKIMO;
  - AngloGold Ashanti between 2005 and 2013 spent over US\$520m on exploration and development activities on the Adidi-Kanga Gold Project, including 173,276m of diamond and RC drilling, completion of a Feasibility Study and the commencement of initial mine construction activities;
  - 70% of mechanical equipment already purchased and delivered to site by AngloGold Ashanti; and
  - Seeking to complete DFS and Decision to Mine for Stage 1 underground 1.0 Mtpa by Q4 2019.
- **High Calibre Team Appointed to Deliver DFS (refer to Adidi-Kanga Project Team – Appointments Overview in Appendix 1 for more information)**

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- Confirmation of strong board and high calibre team appointed to deliver Adidi-Kanga DFS:
  - Project team with extensive gold and sub-Saharan experience being deployed to site;
  - Depth, quality and immediate availability of team is a testament to the scale and underlying quality of the Project;
  - Key appointments include:
    - Globally Experienced Project Director – Chris O’Brien (former Principal Advisor - Mining and Studies – Newmont Mining) - appointed to lead the DFS;
    - Technical Leads appointed with extensive experience in mining, geology, metallurgy and engineering, including in-depth African gold knowledge; and
    - DRC experienced Project Controls and Commercial Managers have also been appointed to support the global, multi-currency, project development;
  - Vector plans to transition project team into construction, commissioning and operating of the Adidi-Kanga Gold Project upon completion of DFS; and
  - DFS commenced this month with active project development program also underway including detailed evaluations of the historical drilling database, mine design and layout planning and follow-up geological studies.
- **Adidi-Kanga Acquisition Financial Settlement (refer to Financial Closure Background in Appendix 2 for more information)**
  - First tranche of compensation to Mongbwalu Goldfields Investment Limited (MGI) settled via the payment of US\$5m in cash and issuing of shares as required in the Sale Agreement (further detail contained in Appendix 1). Cash settlement achieved through a short-term convertible debt facility with MEF I, L.P. and Riverfort Global Opportunities PCC Ltd (US\$4.75m facility has been fully drawn);
  - MEF I/Riverfort convertible debt facility includes a 90-day standstill preventing any conversions during the standstill period; and
  - Multiple long-term funding options are continuing to be evaluated by the Company to enable repayment of the MEF I/Riverfort convertible debt facility during the 90-day standstill period.
- **Share Placement Completed**
  - A\$2.6m capital raising completed via the issue of 146.6m shares at A\$0.018 per share – proceeds to be used for working capital and to commence DFS at Adidi-Kanga. The placement has been completed using the LR 7.1A additional 10% placement capacity.
- Overall funding underpins commencement of active exploration and development program – DFS already underway.

**Commenting on the financial closure of the Adidi-Kanga acquisition and the Project Team appointments, Vector's CEO Simon Youds said:**

"The financial settlement of the Adidi-Kanga acquisition as allows us to really shift our focus to ramping up our on-ground project development and exploration activities this quarter.

The assembly of our Project Team is another great step forward for Vector as we continue to push ahead with our DFS and project development work programs at Adidi-Kanga.

The fact that Vector was able to attract such an experienced and highly sought-after group of professionals to lead the next phase of development at Adidi-Kanga, speaks volumes to the underlying quality, size and potential upside of the asset.

Importantly, the Project Team's extensive depth across all the key technical and administration functions is in line with that expected by major gold miners globally, so these appointments will no doubt hold us in very good stead for the construction, commissioning and operational start-up of Adidi-Kanga in due course.

The team is now eager to focus on completion of the DFS and on undertaking further exploration across the Adidi-Kanga Gold Project area to fully realise the potential that we believe exists.

The securing of the \$US4.75 million loan facility and equity placement provides the Company with the immediate funding flexibility to commence re-development of this incredibly exciting gold mine.

Importantly, we have secured a 90-day standstill on all conversions under the loan facility, and a number of options aimed at supporting our longer-term funding requirements are currently under assessment by Vector. I look forward to providing further updates on our funding strategy and project development activities in the near-term."

**-ENDS-**

**For further information:**

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**About Vector Resources Limited**

Vector Resources Limited (ASX:VEC) is an Australian Securities Exchange listed gold exploration and development company focused on the exploration and development of gold assets in the DRC.

**Forward looking statements**

Information included in this release constitutes forward-looking statements. Often, but not always, forward looking statements can generally be identified by the use of forward looking words such as "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "continue", and "guidance", or other similar words and

may include, without limitation, statements regarding plans, strategies and objectives of management, anticipated production or construction commencement dates and expected costs or production outputs.

Forward looking statements inherently involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance and achievements to differ materially from any future results, performance or achievements. Relevant factors may include, but are not limited to, changes in commodity prices, foreign exchange fluctuations and general economic conditions, increased costs and demand for production inputs, the speculative nature of exploration and project development, including the risks of obtaining necessary licenses and permits and diminishing quantities or grades of reserves, political and social risks, changes to the regulatory framework within which the company operates or may in the future operate, environmental conditions including extreme weather conditions, recruitment and retention of personnel, industrial relations issues and litigation.

Forward looking statements are based on the Company and its management's good faith assumptions relating to the financial, market, regulatory and other relevant environments that will exist and affect the Company's business and operations in the future. The Company does not give any assurance that the assumptions on which forward looking statements are based will prove to be correct, or that the Company's business or operations will not be affected in any material manner by these or other factors not foreseen or foreseeable by the Company or management or beyond the Company's control.

Although the Company attempts and has attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in forward looking statements, there may be other factors that could cause actual results, performance, achievements or events not to be as anticipated, estimated or intended, and many events are beyond the reasonable control of the Company. Accordingly, readers are cautioned not to place undue reliance on forward looking statements. Forward looking statements in these materials speak only at the date of issue. Subject to any continuing obligations under applicable law or any relevant stock exchange listing rules, in providing this information the company does not undertake any obligation to publicly update or revise any of the forward-looking statements or to advise of any change in events, conditions or circumstances on which any such statement is based.

#### **Competent Person**

Information included in this release relating to the JORC (2012) Mineral Resource Estimate for the Adidi-Kanga Gold Project in the Democratic Republic of Congo is extracted from the Company's ASX Release of 5 February 2018. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

## Appendix 1

### Adidi-Kanga Project Team – Appointments Overview

The project team is led by global experienced Project Director, Mr. Chris O'Brien. Mr. O'Brien is a Geologist and Mining Engineer with over 25 years' experience in the mining sector. Relevantly, for a 6-year period he managed and reviewed key growth studies and projects for Newmont Mining Corporation, one of the world's largest gold mining companies. During this time, Mr. O'Brien gained exposure to African, North American and South American gold mining, studies and construction. Mr. O'Brien has had experience in contractor, consultant and owner's teams and has performed studies and built projects utilising various delivery models. More recently, Mr. O'Brien held a senior role as Project Director for TSX listed Novo Resources Corp. Mr. O'Brien has a Western Australian First Class Mine Managers Certificate of Competency, is a Member of The AusIMM and a Graduate of the Australian Institute of Company Directors as well as holding an MBA.

In addition, the respective technical leads have a broad range of gold and sub-Saharan expertise. The Engineering Project Manager, Mr. Mark Osan has over 30 years' experience in mining and processing and has worked at operations across Australia, PNG, Africa, Indonesia and New Zealand. Mr. Osan is a Mechanical Engineer with post graduate qualifications in Engineering and Management he has a strong background in Project, Asset and Operational Management. His experience includes supporting the implementation of major green-field projects as well as executing extensive sustaining capital works. In addition, he has managed asset maintenance at operations that include KCGM, Lihir Gold and Central Norseman Gold. Mr. Osan has enabled project development for Newmont Mining, Barrick Gold and WMC Resources, notably including direct, in-country, experience at Bulyanhulu and Tulawaka Gold mines for Barrick in Tanzania. Mr. Osan is also a Member of the Institution of Engineers Australia.

Mr. John Pizimolas, the Process Lead is a Metallurgical Engineer with 20 years' international experience in the resources industry. Mr. Pizimolas is a recognised global specialist in Metallurgical Testwork with Tier 1 public listed Testing, Inspection and Certification companies. Relevantly, Mr. Pizimolas has held senior roles within the Minerals business for Swiss listed SGS S.A where he worked closely with global mining organisations and engineering groups to enable development of their mineral projects, including gold and Africa. More recently Mr. Pizimolas was seconded within SGS S.A. to provide technical project and laboratory operations management leadership for process development test work and analyses to TSX listed Novo Resources Corp. Mr. Pizimolas is a Member of The AusIMM and also holds a Certificate IV in Leadership and Management.

The Mining Lead is Mr. Nick Hunt-Davies, a Mining Engineer with over 35 years' experience in mining, including extensive management of operations in sub-Saharan Africa. Mr. Hunt-Davies has led and developed gold mining operations and projects, for both underground and surface mines in Nigeria, Zambia, Ghana, Burkina Faso, Côte D'Ivoire, and several other countries. Mr. Hunt-Davies is Director of a mining consulting company providing technical, contract management, risk management, strategy, project development and operational support to a range of clients. He is a Fellow of The AusIMM and IMMM, a Registered Chartered Engineer, holds a South African Mine Managers Certificate and a Western Australian First Class Mine Managers Certificate of Competency and holds an MBA.

The Manager Resource Geology is Mr. Dale Richards, a Geologist with post graduate qualifications in Mining Engineering. Mr. Richards has over 20 years' experience in the mining industry, and has operated throughout sub-Saharan Africa. Since 2012, he has worked primarily in the North Eastern DRC, undertaking consulting and technical due diligence on a range of copper, cobalt and gold projects for international mining investment corporations, including, ENRC, Banro, and DRC state held exploration and development organisations. Mr. Richards has worked in operational and project development roles, and has extensive experience in technical services management and mineral resource estimation. Mr. Richards has worked extensively in

gold, is affiliated to SACNASP and is qualified as a Competent Person in respect of technical document submissions to international stock exchanges.

Project Controls function is being led by Mr. Kyle Kemp who is a key member of Professional Cost Consultants, an internationally respected quantity surveying, cost management and project services company. Mr. Kemp has over 20 years' experience in the African Mining Sector, with extensive experience of sub-Saharan gold project development and control. Mr. Kemp holds considerable experience in Project Cost Estimation and Construction managing within Africa having provided various project support duties to Randgold Resources Kibali gold project in the DRC. Mr. Kemp holds a National Diploma in Building and is a member of the South African Council for the Quantity Surveying Profession.

As Commercial Manager Nick Male has over 30 years of experience in the commercial management of engineering resources, major infrastructure and IT projects. Mr. Male has operated internationally in resources and infrastructure projects providing Commercial, Contractual and Procurement advice and services to a select group of clients including blue chip mining, oil and gas, EPC contractors as well as legal and financial advisers. More recently, Mr. Male is the founding director of an international consultancy Bedivere Group providing business management, contract drafting and negotiation, commercial and procurement management, strategic direction and growth support services. Clients include Rio Tinto, Newmont Mining, SNC Lavalin and Engenium together with a number of major contractors and a diverse array of SMEs. He is educated in law, quantity surveying and engineering.

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## Appendix 2

### Adidi-Kanga Acquisition – Financial Closure Background

On 11 January 2019, the Company announced to the ASX that it had completed the acquisition of its 60% interest in Adidi-Kanga. Under the Sale Agreement the Company was required to pay the Tranche 1 consideration of US\$5m in cash and US\$5m in Vector shares (at A\$0.022 per share). The Company had intended, based on the executed loan facility agreement it had entered into with FT General Trading LLC ("**FT General**" - a Dubai based entity), to pay this first cash portion through the drawdown of the first US\$5m of funding from FT General and to commence the DFS activities based on a second draw down of US\$5m from FT General.

FT General did not provide the funding per the drawdown requests made by the Company in the required timeframe. While the Company has continued to work with FT General in order to obtain the funding per the drawdown requests, the Company also sought to establish alternative funding in order to meet financial settlement.

This alternative funding was secured through a US\$4.75m facility ("**MEF/Riverfort Facility**") with MEF I, L.P and Riverfort Global Opportunities PCC Ltd (together the "**Investors**") and has now been received. An additional US\$0.25m was also obtained by the Company under the same terms via an unrelated shareholder of the Company, Temorex Pty Ltd.

The Company is disappointed that FT General did not satisfy the draw down requests made under the FT General loan facility agreement. The Company is in the process of assessing its position in relation to the FT General loan facility agreement and will provide further information to the market as it becomes available.

The MEF/Riverfort Facility provided by the Investors (to fund US\$4.75m) is a convertible note facility, which the Company will seek to have shareholders approve at a further general meeting of shareholders that must be held within 60 days of 24 February 2019. The convertible note has a 90-day standstill preventing the Investors from converting during this standstill period.

At the time of executing the convertible note facility, the Company had 407,973 shares remaining under its 15% placement capacity and thus the convertible note currently provides for the Investors to convert a maximum of 407,973 conversion shares, until the Company seeks shareholder approval for the facility which must be done within the next 60 days.

Provided shareholder approval is obtained, the Company will re-issue the convertible notes based on the approval sought from shareholders and a new maximum number of shares that can be converted will apply based on the shareholder approval that will be sought. If shareholder approval is not obtained the Company will be required to repay outstanding amounts within 5 business days.

The key terms of the MEF/Riverfort Facility are as follows:

- i. Term – 12 months from issue date;
- ii. Face Value – US\$1.20;
- iii. Interest – nil interest;
- iv. Early Repayment Penalty – 5% if repaid within 180 days of issue date and 10% if repaid after 180 days of issue date;
- v. Commitment fee equal to 44,700,000 shares in Vector (at a deemed price of A\$0.018);

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- vi. Conversion Standstill – **90-day standstill**, during which neither of the Investors can make any conversions;
  - vii. Conversion Pricing – A\$0.018 per share or a 10% discount to the lowest volume weighted average price (VWAP) in the five days prior to conversion;
  - viii. Security – General Security Deed entered by Vector Resources Limited in favour of the Investors; and
  - ix. Shareholder Approval – the Company to seek shareholder approval for the convertible notes within 60 days of 24 February 2019.

The Company has entered the MEF/Riverfort Facility with the Investors to ensure that financial settlement occurs under the Sale Agreement and will now work with new funders to secure further funding (debt and/or equity) to repay this MEF/Riverfort Facility and provide further working capital to complete the Definitive Feasibility Study at Adidi-Kanga.

Vector has already received strong interest for both debt and equity solutions and the Company will actively pursue these opportunities to replace the MEF/Riverfort Facility and provide the further funding required for the activities at Adidi-Kanga.

The Company has been working with the vendor, MGI, to receive an extension of the time required to make the financial settlement and the Vendor has delivered the required extensions to allow the acquisition to financially settle. This has shown their continued support for the relationship and desire to develop the Project with Vector.

In addition to the US\$5m of cash that has been paid, the Company has also arranged for the issue or transfer of a total of 315,656,566 ordinary shares in the Company to MGI. The total number of MGI Consideration Shares to be issued was determined by the following formula:

$$\text{MGI Consideration Shares} = (5,000,000 / 0.72) / 0.022 = 315,656,566$$

*Where 0.72 is the agreed AUD/US exchange rate and 0.022 is the agreed share issue price*

The Company was only able to issue 210,000,000 of the aforementioned 315,656,566 shares under its remaining 15% placement capacity. As a result, the Company has worked with its senior management and a number of key shareholders to transfer the remaining 105,656,566 shares to MGI until the Company received shareholder approval to issue the shares at its General Meeting that was held on 28 February 2019.

The Company has now received shareholder approval (on 28 February 2019) to issue MGI the remaining shares owed under the Sale Agreement. Accordingly, MGI is now transferring the 105,656,566 shares that senior management/shareholders transferred to MGI back to each party, which will allow the Company to issue the new 105,656,566 shares as approved by shareholders to MGI.

For clarity, after the transfers and issues noted above, MGI will only hold the 315,656,566 shares that was due to be issued under the Sale Agreement.

### **Additional A\$2.6m Secured**

To ensure the activities at Adidi-Kanga are not delayed, the Company has (using its additional 10% placement capacity under LR 7.1A) received firm commitments to place 146,555,556 shares to sophisticated investors at a price of A\$0.018 per share. The price represents a 23.5% discount to the 15-day VWAP of the Company. Allotment and issue of these shares is expected to occur within the next 24 hours.

With financial settlement now finalised, the Company and MGI have already commenced the DFS activities at the Adidi-Kanga Project. In this regard the Company has commenced discussions with a number of key financial partners to provide the additional capital required by Vector and will keep the market informed as these discussions continue.

### **Adidi-Kanga Gold Project Overview**

The Adidi-Kanga Gold Mine, has a JORC (2012) Mineral Resource Estimate of 15.0Mt @ 6.6g/t Au for 3.2Moz of contained gold, which includes 46% in Indicated Category for 6.9MT @6.74g/t Au for 1.5Moz and 8.1Mt @ 6.6g/t Au for 1.7Moz in the Inferred Category (**ASX Announcement 5 February 2018**).

Previous work completed by AngloGold Ashanti, who between 2005 and 2013 spent over US\$520m on exploration and development activities, includes 173,276m of diamond and RC drilling, completion of a Feasibility Study and the commencement of initial mine construction activities with the purchase and delivery to site of 70% of the mechanical equipment proposed to be installed under the Feasibility Study.

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