

18 July 2018

Final agreements signed for acquisition of SPD Vanadium Project

Completion of this documentation paves way for shareholder approval next month

Tando Resources (ASX:TNO) is pleased to announce that it has taken a key step towards completing its Acquisition of a 73.95% stake in the SPD Vanadium Project in South Africa, with parties signing the final transaction agreements.

Tando will shortly issue its Notice of Meeting to secure Shareholder Approval for the Acquisition next month. It is the Company's expectation that the Acquisition will Complete very shortly following Shareholder Approval.

In the meantime, Tando will continue its exploration program at SPD. This work is designed to convert the current "Foreign Resource" into a Mineral Resource as defined by the JORC Code (Appendix 3).

It will also continue investigating the surrounding shallow, high-grade vanadium pipes, where recent results have highlighted the potential to produce Direct Shipping Ore (DSO) vanadium (see ASX release dated July 5, 2018).

Background of Acquisition

On 22 March 2018, the Company announced that it had entered into a binding heads of agreement, pursuant to which it has a conditional right to acquire up to a 73.95% interest in Vanadium Resources (Pty) Ltd, an entity incorporated in South Africa (Registration No:2006/029756/07) (**VanRes**) that holds the rights to the SPD Vanadium Project in consideration for the issue of 30,000,000 shares and 7,000,000 options (exercisable at \$0.50 on or before the date that is 3 years following the date of issue). This amounts to 161,700,023 shares and 32,340,001 options (exercisable at \$0.108 on or before the date that is three years following the date of issue) as a result of the share split approved by shareholders at the general meeting held on 16 May 2018 (**Share Split**).

Formal Agreements

Following South African legal and regulatory advice received during the due diligence process, the Company has finalised the transaction structure as part of preparing the Formal Agreements. The details of the final structure are set out in Appendix 1.

Importantly, there have been no changes to the aggregate number of securities to be issued as consideration for the Acquisition nor to the interest the Company may earn in VanRes as a result of the settled structure.

The breakdown of securities to be issued at each relevant Milestone are set out in the table below:



	Satisfaction of Conditions Precedent	Measured Resource	Scoping Study	Pre-Feasibility Study	Definitive Feasibility Study
Van Res Consideration Shares	22,291,502	21,598,502	16,170,001	-	21,021,002
Steelport Consideration Shares	3,465,001	6,930,000	3,465,001	4,620,003	9,240,004
Consideration Options	-	-	-	32,340,001	20,559,006

Note: Refer Appendix 1 for definition of the terms used in this table

Waiver of ASX Listing Rules

In order for the Company to issue certain securities that are subject to Milestones, the Company sought a waiver from ASX Listing Rule 7.3.2 (**Waiver**). This Waiver has been granted and the terms of the Waiver as set out in Appendix 2.

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Appendix 1: Formal Agreements

The right to complete the Acquisition was originally held by Steelpoortvan Pty Ltd (**SPCo**) and the Company agreed to acquire SPCo in order to acquire its interest in VanRes. As part of this structure, the shareholders in VanRes held shares in SPCo and it was anticipated that the consideration payable to the SPCo shareholders would be in full satisfaction of SPCo's acquisition of VanRes shares.

During subsequent discussions and following receipt of advice, it was agreed that the Company would acquire an interest in VanRes from the VanRes shareholders directly. As a result, the Company has now entered into formal agreements with the shareholders in VanRes to give effect to the Acquisition (**Acquisition Agreements**), including the agreed changes to the structure of the Acquisition.

The Company notes that there has been no changes to the aggregate number of securities to be issued as consideration for the Acquisition.

It has now been agreed with the VanRes shareholders that the consideration for the Acquisition payable to the VanRes shareholders, subject to satisfaction of the relevant milestones, will be:

- (a) 81,081,007 Shares (**VanRes Consideration Shares**);
- (b) 52,899,007 Options with a nil exercise price exercisable on or before the date that is five (5) years following the date of issue (**Consideration Options**); and
- (c) 32,340,001 Options exercisable at \$0.108 on or before the date that is three (3) years following the date of issue (**Transaction Options**).

SPCo's rights to undertake the Acquisition were also assigned to a new company, Steelpoort Pty Ltd (**Steelpoort**), in connection with entry into the Acquisition Agreements. The consideration payable to the Steelpoort shareholders, subject to satisfaction of the relevant milestones, will be:

- (a) subject to the Company obtaining shareholder approval (to the extent required under the ASX Listing Rules), the issue of 27,720,009 shares (**Steelpoort Consideration Shares**); or
- (b) a cash payment to the Steelpoort shareholders equal to the value of Shares to be issued to the Steelpoort shareholders, calculated based on an 80% volume weighted average price of shares prior to the date of issue, should shareholder approval not be obtained to issue the Steelpoort Consideration Shares.

Milestones

The VanRes Consideration Shares, Consideration Options and Steelpoort Consideration Shares will be issued progressively upon satisfaction of the milestones set out below:

- (a) **Milestone 1:** satisfaction of the following outstanding conditions precedent to the Acquisition Agreements within 12 months from the date of the Acquisition Agreements (following which the Company will hold 24.26% of the issued capital in VanRes):
 - (i) the Company completing due diligence in respect of the legal, financial and tax aspects of VanRes;



- (ii) the VanRes Shareholders receiving approval for the Acquisition from the South African Reserve Bank;
 - (iii) the Company's Shareholders approving the issue of the VanRes Consideration Shares, Consideration Options and Transaction Options (which will be satisfied upon Shareholders approving the issue of securities at the general meeting seeking Shareholder approval for the requisite issues of securities (**Meeting**)); and
 - (iv) the Company receiving a waiver of ASX Listing Rule 7.3.2 for the issue of the VanRes Consideration Shares and VanRes Consideration Options being issued outside of the 3-month period following receipt of Shareholder approval for their issue (which has been granted on the terms set out below);
- (b) **Milestone 2:** achievement of a Measured Resource (as defined in the JORC Code (2012 Edition)) of at least 75 million tonnes at least 0.78% V₂O₅ and/or 1.8% V₂O₅ in magnetic concentrate post high and low magnetic separation within 24 months from the date of the Acquisition Agreements (following which the Company will hold 27.79% of the issued capital in VanRes);
- (c) **Milestone 3:** completion of a Scoping Study (as defined in the JORC Code (2012 Edition)) within 36 months from the date of the Acquisition Agreements, which contains a positive conclusion as to VanRes' capacity to develop the project as a commercial enterprise (following which the Company will hold 36.98% of the issued capital in VanRes);
- (d) **Milestone 4:** completion of a Pre-Feasibility Study (as defined in the JORC Code (2012 Edition)) within 48 months from the date of the Acquisition Agreements, which contains a positive conclusion as to VanRes' capacity to develop the project as a commercial enterprise (following which the Company will hold 51.77% of the issued capital in VanRes); and
- (e) **Milestone 5:** completion of a Definitive Feasibility Study (as defined in the JORC Code (2012 Edition)) within 60 months from the date of the Acquisition Agreements, which contains a positive conclusion as to VanRes' capacity to develop the project as a commercial enterprise (following which the Company will hold 73.95% of the issued capital in VanRes),

(each, a **Milestone**).

If for any reason a Milestone is not achieved, the relevant securities in relation to that Milestone will not be issued.

The breakdown of securities to be issued at each relevant Milestone are set out in the table below:



	Satisfaction of Conditions Precedent	Measured Resource	Scoping Study	Pre-Feasibility Study	Definitive Feasibility Study
Van Res Consideration Shares	22,291,502	21,598,502	16,170,001	-	21,021,002
Steelpoort Consideration Shares	3,465,001	6,930,000	3,465,001	4,620,003	9,240,004
Consideration Options	-	-	-	32,340,001	20,559,006

The Company also proposes issuing, subject to shareholder approval, an additional 32,340,000 Transaction Options to Otsana Capital and 27,720,000 Transaction Options to Xcel Capital in consideration for their introduction, and assistance with implementation, of the Acquisition.



Appendix 2: Waiver of ASX Listing Rules

In order for the Company to issue the VanRes Consideration Shares and Consideration Options the subject of Milestones 2 to 5 (**Waiver Securities**) outside of the period of 3 months following the date that shareholders approve their issue, the Company sought a waiver from ASX Listing Rule 7.3.2 (**Waiver**).

The Company has been granted the Waiver, pursuant to which the Company will be permitted to issue, subject to various conditions, the Waiver Securities outside of the 3-month period following receipt of shareholder approval. The Waiver does not apply to the issue of the VanRes Consideration Shares to be issued upon satisfaction of Milestone 1, the Steelport Consideration Shares or the Transaction Options.

ASX's formal decision is as follows:

"DECISION

1. Based solely on the information provided, ASX Limited ("ASX") grants Tando Resources Limited (the "Company") a waiver from listing rule 7.3.2 to the extent necessary to permit the notice of meeting (the "Notice") seeking shareholder approval for the issue of up to 58,789,505 Considerations Shares and 52,899,007 Consideration Options to the shareholders of Vanadium Resources (Pty) Ltd as follows:
 - 1.1. 21,598,502 VanRes Consideration Shares to be issued on achievement of a Measured Resource (as defined in the JORC Code (2012 Edition)) of at least 75 million tonnes at least 0.78% V2O5 and/or 1.8% V2O5 in magnetic concentrate post high and low magnetic separation within 24 months from the date of the Acquisition Agreements ("Milestone 2");
 - 1.2. 16,170,001 VanRes Consideration Shares to be issued on completion of a Scoping Study (as defined in the JORC Code (2012 Edition)) within 36 months from the date of the Acquisition Agreements which contains a positive conclusion as to Vanadium Resources capacity to develop the project as a commercial enterprise ("Milestone 3");
 - 1.3. 32,340,001 Consideration Options to be issued on completion of a Pre-Feasibility Study (as defined in the JORC Code (2012 Edition)) within 48 months from the date of the Acquisition Agreements which contains a positive conclusion as to Vanadium Resources capacity to develop the project as a commercial enterprise ("Milestone 4"); and
 - 1.4. 21,021,002 VanRes Consideration Shares and 20,559,006 Consideration Options to be issued on completion of a Definitive Feasibility Study (as defined in the JORC Code (2012 Edition)) within 60 months from the date of the Acquisition Agreements which contains a positive conclusion as to Vanadium Resources capacity to develop the project as a commercial enterprise ("Milestone 5").



not to state that the VanRes Consideration Shares and Consideration Options will be issued no later than 3 months after the date of the Meeting on the following conditions:

- 1.5. The VanRes Consideration Shares and Consideration Options must be issued within 7 days of the respective milestone being satisfied, subject to shareholder approval having been obtained;
 - 1.6. For any annual reporting period during which any of the VanRes Consideration Shares or Consideration Options have been issued or any of them remain to be issued, the Company's annual report sets out in detail the number of VanRes Consideration Shares or Consideration Options issued during the reporting period, the number of the VanRes Consideration Shares or Consideration Options that remain to be issued and the basis on which the securities may be issued;
 - 1.7. In any half year or quarterly report for a period during which any of the VanRes Consideration Shares or Consideration Options have been issued or remain to be issued, the Company must include a summary statement of the number of VanRes Consideration Shares or Consideration Options issued during the reporting period, and the number of VanRes Consideration Shares or Consideration Options that remain to be issued and the basis on which the securities may be issued; and
 - 1.8. The terms of the waiver are immediately disclosed to the market and in the notice of meeting pursuant to which approval of the VanRes Consideration Shares or Consideration Options is being obtained.
2. ASX does not grant a waiver for the issue of 22,291,502 VanRes Consideration Shares and 92,400,001 Transaction Options to be issued on satisfaction of all conditions precedent to the Acquisition Agreements within 12 months from the date of the Acquisition Agreements ("Milestone 1");
 3. ASX has considered listing rule 7.3.2 only and makes no statement as to the compliance with other listing rules."



Appendix 3. Background on the SPD Vanadium Project

Global vanadium projects are summarised in Figure 3. Currently approximately 85% of the world's vanadium is produced in China, Russia and South Africa. The SPD Vanadium Project is located in one of these producing regions and has the potential to be globally significant based on its tonnage and grade in concentrate (Figure 1).

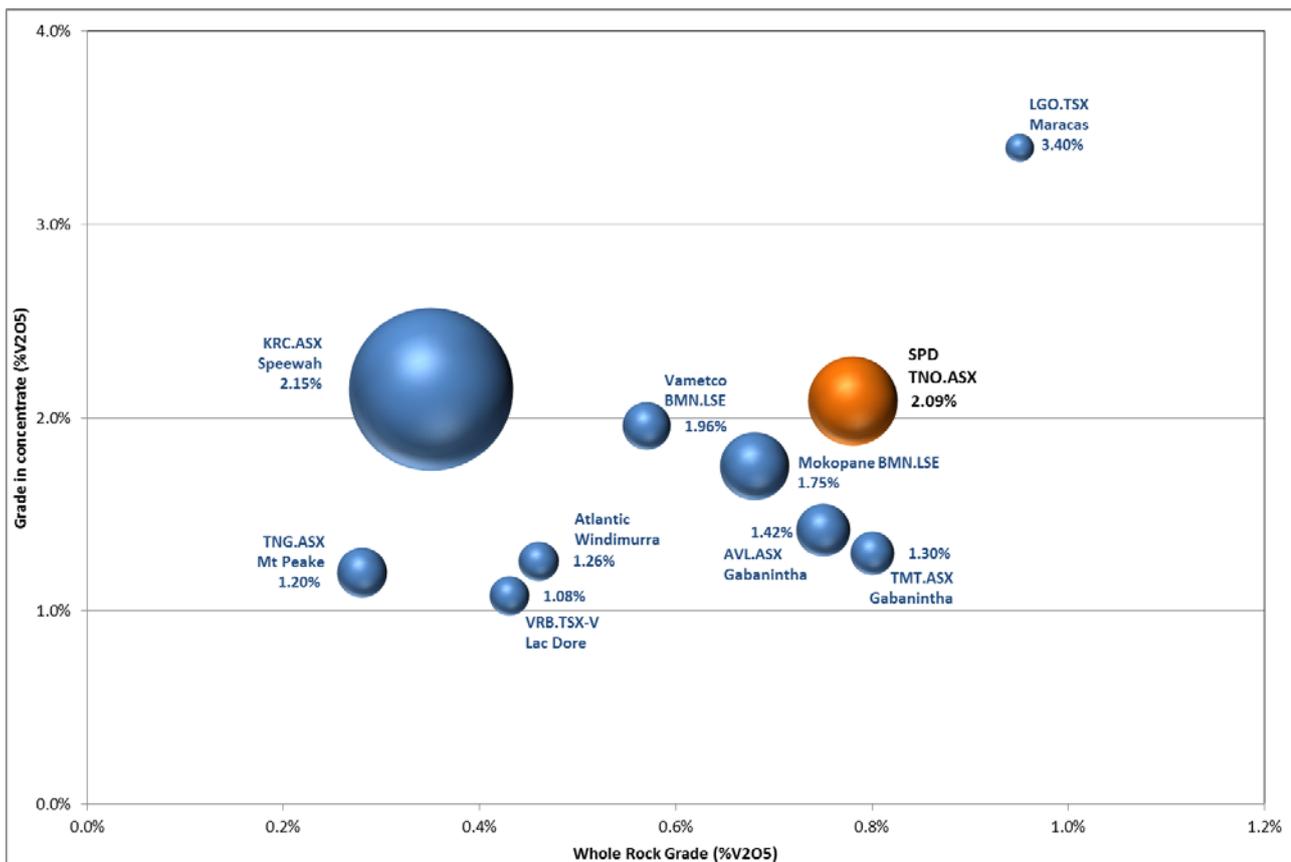


Figure 1. Global vanadium projects categorised by resource grade and grade in concentrate.

Label states concentrate grade based on reported testwork. Bubble size denotes tonnage. Tonnes and grade based on reported total resources, due to different host exchanges these are reported under differing reporting regimes (JORC, 43-101 or SAMREC).
Source: Company websites, ASX / TSX / LSE announcements.

The SPD Vanadium Project is located in a similar geological setting to the mining operations of Rhovan (Glencore), Vametco (Bushveld Minerals) and Mapochs (International Resources Ltd) in the Gauteng and Limpopo provinces of South Africa (Figure 2). Both the Rhovan and Vametco processing plants include refining to generate products used in the global steel making industry and aim to develop downstream processing to produce materials used in the battery market. The SPD Vanadium Project is located only 30km from the currently dormant Mapochs mine which has a processing plant and railway infrastructure.

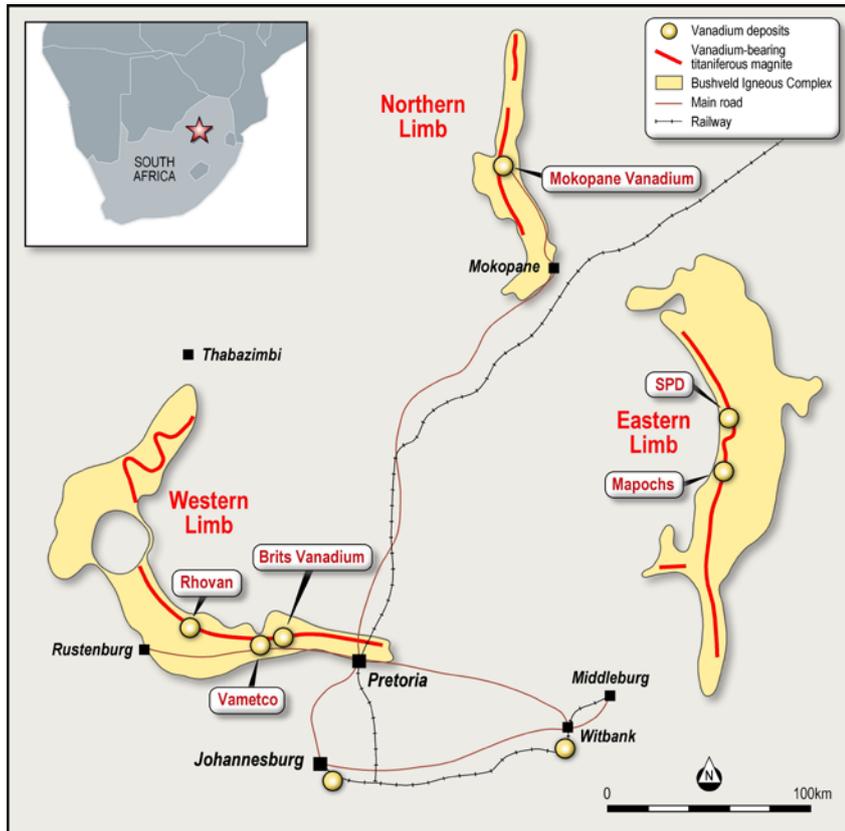


Figure 2. Location of the SPD Vanadium Project and other vanadium deposits in the Bushveld Igneous Complex.

The region around the SPD Vanadium Project contains critical infrastructure such as:

- High voltage power lines and sub stations operated by the state provider ESKOM,
- Water resources including the De Hoop Dam 15km south of the project,
- Rail links,
- Sealed roads around the project area,
- Mining service companies and support business in the immediate area,
- Available skilled workforce within the local community and the region.

The SPD Vanadium Project was discovered in the 1990's during a regional exploration campaign to find new supply for active vanadium operations including the Kennedy's Vale Mine. Vanadium mineralisation at the SPD Project is hosted in two vaniferous titanomagnetite layers. Initial exploration by Vantech in 1997 comprised 16 diamond core drill holes for 1051.6m as well as detailed geological mapping (ASX Announcement 22 March 2018).

VanRes held a prospecting right over the SPD Project from 2009 until 2015 when an application for a Mining Right was lodged. Exploration by VanRes comprised 23 RC drillholes for 1,073m and 2 diamond core drillholes for 278m drilled in 2010, culminating the estimation of a resource under the SAMREC Code (Table 1).



Drill samples were passed through a Davis Tube to obtain a magnetic concentrate. Vanadium and titanium content analyses in the concentrate are very consistent, **averaging 2% V₂O₅ and 13% TiO₂** (ASX Announcement 22 March 2018).

Table 1. SPD Vanadium Project resource (classed as inferred under the SAMREC Code).

Reef	Avge Thickness (m)	Tonnes (Mt)	Whole Rock V ₂ O ₅ %	Mt%	Magnetite Tonnes	V ₂ O ₅ % in Magnetite
Upper Layer	24	184.2	0.73	42.4	78.1	1.99
Lower Layer	22	329.1	0.81	41.6	136.0	2.20
Averages & Totals	23	513.3	0.78	41.9	215.0	2.09

Table 1 Notes: While this foreign resource is not reported in compliance with the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (**JORC Code**), it is the Company's opinion (and the opinion of the Competent Person for this document), that the data quality and validation criteria, as well as the resource methodology and check procedures, are reliable and consistent with criteria as defined by the JORC Code. All tabulated data has been rounded to one decimal place for tonnage and two decimal places for grades. %V₂O₅ is derived from XRF analysis by multiplying %V by 1.785.

The resource for the SPD Vanadium Project as shown in Table 1 was estimated by GEMECS Pty Ltd based on all available drilling data in accordance with the SAMREC Code (2007) and is therefore a "qualifying foreign resource estimate" as defined in the ASX Listing Rules (further detail in the ASX Announcement of 22 March 2018). The resource was classed as inferred under the SAMREC Code. Bill Oliver, Managing Director of Tando, is acting as the Competent Person and has reviewed reports and data compiled and used in the resource estimation. The authors of the report on the 2010 exploration activities and resource estimate have confirmed that there are no material changes to the resource or underlying data since the date of the report (June 2010), and that the information presented here is consistent with the data it reported.

The Competent Person has not yet completed sufficient review on the qualifying foreign resource estimate to classify it in accordance with the JORC Code at this time and consequently it is uncertain that, following evaluation and/or further exploration work that the qualifying foreign resource estimate will be able to be reported as a Mineral Resource in accordance with the JORC Code. The Company plans to implement a drilling programme to verify the Mineral Resource and, provided results are consistent with previous drilling, carry out further drilling aimed at increasing the confidence in the Mineral Resource.