

ACTIVITIES REPORT – DECEMBER QUARTER 2019

HIGHLIGHTS

- ◆ Excellent results from reserve drilling at Steelpoortdrift Vanadium Project confirm the world class nature of the deposit – specifically its high grade and substantial tonnage
- ◆ Consistent high in situ grades of +1.0% V₂O₅ in initial planned mining area.
- ◆ Update to Mineral Resource well advanced with completion in Q1 2020 (currently Indicated and Inferred Resources total 612Mt at an in situ grade of 0.78% V₂O₅)
- ◆ Comprehensive strategy underway to further development of the VanRes Steelpoortdrift project and assess optimal processing options
- ◆ Placement completed to raise \$800,000 to underpin this development, including investment of \$500,000 by parties introduced by the Company's SA based directors and original project vendors
- ◆ Strong interest from global participants in the vanadium market with continued engagement during the Quarter, including supply of data and samples

CONTINUED EXCELLENT RESULTS FROM RESERVE DRILLING

During the Quarter the Company received all results from reserve drilling at the Steelpoortdrift Vanadium Project. The programme comprised 23 holes for 1,154 metres (refer ASX Announcements 25 October 2019 and 19 November 2019) and focussed on the near surface mineralisation within the conceptual pit shell used as the basis of the Company's recent Scoping Study. 53.4Mt of mineralisation is contained within this pit shell (refer ASX Announcement 2 May 2019).

The reserve drilling was planned to improve the definition of mineralisation in this zone and should enable an upgrade in the confidence of the Mineral Resource in this area. The updated Mineral Resource estimation is well advanced and will be reported in Q1 2020.

The current Mineral Resource stands at 612 million tonnes at an in situ grade of 0.78% V₂O₅ in the Indicated and Inferred categories (refer ASX Announcement 16 April 2019 and Appendix 1). The resource includes a high grade, near surface component of 169 million tonnes at an in situ grade of 1.07% V₂O₅.

Results were released in the ASX Announcements of 25 October 2019 and 19 November 2019 (refer Figure 1) including:

- 15m at 1.08% V₂O₅ , 6.53% TiO₂ from 62m (VRC053)
- 10m at 1.18% V₂O₅ , 9.29% TiO₂ from 2m (VRC068)
within a wider interval of 27m at 0.87% V₂O₅ from 0m (surface)
- 8m at 1.24% V₂O₅ , 9.64% TiO₂ from 27m (VRC072)
within a wider interval of 44m at 0.77% V₂O₅ from 7m
- 11m at 1.17% V₂O₅ , 9.40% TiO₂ from 0m (surface, VRC065)
within a wider interval of 30m at 0.87% V₂O₅ from 0m (surface)
- 11m at 0.96% V₂O₅ , 5.99% TiO₂ from surface (VRC056)
- 9m at 1.20% V₂O₅ , 9.41% TiO₂ from 12m (VRC073)
within a wider interval of 36m at 0.83% V₂O₅ from 0m (surface)
- 9m at 1.17% V₂O₅ , 9.27% TiO₂ from 8m (VRC066)
within a wider interval of 29m at 0.80% V₂O₅ from 0m (surface)

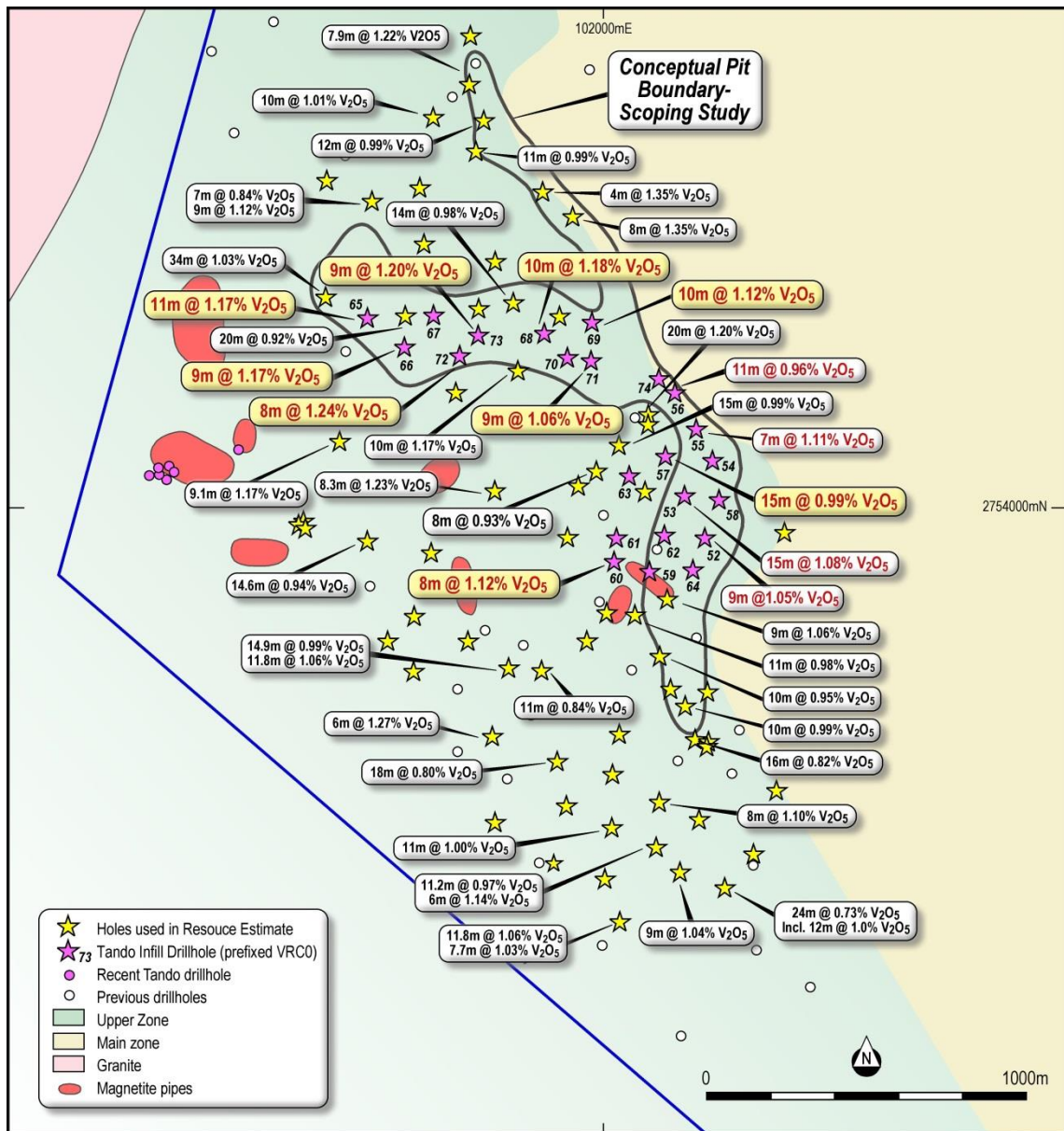


Figure 1. Drilling Completed at the Steelpoortdrift Vanadium Project.

PLACEMENT UNDERPINS ONGOING DEVELOPMENT

During the December Quarter the Company completed a capital raising of A\$800,000 (before costs) to enable the continued development of the Steelpoortdrift Vanadium Project.

A\$500,000 was subscribed for by parties introduced by the Company's South African based directors, who also represent the original vendors of the Steelpoortdrift Vanadium Project. The balance was placed to Australian and UK based sophisticated investors.

Funds raised in the placement will amongst other be used in studies to unlock the significantly higher value contained in the concentrate and to develop relationships with multiple parties who have expressed an interest to gain from the superior size and grade of the Steelpoortdrift project.

To enable the Company to focus on these opportunities, costs have been substantially reduced where it does not aim to assist short term strategy objectives, especially administration and corporate costs.

The placement was completed at A\$0.04, a 9% discount to the last traded price, with an attaching one option for every two shares subscribed for. Options will have an expiry date of 1 December 2021 and an exercise price of \$0.053. Otsana Capital acted as the Lead Manager to the placement.

MARKETING ACTIVITIES

The Company continues to receive substantial interest in the Company's world class Steelpoortdrift Vanadium Project due to the high grade (+2% V2O5) concentrate which can be produced by simple beneficiation and the size of the Mineral Resource that makes a long life of mine possible (refer ASX Announcements 18 March 2019 and 16 April 2019).

The Steelpoortdrift Vanadium Project is located short distances from existing railway sidings and 160km away from Witbank (Emalahleni) where historical magnetite processing plants are located. With these infrastructure advantages, environmental and community approvals in place and the grant of a WULA (Water Use Licence Application) pending, VR8 is in a unique position of being able to fast track production of vanadium concentrate which provides both concentrate sales and the front end of a value adding V2O5 process line. Commencement of concentrate production would enable rapid development of downstream processing solutions to be carried out either by the Company or by strategic investor parties.

During the Quarter the Company continued to develop relationships with multiple parties to further interest in immediate uses of concentrate, strategic investment opportunities, collaboration to develop downstream processing options, provision of project finance, prepayments for offtakes and other financial partnerships. Data and samples have been provided and further engagement will continue during Q1 2020.

For and on behalf of the board:

Kyla Garic

Company Secretary

Tenement Table: ASX Listing Rule 5.3.3

Mining tenement interests held at the end of the quarter and their location

| PERMIT NAME | PERMIT NUMBER | REGISTERED HOLDER / APPLICANT | AREA IN km ² | PERMIT STATUS | PERMIT EXPIRY | INTEREST / CONTRACTUAL RIGHT |
|--|---------------|-------------------------------|-------------------------|---------------|---------------|------------------------------|
| Pilbara Region, Western Australia | | | | | | |
| Quartz Bore | E47/3352 | VMS Resources Pty Ltd | 15 | Granted | 21/12/2021 | 100% |
| Limpopo Region, South Africa | | | | | | |
| Steelpoortdrift KT365 | 10095MR | Vanadium Resources (Pty) Ltd | 24.6 | Granted | 04/09/2048 | Right to own 73.95% |

The mining tenement interests relinquished during the quarter and their location

E45/4939 (Pilbara Region, Western Australia).

The mining tenement interests acquired during the quarter and their location

Nil.

Beneficial percentage interests held in farm-in or farm-out agreements at the end of the quarter

Not applicable.

Beneficial percentage interests in farm-in or farm-out agreements acquired or disposed of during the quarter

Nil.

Competent Persons Statement

The information in this announcement that relates to Exploration Results and other technical information relating to drilling, sampling and the geological interpretation derived from the Exploration Results complies with the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (**JORC Code**) and has been compiled and assessed under the supervision of Mr Bill Oliver, the Managing Director of Vanadium Resources Ltd. Mr Oliver is a Member of the Australasian Institute of Mining and Metallurgy and the Australasian Institute of Geoscientists. He has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the JORC Code. Mr Oliver consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears. The Exploration Results are based on standard industry practises for drilling, logging, sampling, assay methods including quality assurance and quality control measures as detailed in the ASX Announcements referred to in the text.

The information in this announcement that relates to Mineral Resources, including the Mineral Resources contained within the Production Target, complies with the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (**JORC Code**) and that has been compiled, assessed and created by Mr Kerry Griffin BSc.(Geology), Dip Eng Geol., a Member of the Australian Institute of Geoscientists and a Principal Consultant at Mining Plus Pty Ltd, consultants to the Company. Mr Griffin has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the JORC Code. Mr Griffin is the competent person for the resource estimation and has relied on provided information and data from the Company, including but not limited to the geological model and database. Mr Griffin consents to the inclusion in this announcement of matters based on his information in the form and context in which it appears. Further details on the Mineral Resource can be found in the ASX Announcement dated 16 April 2019.

The Company confirms that all material assumptions and parameters underpinning the Mineral Resource Estimates and the Production Targets reported in the market announcements dated 16 April 2019 and 2 May 2019 continue to apply and have not materially changed, and that it is not aware of any new information or data that materially affects the information that has been included in this announcement. As detailed in this announcement results of the drill programme just completed will be used to update the Mineral Resource.

Disclaimer

Some of the statements appearing in this announcement may be in the nature of forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industries in which VR8 operates and proposes to operate as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets, among other things. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement. No forward looking statement is a guarantee or representation as to future performance or any other future matters, which will be influenced by a number of factors and subject to various uncertainties and contingencies, many of which will be outside VR8's control.

VR8 does not undertake any obligation to update publicly or release any revisions to these forward looking statements to reflect events or circumstances after today's date or to reflect the occurrence of unanticipated events. No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions or conclusions contained in this announcement. To the maximum extent permitted by law, none of VR8, its Directors, employees, advisors or agents, nor any other person, accepts any liability for any loss arising from the use of the information contained in this announcement. You are cautioned not to place undue reliance on any forward looking statement. The forward looking statements in this announcement reflect views held only as at the date of this announcement.

This announcement is not an offer, invitation or recommendation to subscribe for, or purchase securities by VR8. Nor does this announcement constitute investment or financial product advice (nor tax, accounting or legal advice) and is not intended to be used for the basis of making an investment decision. Investors should obtain their own advice before making any investment decision.

APPENDIX 1: Mineral Resource Statement for the SPD Vanadium Project

Table 1. SPD Vanadium Project Global Mineral Resource by Resource Category.

| Category | V ₂ O ₅ Cutoff | SG | Tonnes (Mt) | Whole Rock V ₂ O ₅ % |
|--------------|--------------------------------------|------|-------------|--|
| Indicated | 0.45% | 3.39 | 231 | 0.78 |
| Inferred | 0.45% | 3.40 | 380 | 0.77 |
| Total | | | 612 | 0.78 |

Table 2. SPD Vanadium Project Mineral Resource by Zone (Indicated & Inferred).

| Layer | V ₂ O ₅ Cutoff | SG | Tonnes (Mt) | Whole Rock V ₂ O ₅ % |
|-------------------|--------------------------------------|------|-------------|--|
| Upper Zone | 0.45% | 3.39 | 289 | 0.75 |
| Intermediate Zone | 0.45% | 3.40 | 123 | 0.56 |
| Lower Zone | 0.45% | 200 | 200 | 0.94 |
| Total | | | 612 | 0.78 |

Table 3. SPD Vanadium Project Mineral Resource by Grade

| V ₂ O ₅ Range | Category | SG | Tonnes (Mt) | Whole Rock V ₂ O ₅ % |
|-------------------------------------|----------------------|------|-------------|--|
| > 0.90% | Indicated | 3.55 | 68 | 1.05 |
| > 0.90% | Inferred | 3.56 | 102 | 1.09 |
| Sub Total | > 0.90% | | 169 | 1.07 |
| 0.45% - 0.90% | Indicated | 3.33 | 164 | 0.68 |
| 0.45% - 0.90% | Inferred | 3.35 | 279 | 0.65 |
| Sub Total | 0.45% - 0.90% | | 442 | 0.66 |
| Total | | | 612 | 0.78 |

Table 4. SPD Vanadium Project Mineral Resource within 100m of surface by Grade

| V ₂ O ₅ Range | Category | SG | Tonnes (Mt) | Whole Rock V ₂ O ₅ % |
|-------------------------------------|----------------------|------|-------------|--|
| > 0.90% | Indicated | 3.55 | 53 | 1.05 |
| > 0.90% | Inferred | 3.57 | 43 | 1.09 |
| Sub Total | > 0.90% | | 97 | 1.05 |
| 0.45% - 0.90% | Indicated | 3.33 | 146 | 0.68 |
| 0.45% - 0.90% | Inferred | 3.35 | 176 | 0.66 |
| Sub Total | 0.45% - 0.90% | | 322 | 0.67 |
| Total | | | 419 | 0.78 |

Notes to Tables 1 - 4: The Mineral Resource Estimate was completed using the following parameters:

- The SPD Vanadium Resource extends over a strike length of 4000m and has been drilled up to 150m vertically below surface (1100m down-dip);
- Mineralisation is hosted in a series of magnetite bearing layers near the contact between the Upper and Main Zone of the Bushveld Igneous Complex. These layers have been denoted the Upper, Intermediate and Lower Zones with average thicknesses of 19, 14 and 12m respectively. At the base of the Lower Layer there is a marker horizon of massive magnetite which is 1 – 2m thick.
- 97 drillholes (56 RC and 41 diamond core holes) were used in the resource estimate representing a total of 7608.1m of drilling. Drillhole information is listed in the ASX Announcement of 16 April 2019.
- 36 RC holes and 27 diamond core holes drilled by VR8 were included along with 20 RC holes and 1 diamond core hole drilled previously by Vanadium Resources (Pty) Ltd (**Vanres**) and 13 DD holes drilled by Vanadium Technology (Pty) Ltd, a subsidiary of Xstrata (**Vantech**). Drilling was carried out on sections spaced between 150m – 200m apart, with mineralisation intersected at approximately 150m intervals on section.
- RC drilling by VR8 and Vanres was sampled via face sampling hammer, collected by a rig mounted cyclone and split using a riffle. Diamond core drilling by VR8 sampled NQ core by splitting the core in half. Historical drilling also sampled diamond core, predominantly BQ size, by sawing in half.
- Samples were analysed at commercial laboratories (SGS, ALS) using pressed disc XRF.
- Quality control protocols for all drilling included the use of certified reference materials (CRMs), blanks and duplicates as detailed in the ASX Announcement of 16 April 2019.
- All drillholes were surveyed in both South Africa LO29 grid (WGS84 projection) and UTM Zone 35S.
- All except 2 holes were vertical. Downhole surveys have been carried to confirm no excessive deviation.
- Geological domains were constructed using a 0.20% cut-off grade.
- 3 wireframe surfaces were constructed based on the geological interpretation. Samples within the wireframe were composited to 1m intervals.
- Block grades were estimated using interpolation of the 1m composite data by the Ordinary Kriging method. Search ellipses were set based on geostatistics with search distances ranging from 180 to 1,000m along strike.
- A Surpac block model was used for the estimate with a block size of 40m X by 40m Y by 5m Z, with sub-blocking to 10mX by 10m Y by 1.25m Z.
- Bulk density values used for mineralisation are detailed in the tables above. These were sourced from SG data measurements on core.
- The numbers tabulated in Appendix 1 may not sum correctly as a result of rounding
- The deposit has been classified as Indicated and Inferred Mineral Resource based on data quality, sample spacing, geological understanding and geostatistical analysis as discussed in the ASX Announcement of 16 April 2019.
- Further infill drilling will increase geological and grade data quality and possibly upgrade resource categories and supply data required for higher level mining studies.

These notes should be read in conjunction with the information detailed in the ASX Announcement of 16 April 2019. The Company is not aware of any new information which materially changes this Mineral Resource.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Vanadium Resources Limited

ABN

47 618 307 887

Quarter ended ("current quarter")

31 December 2019

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | - | - |
| 1.2 Payments for | | |
| (a) exploration & evaluation | (408) | (1,070) |
| (b) development | - | - |
| (c) production | - | - |
| (d) staff costs | (21) | (46) |
| (e) administration and corporate costs | (109) | (303) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 13 | 27 |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | - | - |
| 1.7 Research and development refunds | - | - |
| 1.8 Other (provide details if material) | - | 82 |
| 1.9 Net cash from / (used in) operating activities | (525) | (1,310) |

| | | |
|--|---|---|
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) property, plant and equipment | - | - |
| (b) tenements (see item 10) | - | - |
| (c) investments | - | - |
| (d) other non-current assets | - | - |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|---|---|------------------------------------|--|
| 2.2 | Proceeds from the disposal of: | | |
| | (a) property, plant and equipment | - | - |
| | (b) tenements (see item 10) | - | - |
| | (c) investments | - | - |
| | (d) other non-current assets | - | - |
| 2.3 | Cash flows from loans to other entities | (2) | (2) |
| 2.4 | Dividends received (see note 3) | - | - |
| 2.5 | Other (provide details if material) | - | - |
| 2.6 | Net cash from / (used in) investing activities | (2) | (2) |

| | | | |
|-------------|---|------------|------------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of shares | 800 | 955 |
| 3.2 | Proceeds from issue of convertible notes | - | - |
| 3.3 | Proceeds from exercise of share options | - | - |
| 3.4 | Transaction costs related to issues of shares, convertible notes or options | - | - |
| 3.5 | Proceeds from borrowings | - | - |
| 3.6 | Repayment of borrowings | - | - |
| 3.7 | Transaction costs related to loans and borrowings | - | - |
| 3.8 | Dividends paid | - | - |
| 3.9 | Other | - | - |
| 3.10 | Net cash from / (used in) financing activities | 800 | 955 |

| | | | |
|-----------|--|-------|---------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 908 | 1,538 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (525) | (1,310) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (2) | (2) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 800 | 955 |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|---|---|------------------------------------|--|
| 4.5 | Effect of movement in exchange rates on cash held | - | - |
| 4.6 | Cash and cash equivalents at end of period | 1,181 | 1,181 |

| 5. | Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter \$A'000 | Previous quarter \$A'000 |
|------------|---|------------------------------------|-------------------------------------|
| 5.1 | Bank balances | 664 | 392 |
| 5.2 | Call deposits | 517 | 517 |
| 5.3 | Bank overdrafts | - | - |
| 5.4 | Other (provide details) | - | - |
| 5.5 | Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 1,181 | 908 |

| 6. | Payments to directors of the entity and their associates | Current quarter \$A'000 |
|-----------|--|------------------------------------|
| 6.1 | Aggregate amount of payments to these parties included in item 1.2 | (93) |
| 6.2 | Aggregate amount of cash flow from loans to these parties included in item 2.3 | - |
| 6.3 | Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2 | |
| 6.1 | Director and consulting fees to Directors and/or Director related entities \$93,490 | |

| 7. | Payments to related entities of the entity and their associates | Current quarter \$A'000 |
|-----------|--|------------------------------------|
| 7.1 | Aggregate amount of payments to these parties included in item 1.2 | - |
| 7.2 | Aggregate amount of cash flow from loans to these parties included in item 2.3 | - |
| 7.3 | Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2 | |
| | | |

Mining exploration entity and oil and gas exploration entity quarterly report

| 8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i> | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
|--|---|--|
| 8.1 Loan facilities | - | - |
| 8.2 Credit standby arrangements | - | - |
| 8.3 Other (please specify) | - | - |
| 8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well. | | |


N/A

| 9. Estimated cash outflows for next quarter | \$A'000 |
|--|----------------|
| 9.1 Exploration and evaluation | (76) |
| 9.2 Development | - |
| 9.3 Production | - |
| 9.4 Staff costs | - |
| 9.5 Administration and corporate costs | (72) |
| 9.6 Other (provide details if material) | - |
| 9.7 Total estimated cash outflows* | (148) |

| 10. Changes in tenements (items 2.1(b) and 2.2(b) above) | Tenement reference and location | Nature of interest | Interest at beginning of quarter | Interest at end of quarter |
|--|--|---------------------------|---|-----------------------------------|
| 10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced | E 45/4939 Western Australia | Exploration | 100% | 0% |
| 10.2 Interests in mining tenements and petroleum tenements acquired or increased | N/A | | | |

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:  Date: 30 January 2020
Company Secretary

Print name: Kyla Garic

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.