

30 July 2020

## **MARKETING AND INVESTMENT MANDATE SIGNED WITH GLOBAL COMMODITY MERCHANT**

### **HIGHLIGHTS**

- ◆ **Marketing and investment mandate granted to Pelagic Resources Group, a global commodity merchant that holds customer relationships with Chinese state owned enterprises, global asset allocators and large international commodity merchants**
- ◆ **Mandate is aimed at introducing clients to VR8, to promote and conclude strategic partnerships and investment transactions to develop the Steelpoortdrift Vanadium Project**
- ◆ **Pelagic's success fee will include marketing rights for a period of 5 years of 50% of V<sub>2</sub>O<sub>5</sub> products and/or concentrate produced at Steelpoortdrift, demonstrating confidence in the quality of the Company's products**

The management of Vanadium Resources Limited (ASX:VR8) (**VR8** or **the Company**) is pleased to announce that it has concluded a marketing and investment mandate with Pelagic Resources Group Ltd ("Pelagic"). Pelagic will introduce the Company to its existing customer base in China, Europe, Russia, India and the USA aiming to potentially bring about a transaction whereby end-user capital is strategically deployed in developing the Company's Steelpoortdrift Vanadium Project and the production of V<sub>2</sub>O<sub>5</sub> products.

Jurie Wessels, Chairman of VR8 commented:

*"Pelagic's experience in trading with participants in the specialty steel industries and its extensive network in the ferrous markets present an opportunity for VR8 to develop strategic partnerships that could advance Steelpoortdrift to its maximum potential. Working with Pelagic on investigating strategic partnerships may become even more compelling after the Company has received the scoping study results for Steelpoortdrift, which is expected shortly".*

Tom Baring, CEO of Pelagic commented:

*“The world class nature of the Steelpoortdrift deposit through it’s undeniably first-rate grades, its potential for an extended lifespan, outstanding exploitation dynamics and its well developed location, pushes this project to the forefront in possibly becoming an investment destination for one or more of our existing customer relationships”.*

Pelagic is an established global physical commodity merchant, headquartered in Singapore with offices in South Africa, Zimbabwe and China with a core focus on metal ores used in the stainless and speciality steel industries. Pelagic was founded in 2016 and has since marketed over 1 million tonnes of metal concentrates to China, Europe, Russia, India and the USA. Pelagic currently works strategically with a number of large International Physical Commodity Merchants, Chinese State Owned Enterprises and Global Asset Allocators, and is well positioned to strategically align development capital with resource projects in Africa.

Pelagic Resources was founded by Thomas Baring, an English entrepreneur with a family history in banking, finance and natural resources. Thomas has lived and worked in emerging markets for the past 15 years, having started his career with the Fleming Family in their London and Moscow offices. He has further extended his experience in commodity trading thereafter, to working in the Democratic Republic of the Congo, Zimbabwe and South Africa. Further details of Pelagic can be found on their website [www.pelagicresources.com](http://www.pelagicresources.com).



**Figure 1.** Pelagic strategic jurisdictions for both offtake and office presence.

### **Terms of Non-exclusive mandate**

Pelagic will receive a once-off success fee equal to 2% of the total cash investment made by a strategic investor introduced by Pelagic, at completion and performance of the investment. In addition, should an investment be concluded, Pelagic will receive marketing rights for a period of 5 years of not less than 50% of the products, including titaniferous magnetite concentrate and/or V<sub>2</sub>O<sub>5</sub> products produced from VR8's Steelpoortdrift project ore, and which VR8 resolves to sell from time to time in the open market or to a strategic investor.

In addition to introducing VR8 to Pelagic's existing customer base, the services Pelagic is to render includes assisting the Company in all communications in so far as it may be necessary to conclude a strategic investment transaction and to facilitate, manage and coordinate the completion and due diligence processes of any potential transaction.

*This announcement has been authorised for release by the directors of Vanadium Resources Ltd.*

**For and on behalf of the board:**

Kyla Garic

Company Secretary

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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.

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**BACKGROUND ON VANADIUM**

Current day demand for vanadium arises from its established use in strengthening steel via various alloys. Consumption is currently increasing with the recent implementation of stricter standards on the strength of steel to be used in construction (specifically rebar). The use of vanadium in steel making accounts for over 90% of current vanadium demand in today's market.

The most commonly traded vanadium product is 98% V<sub>2</sub>O<sub>5</sub> flake, as it can be used directly in steel making or converted to ferrovanadium for additional uses in steel making. Higher purity vanadium products are either produced by a modern plant (such as being planned

by VR8) or are further processed from 98% V<sub>2</sub>O<sub>5</sub> flake for speciality uses in chemical industries, energy storage and high performance alloying technologies.

Such speciality uses are expected to provide additional longer term demand for vanadium. Vanadium redox flow battery (VRFB) technology was developed in Australia and has a number of advantages in industrial and small town sized energy storage requirements. The global move towards renewable energy solutions will require a vast increase in energy storage installations, which in turn is forecast to result in an increase in the amount of VRFBs being manufactured and installed around the world.

Another emerging use of vanadium is in high-performance light weight alloys. Supply of such alloys is increasing in the aerospace industry, with aeroplanes such as the Boeing Dreamliner 787 and the Airbus A350 now incorporating up to 100 tons of vanadium per aircraft.

This month 98% V<sub>2</sub>O<sub>5</sub> flake product has traded around \$7.00/lb (US\$15,420/tonne; Fastmarkets Metal Bulletin), although a price differential has opened up between European and Chinese markets. Trade remains quiet globally with supply of product largely restored and buyers having re stocked in recent weeks.

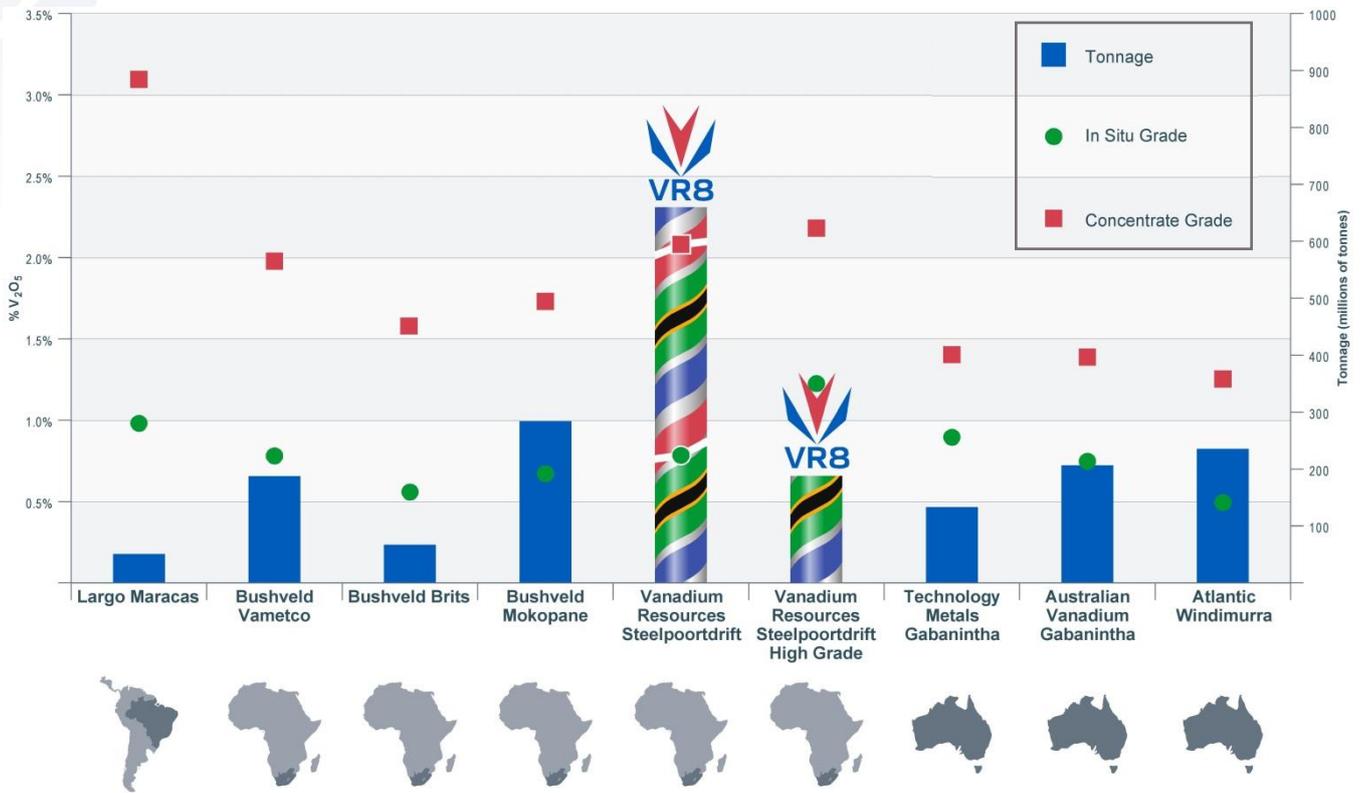
## **BACKGROUND ON THE STEELPOORTDRIFT VANADIUM PROJECT**

The Steelpoortdrift titaniferous magnetite deposit is located in the prolific Bushveld Geological Complex surrounded by known mineral and vanadium production facilities within reach of proven processing plants, railway and road options and ports.

The Steelpoortdrift Vanadium project is licensed with a mining right and the Company is in the process of conducting work towards becoming fully permitted (such as acquiring a water use license) for production and towards studies to verify a pathway of options to produce high purity V<sub>2</sub>O<sub>5</sub> flake and other niche products from the suite of elements present in the Titano-magnetite (V, Ti and Fe). The current Scoping Study aims to demonstrate the viability of producing high purity V<sub>2</sub>O<sub>5</sub> flake from the Project.

The Steelpoortdrift Vanadium Project compares highly favourably to other vanadium deposits globally (Figure 1), as **the largest published global undeveloped Mineral Resource** (662 million tonnes at an in situ grade of 0.77%  $V_2O_5$ , defined above an in-situ grade of 0.45%  $V_2O_5$ ), as well as **the largest published high grade undeveloped resource** (188 million tonnes at an in situ grade of 1.23%  $V_2O_5$ , defined above an in situ resource grade of 1%  $V_2O_5$ , Appendix 3). A sizeable portion of this high grade resource (68Mt at 1.37%  $V_2O_5$ , Appendix 3) is hosted in a discrete, massive magnetite unit which outcrops along 4km of strike within the project area.

The Steelpoortdrift Vanadium Project produces a high-quality concentrate containing approximately 2.2%  $V_2O_5$ , 12%  $TiO_2$  and 58% Fe (ASX Announcements 18 March 2019 and 24 June 2020). Studies into downstream processing of this concentrate are in progress to confirm its ability to create high value products suitable for the steel, renewable energy (VRFB battery) and industrial minerals markets.



**Figure 2.** Global vanadium projects categorised by resource grade and grade in concentrate.

Chart compares resources reported under different codes and companies at different stages of development as detailed in Appendix 1. Only resources with a quoted in situ grade > 0.45% V<sub>2</sub>O<sub>5</sub> are shown in figure.

**APPENDIX 1: Data and sources for Peer Comparison (Figure 2)**

| Company                            | Project          | Stage       | Resource Category                       | Resource Tonnes | Resource Grade | Concentrate Grade | Information Source  |
|------------------------------------|------------------|-------------|---|-----------------|----------------|-------------------|---|
| <b>Largo LGO.TSX</b>               | Maracas          | Production  | Measured, Indicated & Inferred (43-101) | 49.25           | 0.99           | 3.10              | 43-101 Technical Report dated 26/10/2017<br><a href="http://www.largoresources.com/operations/maracas-menchen-mine">http://www.largoresources.com/operations/maracas-menchen-mine</a>     |
| <b>Bushveld BMN.LSE</b>            | Vametco          | Production  | Indicated & Inferred                    | 186             | 0.78           | 1.98              | Competent Persons' Report on the Vametco Vanadium Mine Jan 2020<br><a href="https://www.bushveldminerals.com/technical-reports/">https://www.bushveldminerals.com/technical-reports/</a>  |
|                                    | Brits            | Development | Indicated & Inferred                    | 66.8            | 0.56           | 1.58              | Competent Persons' Report on the Brits Vanadium Project Jan 2020<br><a href="https://www.bushveldminerals.com/technical-reports/">https://www.bushveldminerals.com/technical-reports/</a> |
|                                    | Mokopane         | Development | Indicated & Inferred                    | 285             | 0.68           | 1.75              | Mokopane PFS Study Report Jan 2016<br><a href="https://www.bushveldminerals.com/technical-reports/">https://www.bushveldminerals.com/technical-reports/</a>                               |
| <b>TNG TNG.ASX</b>                 | Mt Peake         | Development | Measured, Indicated & Inferred          | 160             | 0.28           | 1.20              | ASX Announcement 26/03/2013   |
| <b>King River KRR.ASX</b>          | Speewah          | Development | Measured, Indicated & Inferred          | 4,712           | 0.30           | 2.11              | ASX Announcement 01/04/2019<br>06/11/2019   |
| <b>Pursuit Minerals PUR.ASX</b>    | Koitelainen Vosa | Development | Inferred                                | 116.4           | 0.11           | 2.25              | ASX Announcement 06/02/2019   |
|                                    | Airijoki         | Development | Inferred                                | 44.3            | 0.23           | 1.70              | ASX Announcement 08/03/2019   |
| <b>Australian Vanadium AVL.ASX</b> | Gabaintha        | Development | Measured, Indicated & Inferred          | 208.2           | 0.74           | 1.39              | ASX Announcement 04/03/2020,<br>17/03/2020  |
| <b>Technology Metals TMT.ASX</b>   | Gabainth         | Development | Indicated & Inferred                    | 131             | 0.90           | 1.36              | ASX Announcement 29/03/2019   |