

26 September 2018

Mr Wade Baggott
Principal Adviser, Listings Compliance (Perth)
ASX Limited
Level 40, Central Park
152-158 St Georges Terrace
PERTH WA 6000

Dear Mr Baggott

Hardey Resources Limited (HDY) – ASX aware query

We refer to your letter dated 14 September 2018 and respond to your questions as follows:

1. ***Please provide a copy of the original binding heads of agreement originally entered into by HDY with Nelly Vanadium and the shareholders in Nelly Vanadium to acquire their shares on or about 3 July 2018 (“Original Nelly Vanadium Agreement”) – this is not for release to the market.***

Copy of Original Nelly Vanadium Agreement enclosed.

2. ***Please provide a copy of the original binding heads of agreement originally entered into by HDY with Vanadium Mining and the shareholders in Vanadium Mining to acquire their shares on or about 17 July 2018 (“Original Vanadium Mining Agreement”) – this is not for release to the market.***

Copy of Original Vanadium Mining Agreement enclosed.

3. ***Please explain what due diligence HDY and its advisers undertook to satisfy themselves of the identity of the shareholders of Nelly Vanadium and Vanadium Mining before agreeing to buy their shares pursuant to the Original Nelly Vanadium Agreement and Original Vanadium Mining Agreement.***

The Original Nelly Vanadium Agreement and Original Vanadium Mining Agreement (together, the **Acquisition Agreements**) were each conditional upon HDY being satisfied with its due diligence investigations.

Given the conditionality of the Acquisition Agreements, HDY undertook limited due diligence prior to entry into the Acquisition Agreements. The pre-contractual due diligence undertaken by HDY consisted of undertaking a review of publicly available information, including review of ASIC extracts for each of the vendor companies.

HDY’s primary protections prior to entry into the Acquisition Agreements were representations and warranties from the vendors with respect to the shares to be acquired and the assets held by each of the companies, which were supplemented by indemnities given by the vendors.

4. ***Did that due diligence include conducting company searches of Nelly Vanadium and Vanadium Mining? If so, please provide a copy of the searches. If not, please explain why not***

Yes – Refer to response to question 3 above.

5. ***ASX understands from previous enquiries that the Original Nelly Vanadium Agreement was subsequently varied by an Acknowledgement and Variation of Binding Heads of Agreement***



dated 20 August 2018, among other things, to add additional parties ("Additional Parties"). Please explain the reasons for, and effect of the variation.

The variation to the Original Nelly Vanadium Agreement was made at the request of the vendors to reallocate the consideration securities to be issued by HDY to certain nominees of the vendors.

HDY did not object to the variation as it did not impact the purchase price or HDY's rights under the agreement.

6. ASX understands from previous enquiries that the Original Vanadium Mining Agreement was also subsequently varied by an Acknowledgement and Variation of Binding Heads of Agreement dated 20 August 2018, among other things, to add Additional Parties. Please explain the reasons for, and effect of the variation.

The variation to the Original Vanadium Mining Agreement was made at the request of the vendors to reallocate the consideration securities to be issued by HDY to certain nominees of the vendors.

HDY did not object to the variation as it did not impact the purchase price or HDY's rights under the agreement.

7. Please explain what further due diligence HDY and its advisers undertook to satisfy themselves of the identity of the Additional Parties and that they were holders of shares in Nelly Vanadium or Vanadium Mining (as applicable).

No further due diligence was undertaken with respect to the Additional Parties being holders of shares in Nelly Vanadium and Vanadium Mining. As set out in the responses to questions 6 and 7 above, the reallocation of consideration securities was to give effect to the vendors' request that consideration securities be issued to nominees of the vendors.

8. Did that due diligence include conducting updated company searches of Nelly Vanadium and Vanadium Mining? If so, please provide a copy of the searches. If not, please explain why not.

N/A – See response to question 6 above.

9. Based on information provided by HDY's share registry, ASX understands that the Additional Parties transferred the Consideration Shares they received off market immediately upon receipt of those Consideration Shares to Horatio Street Pty Ltd (an entity which ASX understands to be controlled by Darrin Blumenthal, the managing director of Everblu), Anglo Menda Pty Ltd (an entity which ASX understands is controlled by Adam Blumenthal, the chairman of Everblu), and Pacific Continental Holdings Pty Ltd (which appears to be an entity associated with Jordan Shamir, an employee of EverBlu).

10. Was HDY or any member of the Board of HDY aware of a relationship between the Additional Parties and the associates of EverBlu referred to in paragraph 9? If so when and what did they know?

Prior to entering into the Acquisition Agreements, the HDY Board was aware that the controllers of the Additional Parties and the Principals of Everblu were known to each other socially and had prior business dealings. However, the nature and extent of these prior relationships was and is not known in any specific detail to the HDY Board.

In addition, in relation to the Acquisition Agreements themselves, HDY was aware of a commercial relationship between the Additional Parties and the Principals on 24 July 2018 when a meeting took place between a representative of the Additional Parties and Mr Robin Armstrong (a director of HDY). At this time, it was disclosed to Mr Armstrong that both the Additional Parties and parties



related to Everblu were likely to be participating in both transactions. However, HDY was not aware of the specific commercial terms between the Additional Parties and the parties that ASX describes as associates of Everblu, nor did it enquire because, as noted in the response to questions 5 and 6, the transaction terms did not change when the variations were signed to include the Additional Parties.

11. Was HDY or any member of the Board of HDY aware of the off market transactions between the Additional Parties and the associates of EverBlu referred to in paragraph 9? If so when and what did they know?

HDY was aware of the off market transactions in question on 24 August 2018. Correspondence from the share registry that these off market transactions were submitted for processing was provided to the Company on that day via email.

12. What was the origin of the Nelly Vanadium and Vanadium Mining acquisitions? How were these deals first presented to HDY and who presented them?

Jason Osborne of Subiaco Capital Pty Ltd presented numerous deals to Terence Clee, a director of HDY, during the month of April 2018. The Nelly Vanadium deal was of interest to Mr Clee and, on 23 April 2018, Mr Osborne sent an email to Mr Clee attaching a presentation on the Nelly Vanadium transaction.

On and from 23 April 2018, Mr Osborne and Mr Clee were also discussing the Vanadium Mining transaction. However, HDY continued to consider numerous other transactions during the first half of 2018.

On 8 July 2018, Mr Osborne sent Mr Clee a presentation on the Vanadium Mining transaction and discussions then ensued between the parties with respect to HDY also entering into the Vanadium Mining Agreement.

13. Did Everblu advise HDY in relation to the acquisition of Nelly Vanadium or Vanadium Mining? If so, what fees were paid or are owing by HDY to Everblu in relation to those acquisitions (please include cash and non-cash consideration).

Everblu did not advise HDY in relation to the acquisitions because the HDY Board considered that it was able to assess the merits of the acquisitions without input from Everblu. As noted in the response to question 12, the negotiations on the transactions were primarily held between Mr Osborne of Subiaco Capital Pty Ltd and Mr Clee (a director of HDY).

In light of the above, Everblu was not paid any fees in relation to the acquisitions and no fees are owing to Everblu in relation to the acquisitions.

14. If EverBlu acted as an adviser to HDY in relation to the acquisition of Nelly Vanadium or Vanadium Mining, did Everblu disclose the conflict created by the involvement of the associates of EverBlu in the off market transactions referred to in paragraph 9? If so when and what did they disclose?

N/A pursuant to the answer to question 13.

15. Were Nelly Vanadium and Vanadium Mining represented by financial advisers in relation to their sale to HDY? Who were those advisers?

Subiaco Capital Pty Ltd.

16. To whom were the 2,000,000 shares and the 2,000,000 options referred to in the EverBlu Mandate actually issued?



These shares and options have not been issued.

17. Please provide a list of subscribers (showing names, addresses and holdings) to the Tranche 1 and Tranche 2 Placements (this is not for release to the market).

Attached.

18. Please confirm that HDY is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

HDY confirms that it is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

19. Please confirm that HDY's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of HDY with delegated authority from the board to respond to ASX on disclosure matters.

HDY's response to the questions have been authorised and approved by an officer of HDY with delegated authority from the board to respond to ASX on disclosure matters.

For and on behalf of the Board



Sarah Smith
Company Secretary





14 September 2018

Ms Sarah Smith
Company Secretary
Hardey Resources Limited
Level 1, 1 Altona Street
WEST PERTH WA 6005

By email: ss@miradorcorporate.com

Dear Ms Smith

Hardey Resources Limited (“HDY”): Queries on the Issues of Securities

ASX Limited (“ASX”) refers to the following:

- A. HDY’s announcement entitled “General Meeting of Shareholders” lodged on the ASX Market Announcements Platform (“MAP”) on 22 February 2017, giving notice that HDY had received a notice requisitioning a general meeting of HDY to consider:
 - a) appointing Peter Wall as a director of the Company.
 - b) appointing James Ellingford as a director of the Company.
 - c) removing Maxim James Carling as a director of the Company.
 - d) removing Michael Douglas Tilley as a director of the Company,(the “Meeting Requisition”).
- B. HDY’s announcement entitled “Elysium Announces Board Changes” lodged on MAP and released at 11:43am AEST on 6 March 2017 confirming:
 - a) the resignation of chairman Michael Tilley.
 - b) the resignation of CEO Maxim Carling.
 - c) the appointment of James Ellington [sic Ellingford].
- C. HDY’s announcement entitled “Withdrawal of s249D Request” lodged on MAP and released at 4:47 pm AEDT on 28 March 2017, confirming that the Meeting Requisition had been withdrawn.
- D. HDY’s prospectus lodged on MAP and released at 7:14pm AEST on 18 July 2017 which disclosed at section 7.5 the following:

“7.5 Corporate Advisory Mandate – EverBlu

The Company has entered into a corporate advisory mandate with Everblu, pursuant to which, the Company has engaged EverBlu on an exclusive basis, to manage the Company’s sales, marketing and equity capital market initiatives. As prescribed by the mandate, the Company has appointed EverBlu as lead manager to the Placement and the Offer.

The Company has agreed to pay EverBlu the following fees for services provided under the mandate:

- a monthly retainer of \$15,000 (plus GST) during the term of the engagement;
- a capital raising fee of 4% of the gross proceeds raised in each capital raising during the term of engagement; and
- a management fee of 2% (plus GST) of the gross proceeds raised in each capital raising during the term of engagement.

The mandate also provides that EverBlu are entitled to receive 2,000,000 Shares and 2,000,000 Options following entry into the mandate. The Company intends to issue these securities following the receipt of shareholder approval at its next general meeting.”

(the “EverBlu Mandate”).

- E. HDY’s announcement entitled “Cleansing Statement & Appendix 3B – Tranche 1 Placement” lodged on MAP and released at 2:51pm AEST on 20 March 2018 (“Tranche 1 Placement”)
- F. HDY’s announcement entitled “Cleansing Statement & Appendix 3B – Tranche 2 Placement” lodged on MAP and released at 2:51pm AEST on 20 March 2018 (“Tranche 2 Placement”)
- G. HDY’s announcement entitled “Hardey to acquire high quality vanadium mine in Argentina” lodged on MAP and released at 8:34 am AEST on 3 July 2018 (“Nelly Announcement”) which states:
- “Hardey Resources Limited (ASX: HDY) (“HDY” or “the Company”) is pleased to announce that it has entered into a share sale agreement with the shareholders of Nelly Vanadium Pty Ltd (NVPL). Under the terms of this agreement, HDY has been granted a 40-day option to acquire 100% of the issued capital of NVPL which is a mineral explorer that owns the Nelly Vanadium Mine (NVM) in San Luis Province in Argentina (“NVPL acquisition”).”*
- H. HDY’s announcement entitled “Hardey makes second major vanadium acquisition” lodged on MAP and released at 8:25 am AEST on 19 July 2018 (“Vanadium Mining Announcement”) which states:
- “Hardey Resources Limited (ASX: HDY) (“HDY” or “the Company”) is pleased to announce that it has entered into a share sale agreement with the major shareholders of Vanadium Mining Pty Ltd (VanMin). Under the terms of this agreement, HDY has been granted a 40-day option to acquire 100% of the issued capital of VanMin, which is a mineral explorer that owns six highly prospective vanadium projects in Queensland and the Northern Territory.”*
- I. HDY’s announcement entitled “Notice of General Meeting” lodged on MAP and released at 6:25pm AEST on 25 July 2018, giving notice of a meeting of shareholders at 10:00am on 24 August 2018 (“Meeting”) and containing:
- a) At Resolution 1, a resolution pursuant to Listing Rule 7.1 for the acquisition of 100% of Nelly Vanadium Pty Ltd (“Nelly Vanadium”) by the issue of 737,500,000 ordinary shares (“Consideration Shares”) and 737,500,000 options exercisable at \$0.02 each on or before 30 April 2020 and to be quoted on ASX (“Consideration Options”).
 - b) At Resolution 2, a resolution pursuant to Listing Rule 7.1 for the acquisition of 100% of the issued capital of Vanadium Mining Pty Ltd (“Vanadium Mining”) by the issue of 550,000,000 Consideration Shares and 550,000,000 Consideration Options.
- J. HDY’s announcement entitled “Hardey moves to complete Vanadium Acquisitions” lodged on MAP and released at 6.14pm AEST on 24 August 2018, confirming that the Meeting on 24 August 2018 shareholders of HDY approved the acquisition of the Nelly Vanadium and Vanadium Mining.

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- K. HDY's announcement entitled "Cleansing Statement and Appendix 3B" lodged on MAP and released at 6:24pm AEST on 24 August 2018, confirming the issue of 1,287,500,000 Consideration Shares and 1,287,500,000 Consideration Options, being the consideration for the acquisition of Nelly Vanadium and Vanadium Mining.
- L. HDY's announcement entitled "Annual Report to shareholders" lodged on MAP and released at 7:22pm AEST on 29 September 2017 ("2017 Annual Report"). On page 60 of HDY's 2017 Annual Report, it is stated that:
- a) Code Nominees Pty Ltd <28698> holds 2.34% of the fully paid ordinary shares on issue in HDY.
 - b) Suburban Holdings Pty Ltd holds 6.68% of the fully paid ordinary shares on issue in HDY.
 - c) Australian Share Nominees Pty Ltd <Australasian Holdings A/C> holds 1.11% of the fully paid ordinary shares on issue in HDY.
- M. ASX understands that:
- a) Code Nominees Pty Ltd <28698> is a broker account controlled by Adam Blumenthal.
 - b) Suburban Holdings Pty Ltd is an entity controlled by Alvin Blumenthal (Adam's father) and Debra Lynn Blumenthal (Adam's mother).
 - c) Australian Share Nominees Pty Ltd <Australasian Holdings A/C> is a broker account controlled by Adam Blumenthal and Darrin Blumenthal (Adam's brother).
 - d) Everblu is controlled by the Blumenthal family.
 - e) Adam Blumenthal is the chairman of Everblu.
 - f) Darrin Blumenthal is the managing director of Everblu.
 - g) Alvin Blumenthal is a wealth adviser at Everblu.
 - h) James Ellingford is a former director and Terence Clee is a current director of HDY.
 - i) James Ellingford and Terence Clee are both directors of Victory Mines Limited. It is a client of Everblu (see <http://www.everblucapital.com/case-studies/vic/>).
 - j) James Ellingford and Adam Blumenthal are both directors of Creso Pharma Limited. It too is a client of Everblu (see <http://www.everblucapital.com/case-studies/creso-pharma/>).
 - k) James Ellingford and Terence Clee are both directors of Manalto Limited, as is Tim Wilson, an employee of Everblu. It too is a client of Everblu.

ASX queries

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2. Please provide a copy of the original binding heads of agreement originally entered into by HDY with Vanadium Mining and the shareholders in Vanadium Mining to acquire their shares on or about 17 July 2018 ("Original Nelly Vanadium Agreement") – this is not for release to the market.
3. Please explain what due diligence HDY and its advisers undertook to satisfy themselves of the identity of the shareholders of Nelly Vanadium and Vanadium Mining before agreeing to buy their shares pursuant to the Original Nelly Vanadium Agreement and Original Vanadium Mining Agreement.

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4. Did that due diligence include conducting company searches of Nelly Vanadium and Vanadium Mining? If so, please provide a copy of the searches. If not, please explain why not
 5. ASX understands from previous enquiries that the Original Nelly Vanadium Agreement was subsequently varied by an Acknowledgement and Variation of Binding Heads of Agreement dated 20 August 2018, among other things, to add additional parties (“Additional Parties”). Please explain the reasons for, and effect of the variation.
 6. ASX understands from previous enquiries that the Original Vanadium Mining Agreement was also subsequently varied by an Acknowledgement and Variation of Binding Heads of Agreement dated 20 August 2018, among other things, to add Additional Parties. Please explain the reasons for, and effect of the variation.
 7. Please explain what further due diligence HDY and its advisers undertook to satisfy themselves of the identity of the Additional Parties and that they were holders of shares in Nelly Vanadium or Vanadium Mining (as applicable).
 8. Did that due diligence include conducting updated company searches of Nelly Vanadium and Vanadium Mining? If so, please provide a copy of the searches. If not, please explain why not.
 9. Based on information provided by HDY’s share registry, ASX understands that the Additional Parties transferred the Consideration Shares they received off market immediately upon receipt of those Consideration Shares to Horatio Street Pty Ltd (an entity which ASX understands to be controlled by Darrin Blumenthal, the managing director of Everblu), Anglo Menda Pty Ltd (an entity which ASX understands is controlled by Adam Blumenthal, the chairman of Everblu), and Pacific Continental Holdings Pty Ltd (which appears to be an entity associated with Jordan Shamir, an employee or EverBlu).
 10. Was HDY or any member of the Board of HDY aware of a relationship between the Additional Parties and the associates of EverBlu referred to in paragraph 9? If so when and what did they know?
 11. Was HDY or any member of the Board of HDY aware of the off market transactions between the Additional Parties and the associates of EverBlu referred to in paragraph 9? If so when and what did they know?
 12. What was the origin of the Nelly Vanadium and Vanadium Mining acquisitions? How were these deals first presented to HDY and who presented them?
 13. Did Everblu advise HDY in relation to the acquisition of Nelly Vanadium or Vanadium Mining? If so, what fees were paid or are owing by HDY to Everblu in relation to those acquisitions (please include cash and non-cash consideration).
 14. If EverBlu acted as an adviser to HDY in relation to the acquisition of Nelly Vanadium or Vanadium Mining, did Everblu disclose the conflict created by the involvement of the associates of EverBlu in the off market transactions referred to in paragraph 9? If so when and what did they disclose?
 15. Were Nelly Vanadium and Vanadium Mining represented by financial advisers in relation to their sale to HDY? Who were those advisers?
 16. To whom were the 2,000,000 shares and the 2,000,000 options referred to in the EverBlu Mandate actually issued?
 17. Please provide a list of subscribers (showing names, addresses and holdings) to the Tranche 1 and Tranche 2 Placements (this is not for release to the market).
 18. Please confirm that HDY is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

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19. Please confirm that HDY's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of HDY with delegated authority from the board to respond to ASX on disclosure matters.

Once ASX has received and analysed the information above, it is likely to make further enquiries of HDY.

In providing the information above, ASX would remind you that an officer or employee of a listed entity who gives, or authorises or permits the giving of, materially false or misleading information to ASX:

- knowingly, breaches section 1309(1) of the Corporations Act, which is a criminal offence punishable by a fine of up to 200 penalty units and/or imprisonment for up to 5 years; or
- without taking reasonable steps to ensure that the information was not false or misleading, breaches section 1309(2) of the Corporations Act, which is a criminal offence punishable by a fine of up to 100 penalty units and/or imprisonment for up to 2 years.

When and where to send your response

This request is made under, and in accordance with, Listing Rule 18.7. Your response in relation to the above queries are required as soon as reasonably possible and, in any event, by not later than 9.00 a.m. WST on Wednesday 19 September 2018.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent by e-mail to tradinghaltsperth@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This will allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Should you have any queries in relation to the above, please let me know.

Kind regards

[Sent electronically, without signature]

Wade Baggott
Principal Adviser, Listings Compliance (Perth)