

UPDATE ON ASX ENQUIRY

Further to the announcement lodged with ASX on 29 November 2018 regarding the ongoing ASX enquiry, **Hardey Resources Limited ("the Company")** advises that it provided the attached response letter to ASX yesterday, 20 December 2018.

ASX have advised that they will require some time to consider the information in the Company's response letter, and will respond in due course.

For and on behalf of the Board

Sarah Smith
(Company Secretary)

20 December 2018

Mr James Rowe
Manager, Listings Compliance (Perth)
ASX Limited
Level 40, Central Park
152-158 St Georges Terrace
PERTH WA 6000

Dear Mr Rowe

HARDEY RESOURCES LIMITED (HDY) – REQUIREMENT FOR REMEDIAL ACTION

Hardey Resources Limited (ACN 115 593 005) (ASX:HDY) (**Company** or **HDY**) refers to your letter of 29 November 2018, a copy of which was released on the Company's market announcements platform on that date (**Letter**).

In accordance with the requirements set out in the Letter, the Company has prepared this letter to give a detailed and candid account on the events surrounding:

- (a) entry into the agreements under which the Company acquired 100% of the issued capital of both Nelly Vanadium Pty Ltd (ACN 626 056 371) (**Nelly Vanadium**) and Vanadium Mining Pty Ltd (ACN 621 703 991) (**Vanadium Mining**) (together, the **Acquisition Agreements**);
- (b) variations to the Acquisition Agreements, which gave effect to the vendors under the Acquisition Agreements (**Vendors**) nominating Aceglow Holdings Pty Ltd (ACN 144 938 143) (**Aceglow**) and Energy Capital Partners Pty Ltd (ACN 159 444 318) (**ECP**) (together, the **Additional Parties**) as the recipients for a portion of the consideration payable by the Company under the Acquisition Agreements;
- (c) the circumstances surrounding off-market transfers (**Off-Market Transfers**) that occurred shortly after settlement having occurred under the Acquisition Agreements, resulting in a portion of the consideration securities issued to the Additional Parties being transferred to:
 - 1. Horatio Street Pty Ltd (ACN 612 793 272) (**Horatio Street**), an entity controlled by Darrin Blumenthal, the managing director of the Company's corporate advisor, EverBlu Capital Pty Ltd (ACN 612 793 683) (**EverBlu**);
 - 2. Anglo Menda Pty Ltd (ACN 608 554 052) (**Anglo Menda**), an entity controlled by Adam Blumenthal, the chairman of EverBlu; and
 - 3. Pacific Continental Holdings Pty Ltd (ACN 619 428 901) (**Pacific Continental**), an entity controlled by Jordan Shamir, the wife of Adam Blumenthal,(together, the **EverBlu Entities**); and

- (d) subsequent sales of securities on-market by Horatio Street, Anglo Manda and Pacific Continental (the **On-Market Disposals** and **Additional Disposals**).

In preparing the Company's response to the Letter, the Company has sought cooperation where necessary from the Vendors, the Additional Parties and the EverBlu Entities. Refer to Section 4 below for a summary of the responses received from those parties.

1. BACKGROUND TO THE ACQUISITIONS

Jason Osborne of Subiaco Capital Pty Ltd on behalf of the vendors (**Vendor Group**) presented various potential transactions to the Company throughout April 2018, including the potential acquisitions of Nelly Vanadium (**Nelly Vanadium Acquisition**) and Vanadium Mining (**Vanadium Mining Acquisition**) (together, the **Acquisitions**). The primary persons involved in negotiating and implementing the Acquisitions were Jason Osborne on behalf of the Vendor Group and Terence Clee on behalf of the Company.

(a) Nelly Vanadium

The Company made submissions to ASX on 22 June 2018 seeking confirmation that Chapter 11 of the ASX Listing Rules would not apply to the Nelly Vanadium Acquisition, which was confirmed by ASX on 27 June 2018. The Company subsequently entered into an agreement with the shareholders of Nelly Vanadium on 3 July 2018 (**Nelly Vanadium Agreement**), which was announced on the Company's market announcements platform on the same date.

At the time of signing the Nelly Vanadium Agreement, the proposed breakdown of consideration securities was as set out below:

Vendor	Consideration Shares	Consideration Options ¹
Red Marlin Pty Ltd	168,523,756	168,523,756
Strat Plan Pty Ltd	170,192,307	170,192,307
BBD Custodians Pty Ltd	168,523,756	168,523,756
Condor Prospecting Pty Ltd	166,855,203	166,855,203
JD Squared Investments Pty Ltd	31,702,489	31,702,489
Vassago Pty Ltd	31,702,489	31,702,489
TOTAL	737,500,000	737,500,000

(b) Vanadium Mining

The Company made submissions to ASX on 12 July 2018 seeking confirmation that Chapter 11 of the ASX Listing Rules would not apply to the Vanadium Mining Acquisition, which was confirmed by ASX on 16 July 2018. The Company subsequently entered into an agreement with the majority shareholders of Vanadium Mining on 19 July 2018 (**Vanadium Mining Agreement**), which was announced on the Company's market announcements platform on the same date.

At the time of signing the Nelly Vanadium Agreement, the proposed breakdown of consideration securities was as set out below:

¹ Exercisable at \$0.02 on or before 30 April 2020.

Vendor	Consideration Shares	Consideration Options ¹
Red Marlin Pty Ltd	96,250,000	96,250,000
Strat Plan Pty Ltd	192,500,000	192,500,000
BBD Custodians Pty Ltd	96,250,000	96,250,000
Condor Prospecting Pty Ltd	82,500,000	82,500,000
JD Squared Investments Pty Ltd	27,500,000	27,500,000
Vassago Pty Ltd	27,500,000	27,500,000
TOTAL	522,500,000	522,500,000

The submissions made by the Company to ASX in respect of the Nelly Vanadium Acquisition and Vanadium Mining Acquisition (together, the **Acquisitions**) each contained confirmations from the Company that there would be no related party participation in the Acquisitions, which the Company considers was a correct representation at the time and remains correct.

Following ASX's review of the notice of meeting, the Company dispatched its notice of meeting under which shareholder approval would be sought for the Acquisitions on 25 July 2018. The Company's shareholders subsequently approved all resolutions put to shareholders at a general meeting held on 24 August 2018. The Acquisitions were completed on 24 August 2018 following the general meeting.

2. VARIATIONS TO THE ACQUISITION AGREEMENTS

On 16 August 2018, the Company requested that the Company's solicitors prepare a variation letter to the Nelly Vanadium Agreement, which was prepared as a template document with the revised breakdown of consideration securities to be inserted prior to signing. The variations to the Agreements (together, the **Variations**) were signed prior to settlement of the Acquisitions on 24 August 2018. Details with respect to the circumstances leading to the Variations are set out in the responses received from Adam Blumenthal set out in Section 4(b) and the Vendors in Section 4(d).

Under the Variations, it was agreed that:

- (a) of the 737,500,000 shares and 737,500,000 options making up the consideration payable by the Company under the Nelly Vanadium Acquisition, 387,556,250 shares and 387,556,250 options would be issued to ECP (being 52.55% of the total consideration payable in respect of the Nelly Vanadium Acquisition); and
- (b) of the 550,000,000 shares and 550,000,000 options making up the consideration payable by the Company under the Nelly Vanadium Acquisition, 337,535,000 shares and 337,535,000 options would be issued to Aceglow (being 64.60% of the total consideration payable in respect of the Vanadium Mining Acquisition),

(the securities issued to ECP and Aceglow being, the **Revised Consideration Securities**). The Company notes that it appears the response from Adam Blumenthal set out in Section 4(b) incorrectly references the number of securities issued to Aceglow and ECP at settlement of the Acquisitions.

Given that the Company was comfortable with the consideration payable in respect of the Acquisitions and that the consideration payable at no point changed, the Company was not concerned with the identity of the recipients of the Revised Consideration Securities, provided those persons were not related parties of, or substantial shareholders in, the Company.

Given that the Company was not seeking advice in relation to the Acquisitions from EverBlu, the Company was not concerned that EverBlu (or persons connected with EverBlu) may receive part of the consideration payable by it in respect of the Acquisitions. The Company's view was that it was paying a fair price for the assets to be acquired. The Company's view was supported by extensive independent due diligence which the Company has previously provided in part to the ASX.

The Company was aware that ASX had exercised its discretion under the ASX Listing Rules to treat EverBlu as a related party of Manalto Ltd (**MTL**). However, no such discretion had been exercised by ASX in relation to EverBlu's relationship with the Company. Further, at or around the time of ASX exercising its discretion in relation to MTL, the Company's solicitors (Steinepreis Paganin) had expressed a view to Terence Clee (a common director on MTL and the Company) that the stance taken by ASX in relation to MTL was unique to the factual circumstances relating to MTL and that this ASX stance should not have a broader application to the Company.

Based on the advice from the Company's solicitors, the Company was comfortable that the circumstances surrounding the exercise of ASX's discretion to treat EverBlu as a related party of MTL could be distinguished from the Company's circumstances on the basis that:

- (a) EverBlu and its associates did not have substantial shareholdings in the Company prior to completion of the Acquisitions;
- (b) the Company and MTL have only one common director, Terence Clee;
- (c) no employee of EverBlu was on the Company's board, noting that an employee of EverBlu was a non-executive director of MTL; and
- (d) the Company's board was not nominated by EverBlu following the issue of a notice under section 249D of the Corporations Act 2001 (Cth) (**Corporations Act**), which were the relevant circumstances in respect of MTL.

As such, the Company did not consider that the involvement of persons in the Blumenthal family in the Acquisitions would trigger any obligations under Chapter 10 of the ASX Listing Rules, including escrow requirements that would have applied had ASX Listing Rule 10.1 been triggered as a result of the transaction.

However, due to an administrative oversight, the Company did not undertake a review of its share register to consider whether the issue of securities to the Additional Parties would be in contravention of the ASX Listing Rules or the Corporations Act, specifically whether the Additional Parties would have a voting power in the Company in excess of 20%. As a result of the issue of the Revised Consideration Securities to the Additional Parties, the Additional Parties appear to have had a voting power in the Company in excess of 20%, which ceased to exist shortly after settlement as a result of the off-market transfers discussed below. However, based on the response received by the Company from Adam Blumenthal as set out in Section 4(b), this may not have amounted to a

breach by the Additional Parties by virtue of the Revised Consideration Securities being held on trust for the EverBlu Entities.

3. OFF-MARKET TRANSFERS

The Acquisitions each settled on 24 August 2018, at which time the consideration securities under both Acquisitions were issued in accordance with the Acquisition Agreements, as varied by the Variations.

Subsequently, on 24 August 2018 transfer forms in respect of the following Off-Market Transfers were provided to the Company by the share registry.

TRANSFEROR	TRANSFeree	SECURITIES TRANSFERRED
ECP	Pacific Continental	292,566,250 shares 302,566,250 options
ECP	Anglo Menda	70,000,000 shares 70,000,000 options
ECP	Horatio Street	15,000,000 shares 15,000,000 options
Aceglow	Pacific Continental	337,535,000 shares 337,535,000 options

4. RESPONSES FROM EVERBLU ENTITIES, ADDITIONAL PARTIES AND VENDORS

In connection with the preparation of this letter, the following responses have been provided to the Company in relation to their role in the circumstances surrounding the Variations, Off-Market Transfers, On-Market Disposals and Additional Disposals. The Company provides the responses below from the respective parties without comment:

(a) **EverBlu**

EverBlu did not act for any of the parties in respect of the Acquisitions. In particular:

1. EverBlu has a mandate with the Company to act as the Company's corporate adviser and lead manager for equity capital requirements but did not act for the Company in respect of the Acquisitions.
2. EverBlu did not act for any of the sellers of the shares in Nelly Vanadium and Vanadium Mining or provide any advice or other service.
3. No mandate or other agreement was entered in respect of the Acquisitions.

EverBlu did not receive any financial or other benefit from the Acquisitions.

EverBlu understands that Adam Blumenthal 's involvement in the Acquisitions was undertaken in his personal capacity.

(b) **Adam Blumenthal**

The amendments to the Acquisition Agreements arose as follows:

1. Adam Blumenthal has known Jason Osborne since late 2017 in a professional capacity.
2. In or around April 2018, Jason Osborne (acting for the vendors) discussed with Adam Blumenthal whether he could help find a buyer for two vanadium assets.
3. In Adam Blumenthal's dealings regarding the Acquisitions, he acted in his personal capacity. Specifically, EverBlu was not engaged to act on any aspect of the Acquisitions.
4. Adam Blumenthal discussed with Jason Osborne what consideration would be paid to him by the vendors if he could identify an appropriate buyer of the vanadium assets and a deal subsequently concluded. Adam Blumenthal and the vendors discussed a range of 30 to 60 per cent of the vendors' consideration. However, the type and amount of the consideration was to be decided as the sale progressed.
5. Adam Blumenthal identified the Company as a potential acquirer of the vanadium assets and referred Jason Osborne to the Company on the basis that Adam Blumenthal would receive part of the vendors' consideration if a deal was concluded.
6. Later in April 2018, Terence Clee informed Adam Blumenthal that Jason Osborne had approached the Company in respect of the purchase of the vanadium assets. Adam Blumenthal informed Terence Clee that he had referred the vanadium assets to the Company and that he would be compensated by the vendors. Adam Blumenthal presumed that Terence Clee would therefore have been aware that Adam Blumenthal was obtaining some financial benefit given that was standard business practice for referrals. Adam Blumenthal also informed Terence Clee that EverBlu would be unable to act for the Company in respect of the Acquisitions as a result.
7. Around mid-July 2018 in anticipation of the deal progressing, Adam Blumenthal asked Thomas Young to be involved in the deal given that he was based in Perth, he was a corporate adviser and he had extensive expertise in the mining and resources sector. Adam Blumenthal also discussed Thomas Young's entities being involved to maintain commercial confidentiality and flexibly in respect of the vendors and who the ultimate beneficiaries of Adam Blumenthal's portion of the consideration may be.
8. In or around the last week of July 2018, Jason Osborne and Adam Blumenthal agreed the quantum of the vendors' consideration payable to Adam Blumenthal in respect of the referral. In particular,

the vendors and Adam Blumenthal agreed that the consideration would be approximately 50 per cent of the total purchase price.

9. Around that time, Adam Blumenthal informed Terence Clee that he would be receiving a portion of the vendors' consideration and that Thomas Young would be involved.
10. Adam Blumenthal understands that the Company, the vendors and Thomas Young's companies (Aceglow and ECP) entered into the variations in around 20 August 2018. Adam Blumenthal understood that the purpose of the variations was to include a direction that a portion (Adam Blumenthal's portion) of the vendors' consideration securities issued by the Company were to be issued to Aceglow and ECP given that the quantum of Adam Blumenthal's portion of the vendors' consideration had by that stage been finalised. Aceglow and ECP were parties to the agreement. It was practically more efficient to have one party to the sale agreement and one recipient to receive the securities rather than numerous parties and recipients. At that stage, Adam Blumenthal had not yet determined the amount that each ultimate beneficiary would receive. Having Aceglow and ECP as parties to the agreement provided commercial confidentiality and flexibility in respect of the vendors and the ultimate beneficiaries. It was never Adam Blumenthal's intention to conceal his involvement in the transaction from the Company or ASX.
11. On 24 August 2018:
 - (A) Aceglow was issued with 550 million shares and 550 million options pursuant to the Nelly Vanadium Acquisition; and
 - (B) ECP was issued with 737,500,000 shares and 737,500,000 options pursuant to the Vanadium Mining Acquisition.
12. Adam Blumenthal believes that, at that time, Anglo Menda held a small position in the Company, namely 83,706 shares and 45,000,200 options.
13. The securities issued to Aceglow and ECP were immediately transferred to Anglo Menda, Pacific Continental and Horatio Street through off-market transfers as follows:

TRANSFEROR	TRANSFeree	SECURITIES TRANSFERRED
ECP	Pacific Continental	292,566,250 shares 302,566,250 options
ECP	Anglo Menda	70,000,000 shares 70,000,000 options
ECP	Horatio Street	15,000,000 shares

		15,000,000 options
Aceglow	Pacific Continental	337,535,000 shares 337,535,000 options

14. ECP continued to hold 20,888,889 shares in consideration for its involvement.
15. On or around 30 August 2018, Pacific Continental transferred 150,000,000 of its shares to Anglo Menda.
16. On or around 4 September 2018, Pacific Continental transferred 150,000,000 of its options to Anglo Menda.
17. Adam Blumenthal received a financial benefit from the transfer to Anglo Menda as he holds the ultimate beneficial interest in that company, through another company, Anglo Australasia Holdings Pty Ltd.
18. Adam Blumenthal's wife received a financial benefit from the transfer to Pacific Continental as she is the sole shareholder of that company.
19. Adam Blumenthal's brother Darrin Blumenthal received a financial benefit from the transfer to Horatio Street as he is the sole shareholder of that company. The shares and options were transferred to Horatio Street in part repayment of an outstanding loan owed by Adam Blumenthal to Darrin Blumenthal.
20. The shares held by Anglo Menda were sold on the dates and for the net proceeds set out below:

DATE	NO. OF SHARES	MARKET PRICE	NET PROCEEDS
31 August 2018	42,000,000	\$0.0062	\$256,720.80
3 September 2018	20,000,000	\$0.005	\$99,120.00
4 September 2018	23,415,000	\$0.0046	\$106,919.30
5 September 2018	40,047,010	\$0.004	\$158,803.55
6 September 2018	30,000,000	\$0.0040	\$119,051.77
7 September 2018	10,000,000	\$0.0035	\$34,692.00
7 September 2018	35,000,000	\$0.0032	\$111,595.02
7 September 2018	5,000,000	\$0.003	\$14,868.00

10 September 2018	5,000,000	\$0.003	\$2,252.38
TOTAL	206,111,262		\$904,022.82

21. The options held by Anglo Menda were sold on the dates and for the net proceeds set out below:

DATE	NO. OF OPTIONS	MARKET PRICE	NET PROCEEDS
6 August 2018	17,564,076	\$0.001	\$17,371.58
7 August 2018	2,000,000	\$0.001	\$1,923.00
9 August 2018	8,037,000	\$0.001	\$7,949.00
10 August 2018	17,399,124	\$0.001	\$17,246.22
31 August 2018	20,000,000	\$0.001	\$19,824.00
3 September 2018	22,000,000	\$0.001	\$21,806.40
4 September 2018	23,546,911	\$0.001	\$23,340.11
5 September 2018	4,353,089	\$0.001	\$4,276.09
Total	114,900,200		\$113,736.40

22. The shares held by Pacific Continental were sold on the dates and for the net proceeds set out below:

DATE	NO. OF SHARES	MARKET PRICE	NET PROCEEDS
3 September 2018	10,000,000	\$0.005	\$49,560.00
4 September 2018	5,000,000	\$0.005	\$24,780.00
5 September 2018	25,000,000	\$0.004	\$98,658.00
6 September 2018	12,000,000	\$0.004	\$47,593.00
7 September 2018	15,000,000	\$0.0039	\$57,600.93
10 September 2018	2,000,000	\$0.004	\$7,912.00
Unknown ²	32,000,000	NA	Nil

² Pacific Continental disposed of 32 million shares by way of off market transfer.

TOTAL	69,000,000		\$286,103.93
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23. The options held by Pacific Continental were sold on the dates and for the net proceeds set out below:

DATE	NO. OF OPTIONS	MARKET PRICE	NET PROCEEDS
5 September 2018	669,551	\$0.001	\$669.55
7 September 2018	1,700,000	\$0.001	\$1,612.00
TOTAL	2,369,551		\$2,281.50

24. As of the date of this letter, the entities mentioned above own the following securities in the Company:

ENTITY	SHARES	OPTIONS
Anglo Menda	13,972,444	150,100,000
Pacific Continental	379,091,250	487,721,699

25. Adam Blumenthal noted that ASX proposes various possible remedial actions in its letter and confirms that he is willing to work with the Company and ASX to implement an appropriate course of action or solution to address those concerns.

(c) **Horatio Street**

1. Darrin Blumenthal is the sole director and shareholder of Horatio Street.
2. In late August 2018, ECP transferred to Horatio Street by way of off market transfer 15 million shares and 15 million options. The transfer was a part repayment of a personal loan owing to Darrin Blumenthal by Adam Blumenthal.
3. Horatio Street sold the following shares on the dates provided below:
 - (A) on 31 August 2018, 5.75 million shares were sold at \$0.005 per share for net proceeds of \$28,591.37; and
 - (B) on 4 September 2018, 0.8 million shares were sold at \$0.005 per share for net proceeds of \$3,580.20.
4. As of the date of this letter, Horatio Street holds 8.45 million shares and 15 million options.

(d) **Vendors**

1. The Vendors have no knowledge of the Off-Market Transfers, On-Market Disposals and Additional Disposals, including the reasons why the parties involved engaged in those transactions and the financial benefits that the parties involved received as a result of those transactions, and therefore provide no response in relation to those items.
2. As to the Variations, the Vendors say:
 - (A) The Vendors comprise a consortium of independent professionals with various complementary skill-sets (including technical, financial and strategic), whose business model is to acquire prospective mineral projects for on-sale to publicly-listed resources entities, generally for consideration which includes securities in those entities. They have a history of working together opportunistically through the commodity cycle (including in terms of focussing on commodities and projects for which market sentiment is likely to be favourable at a particular time).
 - (B) Having identified that vanadium was an exciting commodity with attractive forward fundamentals (which propelled the vanadium pentoxide price from US\$2.50 in late 2015 to a recent peak of circa US\$34 in November 2018), the Vendors acquired various vanadium assets through their entities NVPL and VanMin (which were established by them for that purpose).
 - (C) In April 2018, the Vendors had discussions with Mr Adam Blumenthal, in his personal capacity, in relation to the possibility of him providing facilitation and introduction services whereby he would identify suitable publicly-listed vehicles with an interest in acquiring vanadium projects. They were aware of Mr Blumenthal as he had been successful in structuring or being involved in a number of transactions involving junior resources companies and there had been various media coverage highlighting that success.
 - (D) Mr Blumenthal advised the Vendors that he charged a success fee of between 30-60% of overall transaction value for providing his services. Although expensive, the Vendors elected to proceed on the basis of Mr Blumenthal's recent successes and because they would not be liable to pay anything unless and until a transaction that they were happy to conclude was finalised. The specific details of Mr Blumenthal's fee were to be agreed once the basis of any intended transaction had been determined.
 - (E) On 3 and 18 July 2018, Hardey and the Vendors entered into binding heads of agreement documents (**HOAs**) for the acquisition of NVPL and VanMin, respectively. The consideration for those acquisitions was in each case shares

and options in Hardey. The Vendors entered into the HOAs in the knowledge that Mr Blumenthal would need to be paid a fee amounting to a percentage of the consideration received by them.

- (F) Variations to the HOAs were subsequently proposed in August 2018, in which the matter of Mr Blumenthal's fee was specifically dealt with by the apportionment of the overall transaction consideration as between the Vendors (on the one hand) and certain entities proposed by Mr Blumenthal – Energy Capital Partners Pty Ltd and Aceglow Holdings Pty Ltd – on the other. As the Vendors were still satisfied commercially with the value of the consideration they were to receive under the acquisitions, they executed the variation documents on 20 August 2018.
- (G) The Vendors accepted that Energy Capital Partners Pty Ltd and Aceglow Holdings Pty Ltd were entities that Mr Blumenthal directed to receive, in place of him personally, the relevant consideration securities and the Vendors had no knowledge or awareness of those companies' intentions regarding what they would do with their proportion of the acquisition consideration once they received it.

- 3. The Vendors entered into the acquisition transactions in good faith and are concerned by the ASX Letter and the potential implications raised in it regarding the possibility of Hardey's securities becoming delisted from ASX. Should that occur, they will suffer substantial detriment. Further, the Vendors are concerned that (as also raised as a possibility in the ASX Letter) if the acquisition transactions were to be reversed for whatever reason they would also be unfairly prejudiced. The Vendors note that in the course of undertaking due diligence on NVPL and VanMin, Hardey commissioned SRK International to review the Nelly Vanadium mine and that such review delivered positive findings. This, coupled with the climate of a significantly increasing vanadium price at the time the acquisitions were concluded, leads the Vendors to believe that the value of the consideration paid by Hardey for NVPL and VanMin was fair and reasonable.

5. REMEDIAL ACTION

The Company is willing to work with ASX and all other parties to the Acquisitions and Off-Market Transfers to implement a recommended course of action or solution as ASX sees fit to comprehensively address the concerns raised by ASX.

Adam Blumenthal and the Vendor Group have also confirmed their intended full co-operation to the Company.

The Board remains of the view that the Acquisitions delivered a significant upside to all shareholders. The Board has engaged an independent valuer to assess the value of the Acquisitions and to examine the price the Company paid for these assets. The Board is confident that the independent valuer will find that the Company in fact paid below market for these assets. As soon as the independent valuation is available this will be

promptly sent to the ASX. The Company notes that from the time these Acquisitions were first contemplated to December the vanadium price has doubled.

The Board wishes to note the large number of small shareholders on the Company's share registry. For the good of those small shareholders, the Company wishes to take all steps necessary to work with the ASX to ensure the Company is not delisted. Beyond engaging with all parties in order to implement a solution to remedy ASX's immediate concerns, the Board in 2019 will be appointing an independent corporate governance expert and wishes to seek recommendations from the ASX as to the scope of the corporate governance expert's engagement. The Board would be willing to share the contents of the expert's report with ASX. The Board is also open to appointing additional independent directors.

This letter has been prepared, approved and submitted to ASX with the authority of the Board of Directors of the Company.

Yours Sincerely



Sarah Smith
Company Secretary
Hardey Resources Limited