

8 March 2019

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) – Remediation Proposal

Hardey Resources Limited (**HDY** or **Company**) refers to the announcement HDY released on the ASX Market Announcements Platform on 18 January 2019 advising that it has provided a formal and detailed letter to ASX outlining the Company's proposed remedial action. This is the remedial action referred to in that announcement, which has been amended to reflect ASX's comments on the Company's original proposal.

The overall goal of the remediation action set out in this letter (**Proposal**) is for a New Board to consider afresh whether the Acquisitions (with any changes that may be negotiated and agreed by the New Board and the Vendors) are in the best interests of HDY and its Unassociated Shareholders.

If the New Board decides that the Acquisitions are in the best interests of HDY and its Unassociated Shareholders, the Acquisitions are to be submitted to the Unassociated Shareholders for approval.

If either: (a) the New Board decides that the Acquisitions are not in the best interests of HDY and its Unassociated Shareholders or (b) the Unassociated Shareholders fail to approve the Acquisitions, HDY is to be restored, as nearly as may be possible, to the position it would have been in if it had not entered into the Acquisitions.

A. GLOSSARY

Acquisition Agreements means the agreements under which the Company acquired 100% of the issued capital of Nelly Vanadium and Vanadium Mining.

Acquisitions means the Nelly Vanadium Acquisition and the Vanadium Mining Acquisition.

Additional Parties means:

- (a) Aceglow Holdings Pty Ltd (ACN 144 938 143); and
- (b) Energy Capital Partners Pty Ltd (ACN 159 444 318) (**ECP**).

Associated Parties means the Vendors, the Blumenthal Parties, the Additional Parties and each of their respective associates (as defined in section 12 of the Corporations Act).

Blumenthal Parties means:

- (a) Horatio Street Pty Ltd (ACN 612 793 272) (**Horatio Street**);
- (b) Anglo Menda Pty Ltd (ACN 608 554 052) (**Anglo Menda**); and
- (c) Pacific Continental Holdings Pty Ltd (ACN 619 428 901) (**Pacific Continental**).

Consideration Securities means the consideration shares and consideration options issued to the Vendors and the Additional Parties under the Acquisition Agreements.

Corporations Act means *Corporations Act 2001* (Cth).

Nelly Vanadium means Nelly Vanadium Pty Ltd (ACN 626 056 371).

Nelly Vanadium Acquisition means the acquisition by the Company of the shares in Nelly Vanadium.

New Board means the board of HDY, as reconstituted under paragraph 3 of Section B below.

NV Vendors means the vendors of the shares in Nelly Vanadium (excluding for the avoidance of doubt the Additional Parties).

Off-Market Transfers means the 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 the Blumenthal Parties, details of which are set out in Section 3 of the announcement HDY released on the ASX Market Announcements Platform on 21 December 2018.

Proceeds Already Provided means the following sums that have been advanced to the Company by the Blumenthal Parties as at the date of this announcement:

- (a) \$10,000 on 31 January 2019; and
- (b) \$25,000 on 26 February 2019,

together with any additional amounts advanced by the Blumenthal Parties or Additional Parties prior to the Proceeds of Sales being advanced to the Company in accordance with paragraph 2 of Section B.

Proceeds of Sales means the proceeds of any sales (whether on market or otherwise) of any Consideration Securities received by the Additional Parties in connection with the acquisitions of Nelly Vanadium and Vanadium Mining, or transferred to the Blumenthal Parties under the Off-Market Transfers, as detailed in the table in Schedule 1.

Target means Nelly Vanadium or Vanadium Mining.

Unassociated Shareholders means the shareholders of HDY other than the Associated Parties.

Vanadium Mining means Vanadium Mining Pty Ltd (ACN 621 703 991).

Vanadium Mining Acquisition means the acquisition by the Company of the shares in Vanadium Mining.

Vendors means the NV Vendors and the VM Vendors.

VM Vendors the vendors of the shares in Vanadium Mining (excluding for the avoidance of doubt the Additional Parties).

B. THE PROPOSAL

1. All Consideration Securities issued to the Additional Parties in connection with the acquisitions of Nelly Vanadium and Vanadium Mining, or transferred to the Blumenthal Parties under the Off-Market Transfers, that they hold as at the date of this Proposal will be cancelled by way of a selective capital reduction for total consideration of \$1.00 per person having their shares cancelled.
2. To the extent that prior to the date of this Proposal any of the Additional Parties have disposed of any of the Consideration Securities issued to them in connection with the acquisitions of Nelly Vanadium and Vanadium Mining, or the Blumenthal Parties have disposed of any of the Consideration Securities transferred to them under the Off-Market Transfers, each of them will pay over the Proceeds of Sales to HDY, less any Proceeds Already Received, in full on or prior to 15 March 2019. These funds will then be available to the New Board of HDY to meet HDY's ongoing financial and working capital needs. The existing directors of HDY are not to make any payments out of the Proceeds of Sales.
3. On or prior to 15 March 2019, the existing directors of HDY will appoint the following individuals as directors of HDY (individually **Interim Directors** and collectively the **New Board**) and thereafter immediately resign as directors of HDY:
 - (a) John Hannaford – Non-Executive Director;
 - (b) David Izzard – Non-Executive Director;
 - (c) Brian Thomas – Non-Executive Director;
 - (d) Scott Paterson – Non-Executive Director; and
 - (e) Nick Johansen – Non-Executive Director.

The Interim Directors' biographical details and terms of appointment are set out in Schedule 2 to this announcement.

For the avoidance of doubt, the New Board will have such powers to manage the business and affairs of HDY as would ordinarily be held by directors of an Australian listed public company.

4. As soon as reasonably practicable, the new Board will consider the merits of the Acquisitions and, if they consider it necessary or appropriate, will seek

independent professional advice in connection with the Acquisitions and/or negotiate changes to the terms of the Acquisitions with the Vendors.

The new Board will then make a determination on whether each of the Acquisitions is in the best interests of HDY and its Unassociated Shareholders.

If the New Board decides that an Acquisition is not in the best interests of HDY and its Unassociated Shareholders, clause 8 below will apply.

If the New Board decides that an Acquisition is in the best interests of HDY and its Unassociated Shareholders, the new Board will convene a meeting of the Unassociated Shareholders to approve the issue of the Consideration Securities to the Vendors under and for the purposes of Listing Rule 7.1.

If the Unassociated Shareholders fail to approve the issue of the Consideration Securities to the applicable Vendors under and for the purposes of Listing Rule 7.1 at that meeting, clause 8 below will apply.

5. On or prior to 22 March 2019, the Vendors will enter into a standstill agreement with the Company agreeing to do all things necessary to implement this Proposal and not to dispose of any Consideration Securities or exercise any options forming part of the Consideration Securities that they hold as at the date of this Proposal (noting that a total of 25,000,000 HDY shares have previously been sold by the Vendor Group to recoup administrative costs), nor to vote any of those Consideration Securities, until the requirements in this Proposal have been fully implemented.
6. On or prior to 22 March 2019, the Additional Parties will enter into a standstill agreement with the Company agreeing to do all things necessary to implement this Proposal and not to dispose of any of the Consideration Securities issued to them in connection with the acquisitions of Nelly Vanadium and Vanadium Mining that they hold as at the date of this Proposal, nor to vote any of those Consideration Securities, until those Consideration Securities have been cancelled as per clause 1 above.
7. On or prior to 22 March 2019, the Blumenthal Parties will enter into a standstill agreement with the Company agreeing to do all things necessary to implement this Proposal and not to dispose of any of the Consideration Securities transferred to them under the Off-Market Transfers that they hold as at the date of this Proposal, nor to vote any of those Consideration Securities until those Consideration Securities have been cancelled as per clause 1 above.
8. In the event that this clause applies, the Vendors and HDY will unwind the applicable Acquisition(s), with HDY transferring back to the applicable Vendors the shares it acquired in the Target and the applicable Vendors agreeing to the cancellation of the Consideration Securities issued to them by way of a selective capital return. The Vendors will also pay over to HDY the proceeds of sale in full received by them on the 25,000,000 HDY shares previously sold by them.

9. If for any reason, the HDY shareholders do not approve the cancellation of the Consideration Securities required under this Proposal, the Vendors, the Additional Parties and the Blumenthal Parties will engage in good faith with HDY to achieve an equivalent outcome. This may include them selling the Consideration Securities for a total consideration of \$1.00, to be disposed of by an independent third-party on-market in an orderly fashion with all proceeds (less any fees payable to the independent third party) being remitted to the Company.
10. In addition to the above, but contemporaneously with the review and possible approval of the Acquisitions, a process will be put in place under which:
- (a) HDY will declare open a 'nomination period' whereby existing shareholders of HDY will be permitted to nominate any person they deem fit to be a director of HDY (**Nominated Directors**);
 - (a) The New Board will cause the customary background checks on the Nominated Directors to be undertaken to ensure they are of good fame and character and appropriate for appointment to the board of an ASX listed entity;
 - (b) Tony Taylor, director of Stanton Chase, (**Adjudicator**) will then review the backgrounds and experience of the Nominated Directors to determine the best candidates to be put forward to HDY shareholders for election as directors, having regard to the need for the board of HDY to be of an appropriate size and collectively to have the skills, commitment and knowledge of the Company and the industry in which it operates to discharge its responsibilities as the board of an ASX listed entity. The Adjudicator will exercise independent judgement in making this assessment; and
 - (c) each of the Nominated Directors that the Adjudicator considers are appropriate persons to potentially act as directors of HDY will then be put to shareholders to vote on his or her appointment as a director in general meeting (being the same meeting where it is intended that HDY shareholders are asked to approve (or not) the Acquisitions).

The Interim Directors have indicated that they intend to nominate themselves into the process outlined above (i.e. as Nominated Directors) with a view to their appointments being reviewed by the Adjudicator and approved by HDY shareholders in general meeting and, if so approved, remaining as directors of the Company.

If the Adjudicator determines that an Interim Director is not among the best candidates to be put forward to HDY shareholders for election as directors of HDY, the Interim Director will stand down as a director at the conclusion of the general meeting referred to above.

HDY further notes that the Company has received what purports to be a request under Section 249D of the Corporations Act (**249D Request**) that

seeks to remove all of the existing directors of HDY and appoint nominees of the proponents of that 249D Request (**249D Nominees**). HDY does not consider the 249D Request complies with the legal requirements of the Corporations Act and is therefore invalid. In any event, HDY notes that the proponents of the Section 249D Request have agreed to withdraw that request upon Nick Johansen being appointed as a director of the Company (which is now contemplated by this Proposal).

11. As part of implementing the Proposal, the Company's mandate with EverBlu Capital Pty Ltd has been terminated.

The Company understands that ASX will defer its decision to delist the Company from ASX on the condition that the Proposal is implemented in accordance with this letter, but otherwise ASX has reserved its rights to delist the Company at any time if the Proposal is not implemented in this way.

This response has been authorised and approved by the board of directors of HDY.

Yours sincerely

Sarah Smith
Company Secretary

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Email: ss@miradorcorporate.com

Schedule 1

CONSIDERATION SECURITIES HELD BY THE BLUMENTHAL PARTIES AND ADDITIONAL PARTIES

The table below sets out the Consideration Securities that are currently held by the Blumenthal Parties and the Additional Parties, together with the proceeds received in consideration for the sale of any Consideration Securities that were issued or transferred to, and are no longer held by, the Blumenthal Parties and the Additional Parties:

Holder	Consideration Shares	Consideration Options	Proceeds of Sales	
			Shares	Options
Anglo Menda Pty Ltd ¹	13,888,738	105,099,800	\$904,022.82	\$113,736.40
Pacific Continental Pty Ltd	411,091,250	487,721,699	\$286,103.93	\$2,281.50
Horatio Street Pty Ltd	8,450,000	15,000,000	\$32,171.57	Nil
ECP	Nil	Nil	\$54,200.26	Nil
TOTAL	401,429,988	607,821,499	\$1,276,499	\$116,018

Notes:

1. This excludes 83,706 shares and 45,000,200 options held by Anglo Menda Pty Ltd prior to the Acquisitions being completed.

Schedule 2 – Director Bios and Remuneration

Director Bios

John Hannaford B Com, F Fin. –Non-Executive Director

John is an experienced corporate executive with extensive experience in the ASX Resources sector as Corporate Advisor, Executive, Chairman, Company promoter and investor. A qualified Chartered Accountant and Fellow of the Securities Institute of Australia, he is the founder and director of View Street Partners a boutique financial services company located in Perth, Western Australia.

His past directorships of ASX companies include:

Emerald Oil & Gas NL (Executive Director, Non-Executive Director) June 2006 – 2012

Atlantic Limited (Executive Director, Non-Executive Chairman) July 2007 - April 2010

Bathurst Resources Ltd (Non-Executive Chairman) May 2007 – Feb 2009

NeuroDiscovery Limited (Non-Executive Director) April 2005 – July 2009

Monteray Mining Group Limited (Non-Executive Director) Feb 2011 – Dec 2014

Orinoco Gold Limited (previously Strickland Resources Limited) (Non-Executive Chairman) June 2011 – May 2017

Bone Limited (Non-Executive Director) Jan 2014 – Dec 2016

David Izzard Bbus, CPA, MBA, MSc, GACID – Non-Executive Director

David is an experienced finance executive and director with over 15 years' experience in the mining industry.

David is the former CFO for SMS Innovative Mining, a mining services business with annual turnover of \$150m and clients including Saracen Minerals, Norton Gold, Mount Gibson Iron, Tawana Resources, BHP, BMA and Capricorn Resources.

He is a co-founder and shareholder of Adaman Resources, a private mining company holding gold assets valued at \$100m, Kirkalocka and Corinthina.

David has a strong knowledge of mining operations, financing and project management. Over the last three years he has been involved in identifying economical mining projects and executive teams to execute and operate projects.

David is a qualified accountant and has an MBA and a Master of Mineral Economics from Curtin University.

Brian Thomas BSc MBA MAusIMM MAICD SAFin – Non-Executive Director

Brian is the Principal of a boutique corporate advisory practice providing advice on corporate finance, M&A, technical reviews, investor relations and market communications. He is able to access a significant capital markets and corporate advisory network.

He has partnered with and advised corporate advisors, financial advisors and high net worth investor groups (HNWI) in creating and investing in small to mid-market capitalisation companies. He has also provided Non-Executive Chairman and Director representation on their behalf plus advised the boards and management on corporate finance, M&A, investor relations and fund raising. This followed a 15-year financial services career with Westpac Institutional Bank, a private property funds management group, Merrill Lynch Investment Bank, McIntosh Limited and Morgan Stockbroking.

In addition, he has extensive professional and pre-professional experience in senior operational management in the resources industry in both production and exploration settings working in a diverse range of commodities such as precious, base and energy metals, industrial minerals, diamonds, bulk commodities plus oil and gas.

Brian graduated from the University of Adelaide with a BSc in Geology and Mineral Economics, the University of Western Australia Business School with an MBA and the Securities Institute of Australia (now FinSIA) with a Certificate in Applied Finance and Investment.

His past directorships of ASX companies include:

Strickland Resources Ltd (ASX:STK) (Non-Executive Director)

Orinoco Gold Ltd (ASX:OGX) (Non-Executive Director)

Transit Holdings Limited (ASX:TRH)/Potash Minerals Ltd (ASX:POK) (Non-Executive Director)

Charter Pacific Corporation Ltd (ASX:CHF) (Non-Executive Director)

Aragon Resources Limited (ASX:AAG) (Non-Executive Director)

Auris Minerals Ltd (ASX:AUR) (Non-Executive Director - Current)

Cougar Metals NL (ASX:CGM) (Non-Executive Director - Current)

Tempo Australia Ltd (ASX:TPP) (Non-Executive Director)

Noah Resources Ltd (ASX:NOA) -(Non-Executive Chairman)

Bailey Minerals NL (ASX:BAA) – (Non-Executive Chairman)

Parker Resources NL (ASX:PKR) – (Non-Executive Chairman)

White Cliff Nickel Ltd (ASX:WCN) (Non-Executive Chairman)

Chrome Corporation Ltd (ASX:CCI) (Managing Director)

Scott Paterson –Non-Executive Director

Scott is a director and shareholder of Gramercy Partners Pty Ltd, a finance company facilitating business and mining finance. Gramercy Partners' loan book is financed through its private fund.

Through his role at Gramercy Partners, Scott is actively involved in the assessment of mining companies and their operations, with a focus on determining project viability.

Scott is also a director and shareholding of GNO Pty Ltd, a private company specialising in small scale mining and milling operations in and around Kalgoorlie and Western Australian goldfields.

Scott has extensive business experience and been the recipient of multiple Australia wide industry awards and accolades.

Nick Johansen –Non-Executive Director

A solicitor with extensive mining experience, ranging from junior exploration to production, across a range of commodities, Nick has expertise in transactions, resources regulation, native title and environmental law. Nick completed his Graduate Diploma of Legal Practice at Australian National University. In addition, he holds a BA in economics from the University of Adelaide.

Currently he is non-executive chairman of logistics firm, Orcoda (ASX: ODA), and a director or AIM-listed Armadale Capital (LSE: ACP) which has early stage mining assets in Africa.

Director Remuneration

Each Non-Executive Director will be paid a fee of \$5,000 (plus GST) per month, as well as consultancy fees for additional services, as required, on commercial terms.