

QUARTERLY ACTIVITIES REPORT FOR THE 3 MONTH PERIOD ENDING 30 SEPTEMBER 2016

HIGHLIGHTS FOR THE QUARTER

- Binding Heads of Agreement executed to acquire a 70% interest in the advanced Maniema Gold Project located in the Maniema Province, in the Democratic Republic of Congo.
- A\$1,650,000 capital raising announced for a non-renounceable rights issue to shareholders and placement to sophisticated investors to fund acquisition and planned exploration activities.
- Annual Report and Audited Financial Accounts for the 12 months ended 30 June 2016 lodged.
- Technical consultants commence site investigations and in-country technical due diligence review.
- Termination of previously announced M2M Global Technology Limited transaction.

The Board of Vector Resources Limited (“**Vector**” or the “**Company**”) provides the following operations report and quarterly cash flow report (Appendix 5B) of its activities during the three months ended 30 September 2016.

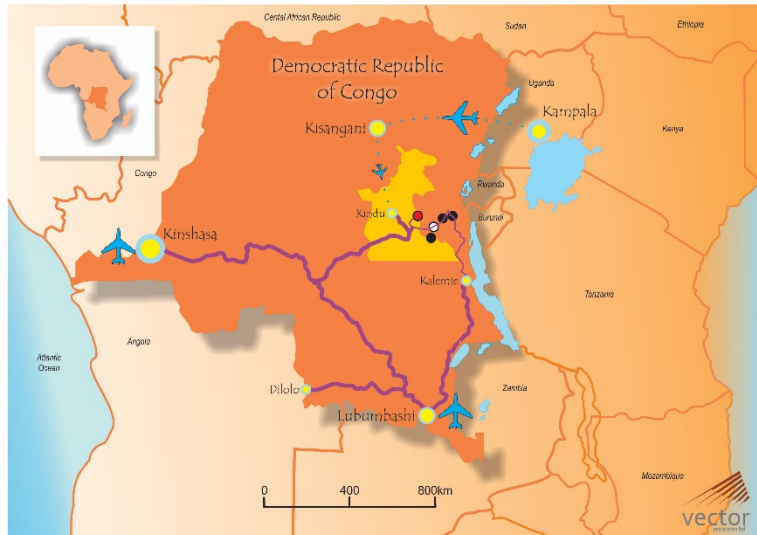
ACQUISITION OF MANIEMA GOLD PROJECT

During the Quarter (refer ASX Announcement dated 14 September 2016) the Company announced that it had entered a Binding Heads of Agreement (“**Agreement**”) with African Royalty Company Pty Limited (“**African Royalty**”) to acquire a 70% interest in the Maniema Gold Project (“**Project**”) in the Democratic Republic of Congo.

Under the terms of the Agreement, the Company has agreed to acquire African Royalty’s rights under an agreement that African Royalty has entered into with WB Kasai Investments Congo SARL (“**WBK**”) (“**WBK Agreement**”) pursuant to which the Company will obtain a 70% joint venture interest in the Project (“**Acquisition**”).

The Acquisition, which remains subject to completion of due diligence and shareholder and regulatory approval, will provide the Company and its shareholders a majority interest in an advanced gold project, four additionally defined gold prospects, and exploration licenses located within a well established and highly prospective gold mining area.

The Project is located in the Maniema Province, approx. 260km southwest of the town of Bukavu, and 160km east of Kindu in east central Democratic Republic of Congo.



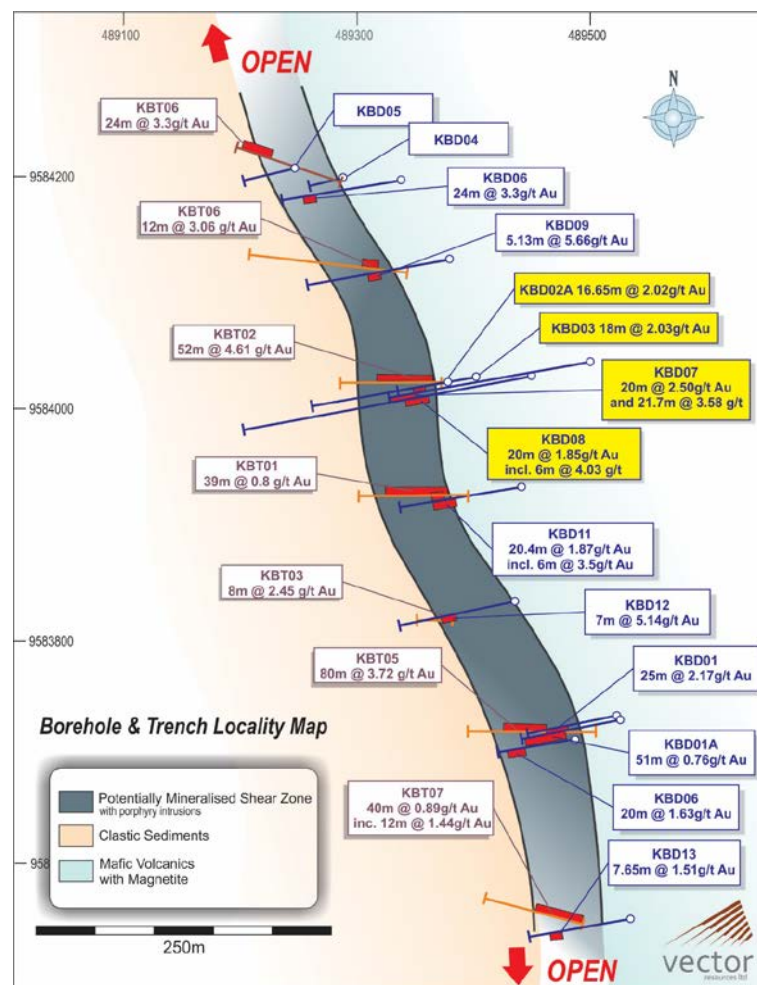
Location of the Maniema Gold Project

The Project comprises seven granted exploration licences: PR4792, PR4801, PR4803, PR4804, PR4805, PR4806 and PR4812 and which cover an area of over 500km² (“Licenses”)

The Licenses contain five main prospects; Kabotshome, Mbutu, Mitunda, Mbala and Tubambo that have been defined within the project area from previous exploration.

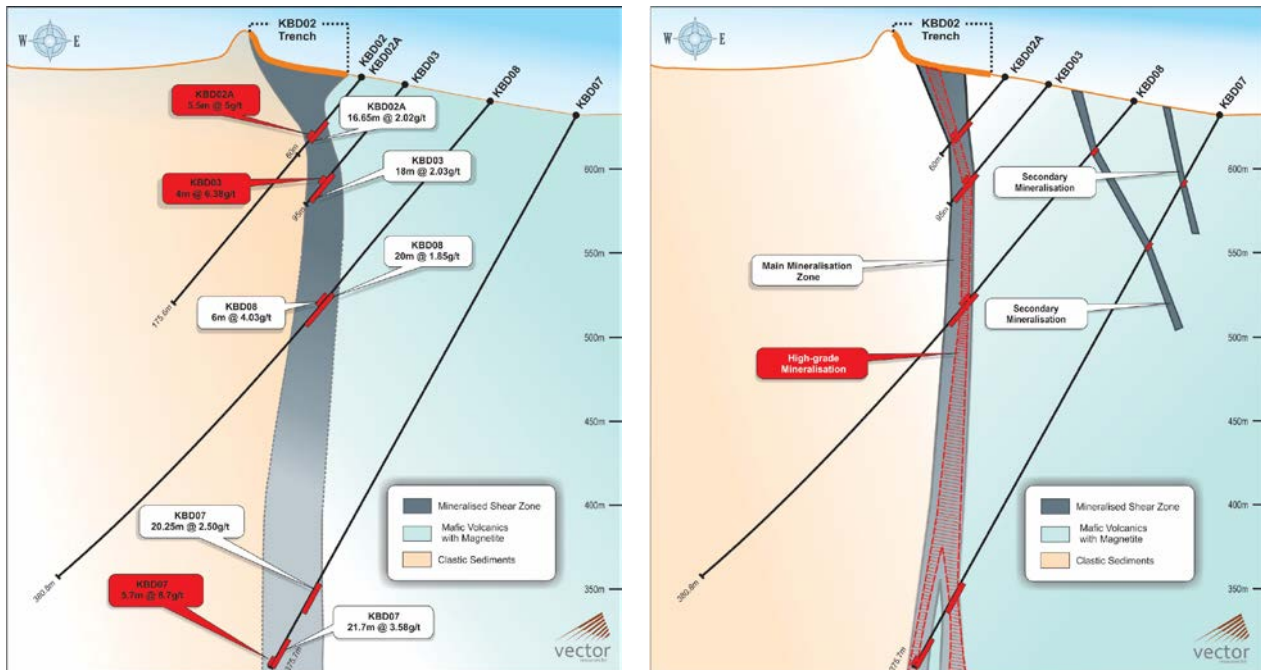
The Kabotshome Project is the most advanced.

Exploration of the licence areas covering the Project area has included geophysics, stream sediment sampling, soil geochemistry, trenching and drilling. Five different prospects were identified from soil sampling, and four of these were then trenched to better define drill targets. Drilling was carried out on the Kabotshome, Mitunda and Mbutu prospects.



Simplified geological map showing drill hole and trench localities at the Kabotshome Project

The Kabotshome Prospect has an associated soil gold anomaly of >100ppb which transgresses the target area over more than 1km. Drilling has tested mineralisation along a 25m to 50m wide vertical shear zone coincident with the NNW orientated fold axis of a major anticlinal fold over a distance of 800m and to a vertical depth of 300m.



Section showing main intercepts in drill holes KBD02, KBD02A, KBD03, KBD07 and KBD08 with apparent thicknesses with the main and secondary mineralised zones

A total of 17 holes have been drilled along the main target in Kabotshome. All drill holes intersected gold mineralisation along the Kabotshome structure. This mineralisation was generally 15m to 25m wide with a grade range of 1.5 to 2.5g/t gold. Best grades were reported where the main shear zone identified at surface intersects the sediments as shown in KBD07 which reported 20.25m @ 2.5g/t gold (from 319m) including 8m @ 4.03g/t gold and 21.7m @ 3.58g/t gold (from 354m) including 5.7m @ 8.74g/t gold. Nearly all intersections reported a higher-grade, narrower interval (between 5 and 7 metres), with grades of 5-8g/t gold and up to 118.5 g/t (refer ASX:ERN Announcement 18 March 2013). High grade mineralisation is associated with a higher degree of pyrite mineralisation, brecciation and occasionally free gold.

The drilling also revealed the presence of thin, secondary mineralised zones, predominantly within the mafic volcanics to the east of the main shear zone (refer to figures below). These appear to be sub-vertical and parallel to the main zone of mineralisation.

KABOTSHOME EXPLORATION TARGET RANGE

The Company's technical consultants have determined an initial Exploration Target for the Kabotshome Prospect of between 7.0Mt at a grade of 1.9 g/t (423,000 contained ounces) and 7.5Mt at a grade of 2.5 g/t (603,000 contained ounces) (refer ASX Announcement dated 14 September 2016). The Exploration Target range is based on a review conducted by the Company and its technical consultants based on the previous historical exploration work, geological modelling and mineralisation work completed. The Exploration Target's quantity and grade is conceptual in nature. There has been insufficient verification of mineralised estimates and exploration results to outline a JORC 2012 Compliant Mineral Resource. Due Diligence and further geological definition of the mineral occurrence is required to define a Mineral Resource to JORC 2012 Standards.

The past work has established confidence in the continuity of mineralisation and identified additional work to be completed involving infill and extensional drilling that will be required to increase confidence in the mineralised inventory.

SITE INVESTIGATIONS AND IN-COUNTRY TECHNICAL DUE DILIGENCE REVIEW

Prior to the end of the Quarter, the Company's technical consultants accompanied by an in-country Congolese exploration and management team commenced site investigations and a thorough technical due diligence review of the Project.

The site investigations were scheduled to allow the Company's technical consultants to obtain an overall assessment of the historical exploration activities completed between 2011 and 2013, which included geophysics, stream sediment sampling, soil geochemistry, trenching and drilling. It was planned to identify the additional work program required to complete infill and extensional drilling that will be required to increase confidence in the mineralised inventory.

Technical activities associated with the site investigations were planned to focus on exploration license PR4804, which includes the Kabotshome Prospect which is the most advanced prospect within the Project area.

Subsequent to the Quarter's end the Company reported that its technical consultants had completed a successful site visit and technical due diligence review. The historical geological database had been obtained, certified sampling and testwork documentation reviewed and previous diamond drill core inspected. In addition work completed by the Company's technical consultants had confirmed the integrity of the historical exploration and diamond drilling work completed at the main Kabotshome Prospect. As a result of this the Company confirmed (refer ASX Announcement dated 20 October 2016) that it had elected to proceed with the acquisition of the Maniema Gold Project subject only to finalisation of legal due diligence, which is well advanced, shareholder approval and completion of the Company's proposed A\$1,650,000 capital raising.

SUMMARY ACQUISITION TERMS

During the Quarter the Company executed the Agreement to acquire African Royalty's rights under the WBK Agreement, pursuant to which the Company will obtain a 70% joint venture interest in the Project from WBK.

Under the terms of the Agreement and the WBK Agreement:

- a) the Company will take assignment of African Royalty's rights and assume its obligations under the WBK Agreement on settlement of the Acquisition ("**Settlement**");
- b) the Company and WBK shall establish a new joint venture company ("**JVCo**"), which upon Settlement will have participating interests of:
 - (i) the Company holding 70%; and
 - (ii) WBK holding 30%;
- c) the Company will be responsible for sole funding all exploration and administrative costs associated with exploration of the Project up to a development stage, with such funding advanced as shareholder loans to JVCo, to be repaid on a priority basis from the commencement and proceeds of production;

- d) the Company will be granted a pre-emptive right to acquire up to a further 10% shareholding in JVCo upon definition of a JORC (2012 Code) indicated resource in excess of 1 million ounces at a cut-off grade in excess of 2.5g/t, on terms to be agreed between the parties;
- e) the Company will undertake to invest a minimum \$1.0 million into JVCo over the 12 months from Settlement for exploration on the Project; and
- f) the Company will enter into a royalty agreement under which the Company will grant a royalty of 1% of gross revenue on all bullion or other mineral sales made by JVCo from the Project ("**Royalty**") to the WBK and African Royalty stakeholders; and
- g) the Company will appoint one representative of African Royalty to its Board.

Settlement of the Acquisition is conditional upon:

- a) completion of legal, technical and financial due diligence by the Company on the Project to its absolute satisfaction;
- b) the Company and WBK executing all necessary documentation and joint venture agreements to establish and incorporate JVCo in the Democratic Republic of Congo such that the Company holds a 70% interest in the Project;
- c) WBK transferring the Licenses to JVCo;
- d) JVCo appointing a nominated CEO and in-country exploration team to manage the Project exploration activities on terms acceptable to the Company;
- e) the Company completing a rights issue, with the shareholders of the Company being offered 1 new share in the Company at an issue price of \$0.001 for each Share held, to raise up to A\$1,349,071 ("**Rights Issue**");
- f) the Company completing a placement, at an issue price of not less than \$0.001 per Share, to sophisticated investors to raise an amount which is equal to A\$1,650,000 less the total amount raised pursuant to the Rights Issue (including any placement of the shortfall from the Rights Issue) ("**Placement**"). The Placement will be subject to shareholder approval to the extent that the Company does not have sufficient capacity under Listing Rule 7.1 to issue the Shares under the Placement;
- g) the appointment of a representative of African Royalty to the Board of the Company;
- h) the Company, Africa Royalty and WBK obtaining all necessary shareholder and regulatory approvals, including all shareholder and regulatory approvals pursuant to the ASX Listing Rules, Corporations Act 2001 (Cth) or any other applicable law or regulations, and including all necessary third party consents to allow the Company and WBK to lawfully complete the Acquisition;
- i) execution of the royalty agreement for the Royalty;

- j) there being no material breach of the warranties given by African Royalty in the Agreement.

With each of the above conditions to be completed on or before 30 November 2016.

Under the terms of the Agreement and the WBK Agreement, the following consideration is to be paid by the Company to the WBK and African Royalty stakeholders:

- a) \$50,000 to AFP upon execution of the Agreement, which AFP directs the Company to pay to WBK's shareholders and advisers in satisfaction of AFP's existing obligations under the WBK Agreement upon execution of the Agreement;
- b) \$300,000 to WBK shareholders and advisers upon completion of due diligence, execution of JVCo joint venture agreements and the transfer of Licences to JVCo;
- c) \$600,000 to WBK shareholders and advisers upon the Board of JVCo making a decision to develop the Project;
- d) upon Settlement, the Company must issue:
 - (i) to WBK's shareholders and advisers (in agreed proportions) 1,500,000,000 Shares; and
 - (ii) to African Royalty or its nominees 500,000,000 Shares,
("Consideration Shares"); and
- e) the Royalty.

In addition, upon the establishment of a JORC (2012 Code) resource in excess of 1 million ounces at a cut-off grade in excess of 2.5g/t, the Company must issue to the WBK and advisers (in agreed proportions) a further 500,000,000 Shares. All Shares issued under the Agreement and the WBK Agreement will be subject to restriction conditions in accordance with the ASX Listing Rules.

No person will acquire a relevant interest of greater than 20% in the Company and as a result of the Shares issued at Settlement and any subsequent issue of Shares under the Agreement or the WBK Agreement will be deferred to the extent that, as a result of any such issue, the resulting voting power of any shareholder will increase to more than 20% in contravention of section 606(1) of the Corporations Act 2001 (Cth).

SHAREHOLDER APPROVAL OF THE ACQUISITION

During the Quarter the Company made a submission to the ASX in relation to the application of ASX Listing Rule 11.1.2 and 11.1.3 to the proposed Acquisition. The ASX confirmed to the Company that based solely on the information provided to ASX, the Company will not be required to re re-comply with Chapters 1 and 2 of the ASX Listing Rules pursuant to Listing Rule 11.1.3.

The Company was advised that it will be required to obtain approval of its shareholders for the proposed Acquisition for the purpose of Listing Rule 11.1.2. The Company is preparing a notice of meeting that it will despatch to shareholders seeking the relevant approvals to proceed with the proposed Acquisition.

CAPITAL RAISING

The Company also announced during the Quarter that it is proposing to raise A\$1,650,000 to complete the Acquisition and to fund its future exploration obligations on the Project and up-front cash consideration payments to the Vendor.

The Company is proposing to complete the capital raising by way of:

- a) Rights Issue - a non-renounceable pro-rata offer to existing Shareholders of one new Share for every Share held at an issue price of \$0.001 per new Share (Rights Issue) to issue up to 1,349,071,146 Shares (Rights Issue Shares) to raise up to A\$1,349,071 (before costs of the issue); and
- b) Placement - a placement at an issue price of not less than \$0.001 per Share, to sophisticated investors to raise an amount which is equal to A\$1,650,000 less the total amount raised pursuant to the Rights Issue (including any placement of the shortfall from the Rights Issue).

The Rights Issue is proposed to be made pursuant to an Offer Document in compliance with section 708AA of the Corporations Act.

The Placement will be subject to shareholder approval to the extent that the Company does not have sufficient capacity under Listing Rule 7.1 to issue the Shares under the Placement.

Subsequent to the end of the Quarter the Company confirmed (refer ASX Announcement dated 18 October 2016) that it had appointed Sanlam Private Wealth Australia (“**Sanlam**”) as the Company’s lead manager of the proposed A\$1,650,000 capital raising.

Sanlam Private Wealth Australia is a leading global financial services and investment house with extensive experience in serving the needs of private investors, corporate clients and institutional investors. It is part the Sanlam Group, one of the largest financial services groups in South Africa.

Sanlam will receive a fee of 1% on the total funds raised and an additional fee of up to 5% on funds received under the Placement or placement of the shortfall from the Rights Issue, plus reimbursements and expenses incurred.

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2016

On 29 September 2016, the Company lodged its 2016 Annual Report and Audited Financial Statements for the 12 months ending 30 June 2016.

For the 2016 financial year, the Company reported a Net Loss of A\$7,119,882 (2015 financial year net loss of A\$10,359,725).

The Annual Report is available to be downloaded from the Company’s website.

M2M GLOBAL TECHNOLOGY TRANSACTION

The Company announced on 7 September 2015, that it had executed a non-binding terms sheet to acquire M2M Global Technology Limited, subject to further due diligence and any necessary regulatory or shareholder approvals.

The Company considers that it is now in the best interests of Vector’s shareholders that the Company proceed with the proposed Acquisition of the Maniema Gold Project and accordingly it has elected not to proceed with the M2M Global Technology Transaction.

N J Bassett

Company Secretary

For further information, please visit www.vectorresources.com.au

Competent Person Statement

The information in this announcement that relates to Exploration Targets, Exploration Results and Mineral Inventory is based on information compiled by Mr Peter Stockman who is a full time employee of Stockman Geological Solutions Pty Ltd. Mr Stockman is a member of the Australasian Institute of Mining and Metallurgy. Stockman Geological Solutions is engaged by Vector Resources Ltd as a consultant geologist.

Mr Stockman has sufficient experience of relevance to the styles of mineralisation and the types of deposits under consideration, and to the activities undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Stockman consents to the inclusion in this report of the matters based on information in the form and context in which it appears.

Forward looking statements

Information included in this release constitutes forward-looking statements. Often, but not always, forward looking statements can generally be identified by the use of forward looking words such as “may”, “will”, “expect”, “intend”, “plan”, “estimate”, “anticipate”, “continue”, and “guidance”, or other similar words and may include, without limitation, statements regarding plans, strategies and objectives of management, anticipated production or construction commencement dates and expected costs or production outputs.

Forward looking statements inherently involve known and unknown risks, uncertainties and other factors that may cause the Company’s actual results, performance and achievements to differ materially from any future results, performance or achievements. Relevant factors may include, but are not limited to, changes in commodity prices, foreign exchange fluctuations and general economic conditions, increased costs and demand for production inputs, the speculative nature of exploration and project development, including the risks of obtaining necessary licences and permits and diminishing quantities or grades of reserves, political and social risks, changes to the regulatory framework within which the company operates or may in the future operate, environmental conditions including extreme weather conditions, recruitment and retention of personnel, industrial relations issues and litigation.

Forward looking statements are based on the Company and its management’s good faith assumptions relating to the financial, market, regulatory and other relevant environments that will exist and affect the Company’s business and operations in the future. The Company does not give any assurance that the assumptions on which forward looking statements are based will prove to be correct, or that the Company’s business or operations will not be affected in any material manner by these or other factors not foreseen or foreseeable by the Company or management or beyond the Company’s control.

Although the Company attempts and has attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in forward looking statements, there may be other factors that could cause actual results, performance, achievements or events not to be as anticipated, estimated or intended, and many events are beyond the reasonable control of the Company. Accordingly, readers are cautioned not to place undue reliance on forward looking statements. Forward looking statements in these materials speak only at the date of issue. Subject to any continuing obligations under applicable law or any relevant stock exchange listing rules, in providing this information the company does not undertake any obligation to publicly update or revise any of the forward looking statements or to advise of any change in events, conditions or circumstances on which any such statement is based.