



ASX ANNOUNCEMENT

24 July 2018

ASX Market Announcements
ASX Limited
20 Bridge Street
Sydney NSW 2000

Vector Execute Key Documents for Acquisition of 60% Interest in World Class Adidi-Kanga Gold Mine

- Share Sale and Purchase Agreement and Shareholders Agreement both executed with Mongbwalu Goldfields Investments Limited and Mongbwalu Goldfields Investment Holdings 6 Limited for the acquisition of a 60% interest in the world-class Adidi-Kanga Gold Mine located in the Ituri Province of the DRC
- Adidi-Kanga Gold Mine, has a JORC (2012) Mineral Resource Estimate of 15.0Mt @ 6.6g/t Au for 3.2Moz of contained gold, which includes 46% in Indicated Category for 6.9MT @6.74g/t AUD for 1.5Moz and 8.1MT @ 6.6g/t Au for 1.7Moz in the Inferred Category (ASX Announcement 5 February 2018)
- Previous work completed by AngloGold Ashanti, who between 2005 and 2013 expended over US\$520m on exploration and development activities, includes 173,276m of diamond and RC drilling, completion of a Feasibility Study and the commencement of initial mine construction activities with the purchase and delivery to site of 70% of the mechanical equipment proposed to be installed under the Feasibility Study
- Funding for completion of the Definitive Feasibility Study, initial Tranche 1 US\$5m cash payment to Mongbwalu Goldfields Investments Limited and additional working capital is currently being finalised by the Company and is proposed to be provided by US\$20m loan facility from London Gold LLC
- Settlement of acquisition is subject to the satisfaction of conditions precedent which include the execution of ancillary documentation including an agreed Work Plan for the completion of the DFS, Escrow Agreement, Loan Repayment Agreement, Codebition (or Co-Debtor) Agreement and the issue of a US\$20m Standby Letter of Credit in relation to an existing debt facility for the Project, which the parties plan to complete over the next 45 days
- Incorporation of a new DRC-based joint venture company with the DRC State gold mining company Société Minière de Kilo Moto and a restructure of its associated operating agreements, is also required and is well advanced and scheduled to be completed over the next 45 days
- DFS to commence immediately and will be accelerated due to the Project being permitted for development, with Environmental and Social Impact Assessments completed and financial guarantees in place with the appropriate regulatory and administrative bodies

Vector Resources Limited (“**Vector**” or the “**Company**”) is pleased to advise that it has executed key acquisition documents for its purchase of a 60% interest in the world-class Adidi-Kanga Gold Project (“**Adidi-Kanga**” or the “**Project**”) in the Democratic Republic of Congo (“**DRC**”). These legally binding agreements form the basis for the purchase of Vector’s interest in the Project, the structure for the joint venture (“**JV**”) between the various parties and the operation of that JV to complete a Definitive Feasibility Study to develop the Project.



Figure 1: The Adidi-Kanga Gold Project Camp and Location to Mongbwalu Town and Airstrip

The Company’s CEO, Mr Simon Youds commented:

“The signing of these key agreements is a transformational development for Vector and its shareholders, as it represents a major step in Vector acquiring the majority share of what is a truly world class gold asset.

Further, given the body of work completed to date by AngloGold Ashanti, the Adidi-Kanga Project is capable of rapid development, and it is our clear intention to immediately commence an accelerated DFS program.

I would like to thank the Vector team and our partners for their tireless work and commitment over recent months to get this documentation completed, which has brought us a step closer to bringing this remarkable opportunity to the market.”

In December 2017, the Company announced that it had entered into a Heads of Agreement with Fimosa Capital Limited (“**Fimosa**”) and Mongbwalu Gold Mines S.A. (“**MGM**”), to establish a new JV to develop the Adidi-Kanga Project (**ASX Announcement 22 December 2017**).

In January 2018, the Company completed its legal and technical due diligence on the Project, noting no significant or material issues and that the Vector Board had approved the Company to advance to the documentation stage of the deal (**ASX Announcement 15 January 2018**).

In recent months, the Company and Mongbwalu Goldfields Investment Limited (“**MGI**”) have been working to finalise and execute the sale and JV documentation required to be able to advance the Project through completion of a Definitive Feasibility Study, to a positive Decision to Mine and the successful development of the Project.

To this end, the Company is now pleased to confirm that the two key agreements required to document the sale, structure and operation of the joint venture have now been executed.

These two key agreements, the Share Sale and Purchase Agreement ("**Sale Agreement**") and Shareholders Agreement ("**Shareholders Agreement**") remain subject to various conditions precedent and execution of ancillary documentation that are nearing completion and which are to be satisfied in the next 45 days.

1. Adidi-Kanga Gold Project Background

The Adidi-Kanga Gold Project is located in the Moto goldfields, 84km north-west of the town of Bunia, the provincial capital of the Ituri Province of the DRC.

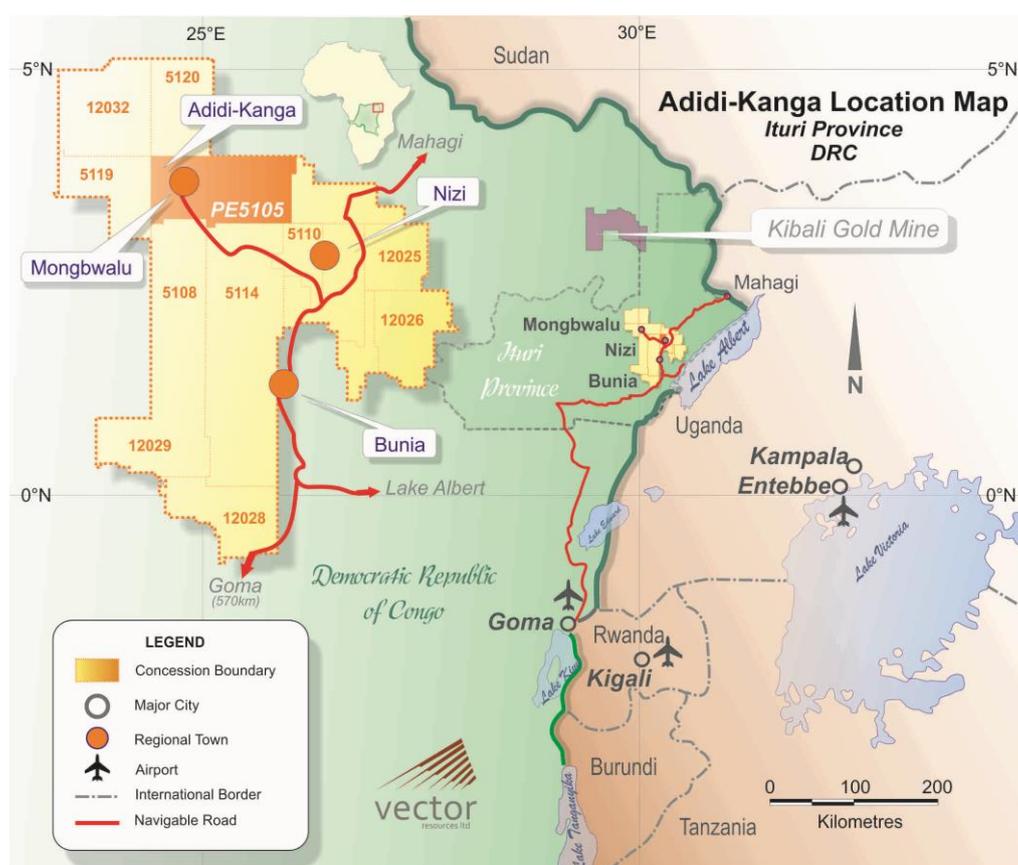


Figure 2: Location of the Adidi-Kanga Gold Project on PE5105 in the Ituri Province of the DRC

The Adidi-Kanga Gold comprises granted Mining License PE5105, one of 13 licenses extending over 5,033km² that were the subject of extensive exploration activities by AngloGold Ashanti.



Figure 3: The Adidi-Kanga Gold Project - Mongbwalu Gold Project Development Site located on Mining License PE5105

Between 2005 and 2013, AngloGold Ashanti completed significant exploration and development activities at the Project, which included 173,276m of drilling on a 25m x 50m spacing and up to a 200m x 200m spacing across the broader license area and including 432 RC holes for 52,994m and 572 diamond holes for 119,278m.

AngloGold Ashanti reported several historical resources, including a number of SAMREC compliant Resources between 2010 and 2013 for the Project and have been reported previously by the Company in its ASX Release on 22 December 2017.

In February 2018, the Company completed its internal review of the 2013 Mineral Resource Estimate reported by AngloGold Ashanti under SAMREC, with independent verification completed by BM Geological Services. The verification process resulted in an upgrade in the Mineral Resource Estimate to 15.0Mt @ 6.6g/t Au for 3.2Moz of contained gold, reported in line with JORC (2012) Guidelines. The Mineral Resources Estimate includes 46% in Indicated Category for 6.9MT @6.74g/t Au for 1.5Moz and 8.1MT @ 6.6g/t Au for 1.7Moz in the Inferred Category (**ASX Announcement 5 February 2018**).

A Feasibility Study for the development of the Adidi-Kanga Project was also completed by AngloGold Ashanti, who commenced initial mine construction activities with the purchase and delivery to site of approximately 70% of the mechanical equipment proposed to be installed under the Feasibility Study.

This equipment is documented to have been purchased at an estimated cost of approx. US\$70m and included such items as crushers, ball mill, Knelson concentrator, compressors, mobile crusher, pumps, screens and mobile mining equipment. The estimated cost of approx. US\$70m is based on historical purchase records of AngloGold Ashanti and the Company has not yet performed a market valuation of this equipment.

The Company will require further electrical and mechanical assessments prior to determining the full value and extent of potential use of this equipment in future operations.



Figure 3, 4 and 5: Mechanical plant, equipment and storage and camp facilities at the Adidi-Kanga site

The review of the status of the Adidi-Kanga Gold Project has confirmed that the Project is already permitted for development, with Environmental and Social Impact Assessments completed and financial guarantees in place with the appropriate regulatory and administrative bodies. This confirmation was an important step in the process to ensure that the Company could achieve the completion of a Definitive Feasibility Study in a quick timeframe.

2. New Joint Venture Structure

Vector will hold an initial 60% interest in the Project, as illustrated in Figure 6 below.

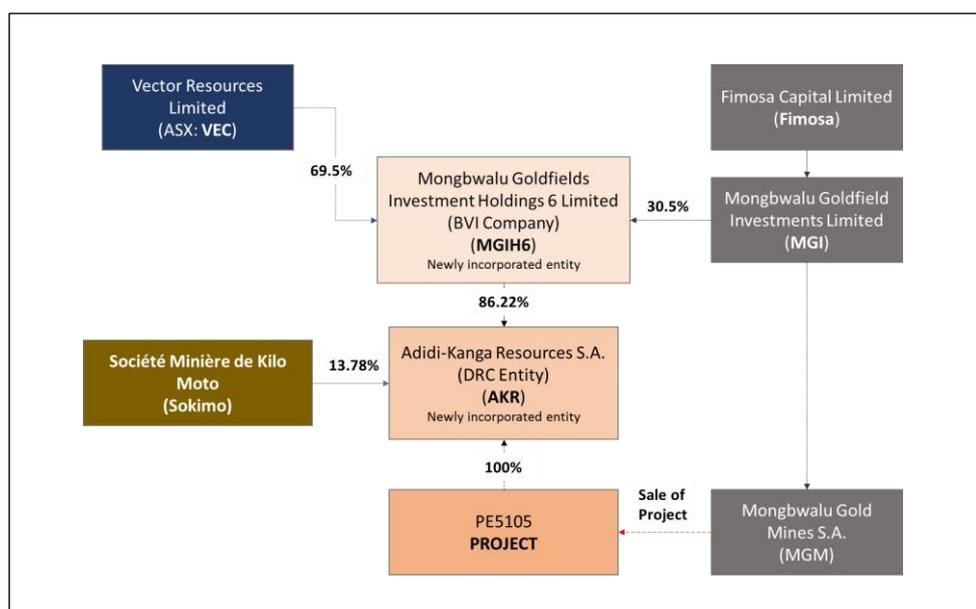


Figure 6: The Adidi-Kanga Gold Project Joint Venture and Ownership Structure

Vector's interest in the Project is to be held through a 69.5% interest in the BVI joint venture company, Mongbwalu Goldfields Investment Holdings 6 Limited ("MGIH6"). The balance of the joint venture company is held by Fimosa's wholly owned subsidiary MGI.

Under the Shareholders Agreement, Vector's interest in the Project can increase to 86.22% if MGI exercise their option under the Shareholders Agreement for the sale of all of MGI's shares

and its loan accounts at Fair Market Value to the Company. This option can be triggered by MGI at any time after a positive Decision to Mine has been made.

A new DRC based joint venture company, Adidi-Kanga Resources S.A. ("AKR") has also been established to own and operate the Project. MGIH6 will hold an 86.22% interest in AKR, (providing Vector with a 60% Project interest), with the remaining 13.78% shareholding held by DRC State gold mining company, Société Minière de Kilo Moto DRC ("SOKIMO").

AKR will hold Mining License PE5105 and all Project assets, including the approx US\$70m of equipment previously ordered and delivered to the Project site in 2013 by AngloGold Ashanti.

In addition, as part of the structuring of the JV, US\$150m of shareholder loans owing to Fimosa from the historical expenditure on the Project, will be transferred to AKR and will be for the economic benefit of the MGIH6 shareholders. The transfer of this loan represents a significant future benefit to the shareholders of MGIH6 and for Vector.

It is expected that this loan will incur an annual interest charge of 10% and Vector will be assigned 69.5% of the value of this loan in line with its shareholding in MGIH6. The repayment of this loan will be made from future surplus cash flows from the operations of AKR. The repayment will only occur after normal operating costs and external financing costs have been paid, sustaining CAPEX requirements have been provided for and the repayment of the shareholder loans that will be incurred to complete the DFS and for initial development obligations have been repaid in full. As such, it will be the final shareholder loan to be repaid from future profits of the operation.

To acquire the 60% interest in the Project, the Company has committed to future milestone payments to MGI (see Section 3 below), as well as deferred loan repayments to MGI that are to be made from surplus cashflows and profits of the operations of the Project (see Section 4 below). If all the milestone payments and the deferred payments are achieved and paid to MGI, the Company will pay a total of US\$90m to MGI with only \$20m payable prior to the commercial sale of gold from the Project.

Upon Completion of the acquisition and issue of the Tranche 1 shares noted at Section 3 below, MGI has the right to appoint up to 2 directors to the Board of Vector.

3. JV Milestone Payments

Under the terms of the Sale Agreement, Vector is required to make the following cash and share based payments:

- i. **Tranche 1** – within 10 business days of the satisfaction of the Conditions Precedent, the Company must pay to MGI US\$5m in cash and at the Company's discretion, either pay MGI a further US\$5m of cash or issue to MGI US\$5m of Ordinary Shares in Vector at a price of A\$0.022/share and based on the prevailing exchange rates.
- ii. **Tranche 2** – within 30 days of a positive Decision to Mine for the Project, the Company must pay MGI a further US\$5m in cash and at the Company's discretion, either pay MGI a further US\$5m of cash or issue to MGI a further US\$5m of Ordinary Shares in Vector based

on a VWAP for the 10 trading days prior to the issue date and on the prevailing exchange rates.

- iii. **Tranche 3** – within 10 days of the commencement of commercial sale of gold from the Project, the Company must pay MGI US\$5m in cash and at the Company's discretion, either pay MGI a further US\$5m of cash or issue to MGI US\$5m of Ordinary Shares in Vector based on a VWAP for the 10 trading days prior to the issue date and on the prevailing exchange rates.

Any issue of shares under Tranches 1, 2 or 3 are subject to the Company obtaining all relevant regulatory approvals, including where applicable shareholder approval. If these approvals are not obtained for any reason, the Company must pay the share based consideration in cash.

After the issue of the Tranche 1 shares, MGI is anticipated (based on prevailing exchange rates at the date of this announcement) to hold approx. 18% of the total outstanding shares of Vector. Upon issue of the Tranche 2 and Tranche 3 shares (based on prevailing exchange rates at the date of this announcement and assuming an issue price of A\$0.027 per share, being the last traded price prior to the release of this announcement), MGI will hold approx. 28% and 36% respectively. These holdings after Tranches 2 and 3 are assuming no further equity issues by the Company.

In addition, if the Company raises additional funding specifically for the Project whilst the Definitive Feasibility Study work is ongoing, 50% of any funds raised in excess of US\$10m will be used to prepay the deferred purchase consideration due to MGI.

In addition, Fimosa will also receive a 2.5% sales royalty from the commencement of gold production to be payable by AKR.

The Company has agreed to place its shares held in MGIH6 into escrow, until all milestone payments (as outlined in Section 3) and deferred payments (as outlined in Section 4 below) have been paid to MGI and the DFS has been delivered and a positive Decision to Mine has been made (refer section 5 below for further details of the proposed escrow agreement).

4. Key JV Funding Obligations

Vector will be solely responsible for the funding and management of the Definitive Feasibility Study, which is to be completed within 9 months of Completion of the acquisition.

Vector is to fund this DFS up to a minimum amount of US\$10m. This funding will be advanced by the Company via a shareholder loan through MGIH6 to AKR. On repayment of this shareholder loan, 70% of each dollar will be paid to MGI (up to a total of US\$5m) and the remaining 30% will be paid to Vector. After the payment of US\$5m to MGI, all remaining repayments of this shareholder loan are repayable (100%) to Vector.

Upon a positive Decision to Mine, Vector will also be responsible for arranging and sourcing the necessary mine funding to complete the mine development up to a minimum US\$110m. This funding will again be advanced by the Company via a shareholder loan through MGIH6 to AKR. On repayment of this second shareholder loan, 70% of each dollar will be paid to MGI (up to a

total of US\$55m) and the remaining 30% will be paid to Vector. After the payment of US\$55m to MGI, all remaining repayments of this second shareholder loan are repayable (100%) to Vector.

In addition, as part of the arranging and sourcing of the mine development funding, US\$20.0m of existing indebtedness of MGI owed to a local Congolese bank will be refinanced by the Company.

5. Satisfaction of Conditions Precedent and Timetable for Completion of Acquisition

With the Sale Agreement and Shareholders Agreement executed, the Company and MGI have 45 days within which to satisfy the Conditions Precedent. These include:

- i. Agreeing a work-plan and budget for the exploration and Definitive Feasibility Study phases of the Project;
- ii. Execution of an Escrow Agreement;
- iii. Execution of a Loan Repayment Agreement;
- iv. Issuance of a Standby Letter of Credit and the execution of a Codebition Agreement in relation to the Project's existing external debt facility; and
- v. Execution of new AKR joint venture and associated documentation and agreements.

The Company's technical team is well advanced with the initial work-plan and budget for the Project and this is expected to be completed later this month.

The Escrow Agreement governs the escrow of the Company's shares in MGIH6, which are to be held in escrow until (i) the Company has met all its financial obligations to MGI (as detailed in sections 3 and 4 above), (ii) the DFS is completed in accordance with the Sale Agreement and Shareholders Agreement and (iii) the shareholders of MGIH6 approve a positive Decision to Mine. If the Company fails to meet any of the requirements of the Escrow Agreement, the Company will forfeit its shares in MGIH6. A final draft of this agreement is under review by the Company's lawyers.

The Loan Repayment Agreement governs the treatment of the US\$150m shareholder loan that is to be transferred to AKR and for which Vector will be assigned 69.5% of the economic benefit. A final draft of this agreement is under review by the Company's lawyers.

Currently it is proposed that London Gold LLC ("**London Gold**") or an agreed alternative party, will issue a Standby Letter of Credit in respect to the US\$20.0m of existing indebtedness owing to a local Congolese bank. It will only be drawn if Vector complete the DFS, shareholders of MGIH6 approve a positive Decision to Mine and Vector is then unable to refinance the existing debt. Provided a satisfactory Standby Letter of Credit is issued, the local Congolese bank will agree to amend the terms of its existing loan agreement to extend the period for repayment of the debt to a date which will fall after the date on which a positive Decision to Mine is approved.

As part of the new joint venture structure, AKR will also become a co-debtor to the existing debt facility, which will be documented by the Codebition Agreement. Final drafts of these agreements are under review by the Company's lawyers.

The incorporation of AKR and its associated operating agreements is also a Condition Precedent, which the Company's DRC lawyers are currently finalising with Fimosa, MGI and SOKIMO.

6. Major Funding Established

As previously announced (**ASX Announcement 22 December 2017**) the Company had received a commitment to fund (via debt) of US\$10m from London Gold. Furthermore, as reported in the Company's March 2018 Quarterly Activities Report, the Company has been advancing discussions to increase this debt facility from US\$10m to US\$20m and London Gold have now confirmed the US\$20m facility limit. Documentation of this loan facility has commenced and is being finalised by the Company's management and lawyers in Perth.

London Gold is a privately held company registered in Nevada, USA. London Gold was established to develop, operate, produce, refine and sell gold bullion from gold mine concessions in the USA, Canada and Africa. To fund the acquisition and investment in gold projects, London Gold have secured significant funding through the issuance of senior secured notes to a range of sophisticated investors.

This funding will provide the required US\$5m of cash consideration due to MGI on completion of the Agreements, as well as being able to fully fund the US\$10m of exploration and Definitive Feasibility Study expenditure required for the Project.

The key terms of the proposed funding include:

- i. To be funded in two equal tranches (US\$10m each);
- ii. Tranche 1 (US\$10m) to be drawn on Agreement Completion;
- iii. Tranche 2 (US\$10m) to be drawn on confirmation of the Project EPCM;
- iv. Term of 36 months from first draw down;
- v. Annual interest coupon of 6%;
- vi. Interest payable quarterly and in arrears – can be paid in Vector shares at Vectors discretion;
- vii. Facility fee of 15,000,000 ordinary Vector shares payable on initial drawdown; and
- viii. Right to purchase up to 15% of Vector's share of the production from the Project, at a discount of 2% to the prevailing market price.

7. Next Steps

The Company has consulted with the Australian Stock Exchange ("ASX"), who have confirmed that this acquisition does not constitute a significant change to the Company's nature or scale of operations as outlined in Listing Rule 11.1. Accordingly, shareholder approval is not required to approve this transaction.

However, the Company will be and is obliged to hold a General Meeting of its Shareholders as soon as practical to approve the issue of shares required under Tranche 1 at an issue price of A\$0.022 and at the prevailing exchange rate on Completion.

The Company anticipates that the General Meeting of its Shareholders will be held in early September 2018.

With the Conditions Precedent due to be satisfied within 45 days of executing the agreements, the Company expects Completion of the acquisition to occur by 1 September 2018. The Company will update shareholders on its progress in satisfying the Conditions Precedent and all other matters regarding the acquisition.

-ENDS-

Simon Youds
Chief Executive Officer

For further information:

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About Vector Resources Limited

Vector Resources Limited (ASX:VEC) is an Australian Securities Exchange listed gold exploration and development company focused on the Maniema Gold Project in the Democratic Republic of Congo.

The Maniema Gold Project was acquired by the Company in December 2016. The Project is located in the world renowned and under explored Twangiza-Namoya Gold corridor. The Project comprises seven granted exploitation licences: PR4792, PR4801, PR4803, PR4804, PR4805, PR4806 and PR4812 and which cover an area of over 500km² and include seven main prospects; Kabotshome, Mbutu, Mitunda, Mbala, Eveche, Lukele and Tubambo that have been defined within the project area from previous and recent exploration. The Kabotshome Gold Prospect is the most advanced with an Inferred Mineral Resource (JORC 2012) estimate of 7.0 million tonnes at 1.88g/t gold for 421,000 ounces of gold.

Competent Person Statement

The information in this release that relates to sampling techniques and data, exploration results, geological interpretation and Exploration Targets, Mineral Resources or Ore Reserves has been 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.