

Quarterly Activities Report Quarter Ended 30 September 2018

Highlights:

- Ongoing shift in focus to capitalise on growing demand for vanadium
 - Nelly Vanadium Mine transaction closed and development plans underway
 - Vanadium Mining transaction closed and exploration campaign being formulated
 - Updated study on Pilbara conglomerate gold assets confirming exploration upside
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The Board of Hardey Resources Limited (**Hardey** or **the Company**) (ASX: HDY) provides the following commentary and Appendix 5B for the Quarter ended 30 September 2018.

VANDADIUM FOCUS

Taking an opportunistic approach, the Board decided it was prudent to capitalise on growing demand for vanadium and strategically acquire Nelly Vanadium Mine (NVM) in Argentina and six highly-prospective assets in Northern Territory and Queensland.

On 3 July 2018, the Company announced it had entered into a share sale agreement with the shareholders of Nelly Vanadium Pty Ltd (NVPL). Under the terms of this agreement, the Company was granted a 40-day option to acquire 100% of the issued capital of NVPL which is a mineral explorer that owns the Nelly Vanadium Mine in San Luis Province in Argentina ("NVPL Acquisition").

The Company paid NVPL \$75,000 in consideration for the grant of an option to acquire 100% of the issued capital in NVPL, exercisable at any time with 40 days following the date of the agreement, during which time the Company will undertake due diligence in relation to NVPL and the NVM.

In addition, on 19 July 2018, the Company entered into a share sale agreement with the major shareholders of Vanadium Mining Pty Ltd (VanMin). Under the terms of this agreement, HDY has been granted a 40-day option (paying a \$75,000 premium) to acquire 100% of the issued capital of VanMin, which is a mineral explorer that owns six highly prospective vanadium projects in Queensland and the Northern Territory.

Both transactions closed on 24 August 2018 – refer to "Corporate" section for details.

Nelly Vanadium Mine, San Luis Province, Argentina

Due diligence work on NVM was undertaken by geology firms Condor Prospecting (Argentina) and Xplore Resources (Australia) who worked collaboratively with global mining & engineering group, SRK Consulting. The teams focused on confirming the veracity of legacy information, particularly metallurgy and mining processes. Further, an NVM site visit materialised to follow up on historic studies that imply there is significant exploration upside

for vanadium and other economic mineralisation including lead, zinc, copper, gold and silver.

NVM was actively mined by open-pit and galleries between 1949-57 and produced vanadium pentoxide from an onsite processing facility. Within the 53-hectare project area, there are several vanadium-rich polymetallic sheeted vein systems, aligned North-East to South-West, over a mineralised strike zone that is up to 1.5Km in length and a vein width of up to 5.5m wide. However, only one vein was partially-exploited which left most of the deposit intact.

The due diligence teams identified several highly mineralised stockpiles around the historic processing facility and open pit that could readily be utilised as a direct shipping ore vanadium product.

Historical sampling and assay results throughout the historical workings produced grades from the partially mined vein that ranged up to 1.9% V_2O_5 with a sample length weighted grade average of 0.82% V_2O_5 in the open pit and underground workings.

NVM has ready access to mains power and water supplies, while nearby towns can provide supporting services and a skilled labour pool. Further, the transportation infrastructure from the mine to key ports is more than adequate with well-formed gravel tracks, a sealed highway and rail network in place.

The regional geology around NVM, which is located 170km from the capital of San Luis province (Figure 1), generally is dominated by Precambrian to Cambrian metamorphic rocks, with granitic intrusions of variable dimensions. This is a lead-vanadium mining district with many historic mines that documented their Pb-V production. The regional target mineral is vanadinite, a lead chloro-vanadate, that is by weight 73.1% Pb and 10.8% V. At NVM, vanadinite occurs within quartz mineralised veins.

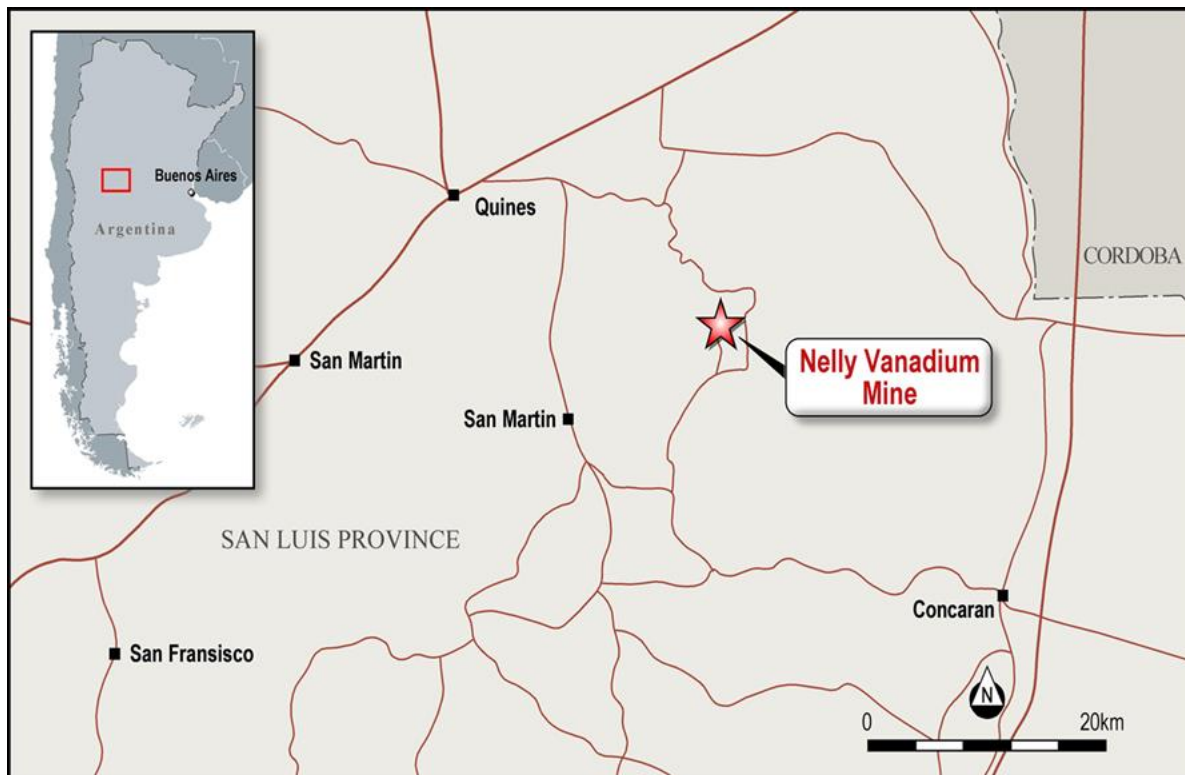


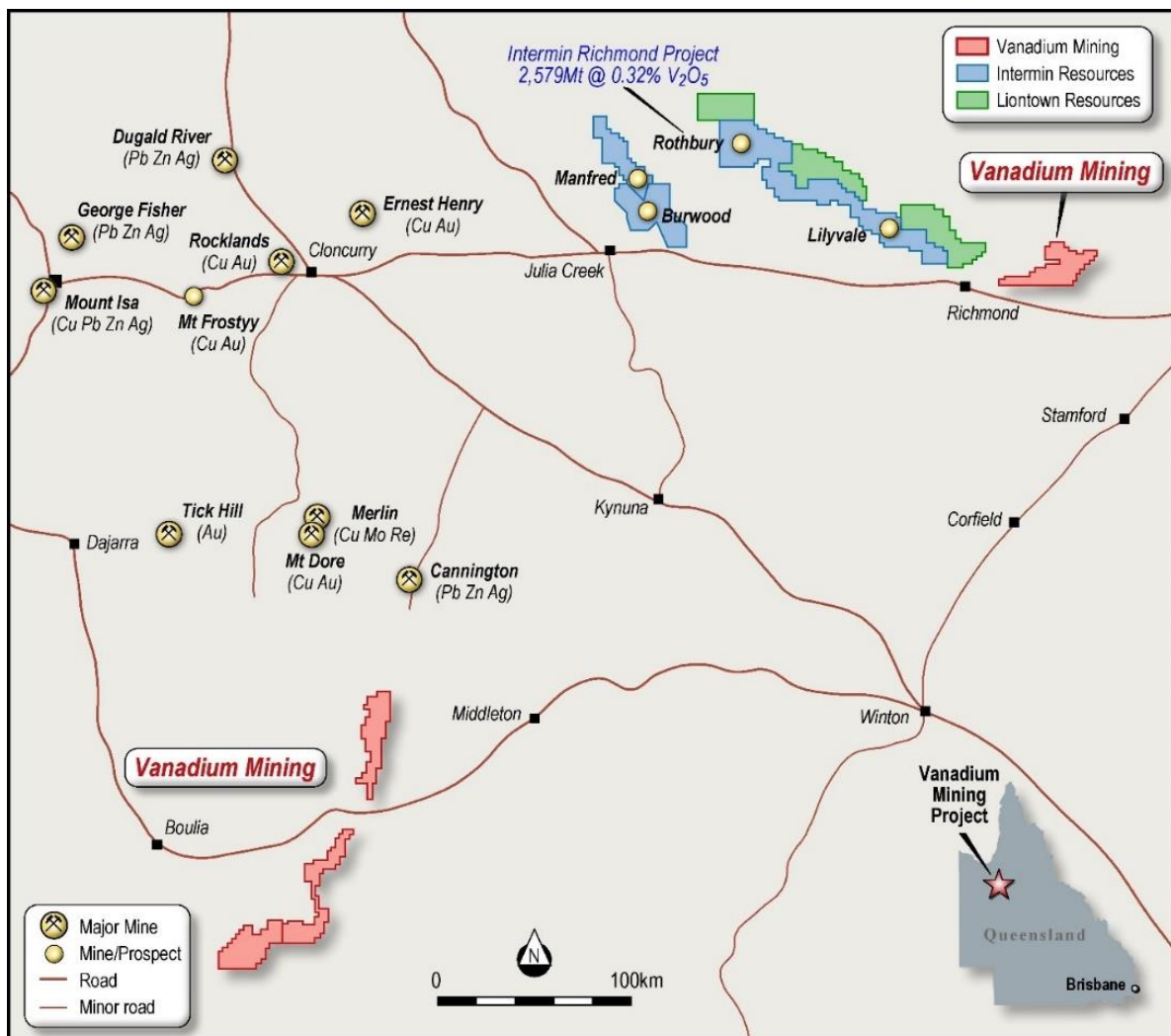
Figure 1: Location of NVM in San Luis, Argentina.

Six Vanadium Projects – Queensland and the Northern Territory

Expanding the platform into Australia and to complement the NVM transaction were arguably the key reasons for acquiring six highly prospective vanadium projects in Queensland and the Northern Territory through the acquisition of 100% of the issued capital of Vanadium Mining Pty Ltd. Moving forward, the Board intends to place a material emphasis on developing all the vanadium assets to facilitate the Company evolving into an emerging supplier to the renewable energy sector.

For the six projects, a key feature is they are all located in well-known mining districts with supportive infrastructure, ready access to ports and skilled labour pools.

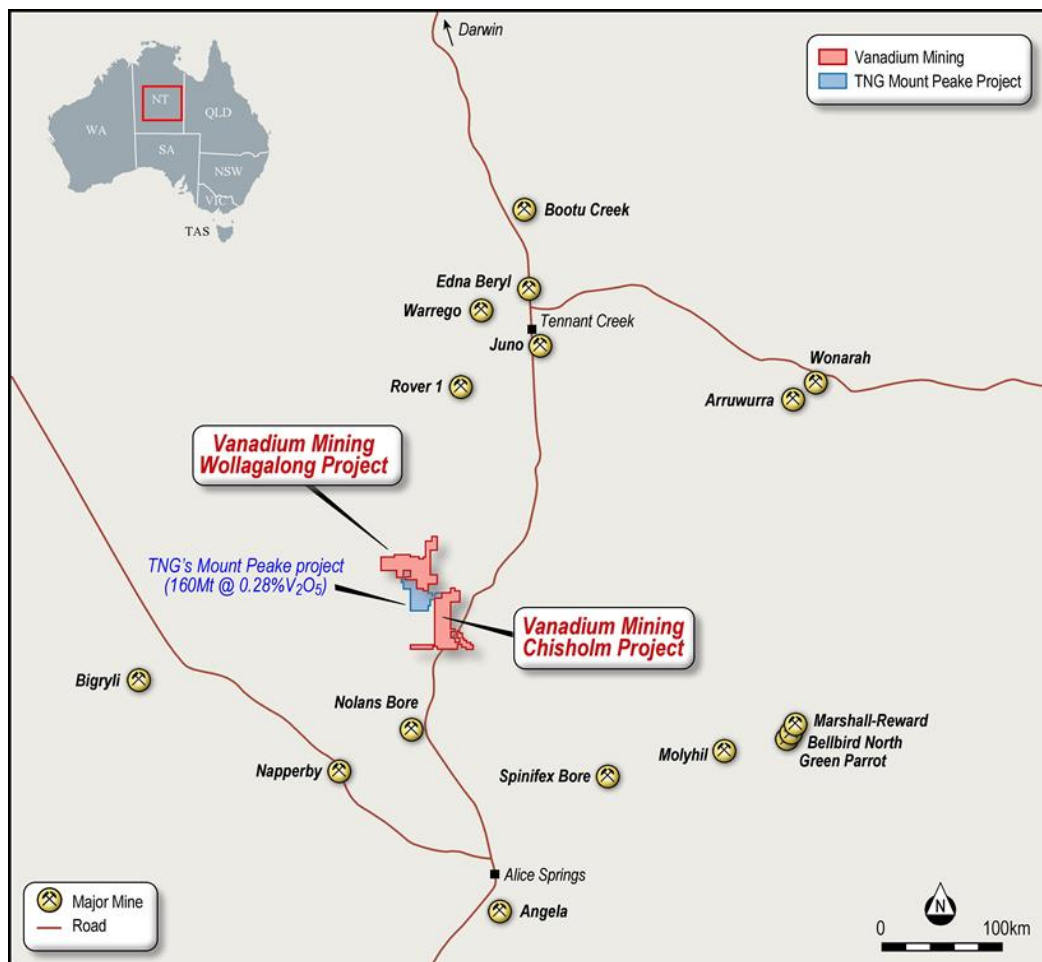
There are four projects in the Mount Isa region of north-western Queensland – Sharptooth, Spike, Cera and Petrie. These projects are in an area that favours shallow surface mining for large tonnages of low-grade vanadium mineralisation (Figure 2). Notably, these four highly prospective areas are near to Intermin Resources' (ASX: IRC) globally significant Richmond project (inferred mineral resource 2,579Mt @ 0.32% V_2O_5 cut-off grade of 0.29% V_2O_5) and ground held by Liontown Resources (ASX: LTR).



Note: IRC ASX Release 20 March 2018

Figure 2: Sharptooth, Spike, Cera and Petrie projects.

The two projects in the Northern Territory – Wollagalong and Chisholm – are contiguous with TNG's Mt Peake project (Figure 3), which has a total mineral resource at 160Mt @ 0.28% V₂O₅ cut-off grade of 0.10% V₂O₅. TNG's project is the most advanced in the region as a Definitive Feasibility Study has already been completed, while TNG has also signed a binding life-of-mine offtake and technology transfer agreement with Korea's Woojin Metals.



Note: TNG ASX Release 20 November 2017

Figure 3: Wollagalong and Chisholm projects.

LEGACY ASSETS

Prior to acquiring the vanadium projects, the Company's asset composition was in Western Australia and New South Wales focused on gold and polymetallic projects (Figure 4).

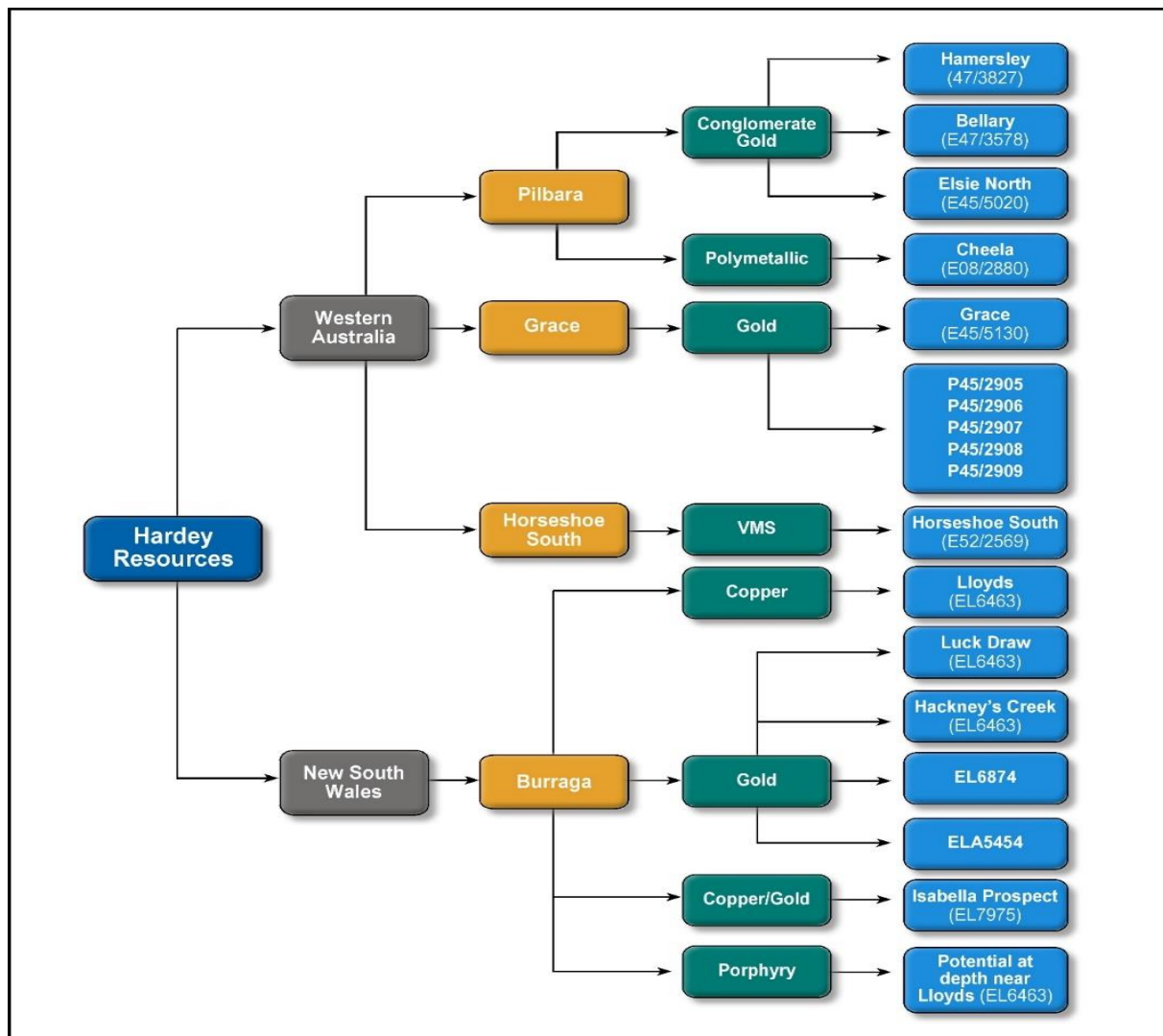


Figure 4: Projects groups, tenements and commodity focus (Note: P45/2905-09 are within E45/4524)

Certain activities were undertaken on some of these projects during and subsequent to the period close, highlighted below:

➤ Pilbara Gold Projects

On 6 September 2018, the Company announced that its geology consultant, Xplore Resources, had completed an updated study on the four Pilbara projects – Cheela, Bellary, Hammersley and Elsie North (Figure 5). The findings of the report were the potential for sub-surface target mineralisation for conglomerate-hosted gold and polymetallic deposits.

In conclusion, the study re-iterated there was ample evidence, given wide-spread occurrences of Hardey Formation and Mount Roe Basalt to verify material exploration upside for conglomerate-hosted gold mineralisation, especially for the Bellary project.

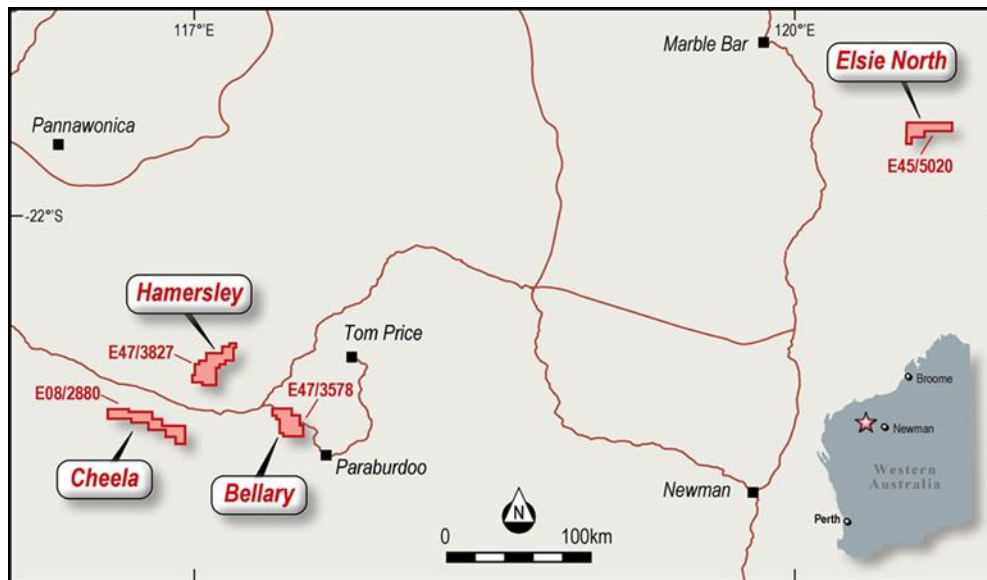


Figure 5: Pilbara conglomerate gold tenements

➤ Burranga Project

Subsequent to the reporting period, a substantial volume of technical work had been completed in order to prepare and plan two drill-hole campaign in the Lloyd's Copper Mine extension prospect. It comprised of two RC drill-holes, with an aggregate target depth of 740m. The aim of the drilling campaign was to test the extent of the mineralisation, complementing the two phases of 2017 drilling completed within the Lloyd's Copper Mine extension prospect.

The boreholes were drilled in the current reporting period and contained multiple intersects of sulphide mineralisation. The samples have been sent to the laboratory for follow up assay, and the results of the samples are expected to be announced in the next reporting period.

The Company's geology team designed the drill-holes to test high priority targets generated from previous modelling which indicated that lodes remain open at depth and to the east of known mineralisation. Notably, this program builds on significant early work undertaken by the Company's geology team earlier in the calendar year.

For this particular program, the geology team drilled two scissor style drill-holes which are briefly described below and the location shown in Figure 6:

- **EYMRC034** was collared towards 210° dipping at -80° with the total depth of 400m, which is the deepest RC drill-hole ever undertaken at the LCM extension site; and

- **EYMRC035** was drilled towards 30° dipping at -80° to a total depth of 340m, with the objective to test for mineralisation at depth and to the north-east of the known ore body at the LCM deposit.

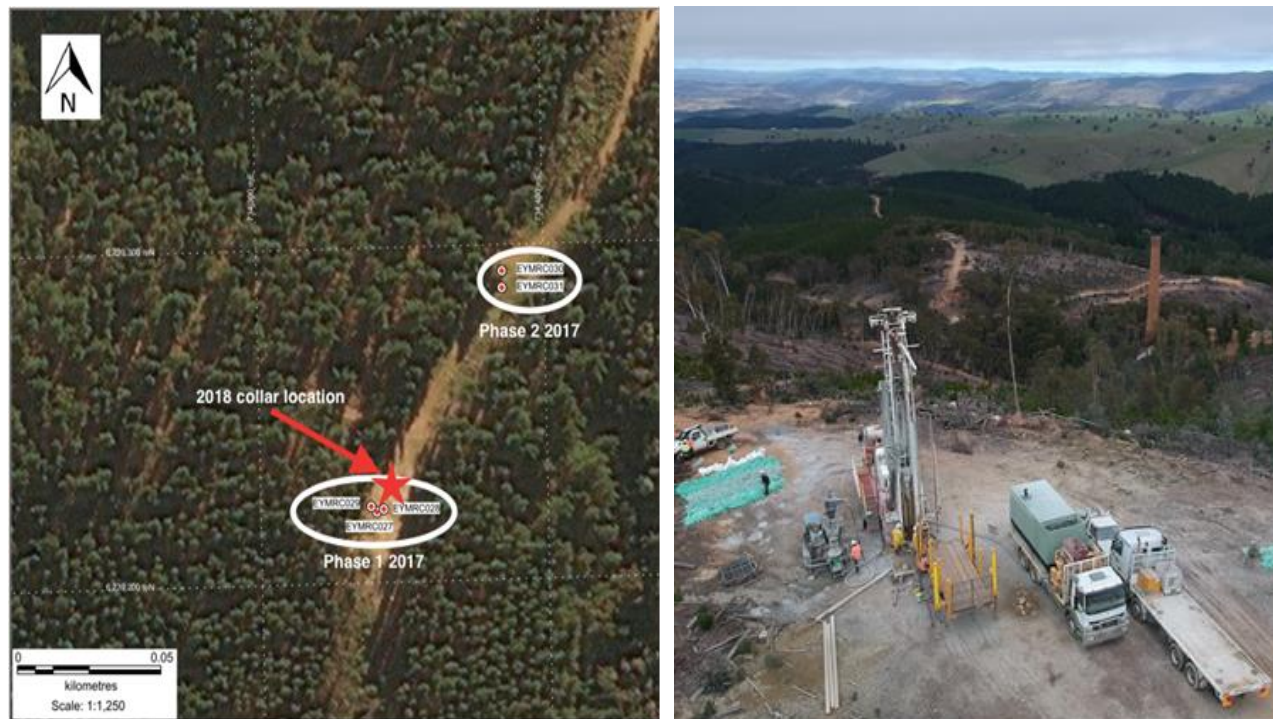


Figure 6: Two drill-holes & team in action at Burraga Project (Location: 6,239,200mN; 734,300mE)⁵

The drill-holes collar location and summary detail information can be found in Table 1.

Hole ID	East (m)	North (m)	Elevation (m)	Azimuth (degrees)	Dip (degrees)	Hole Depth (m)
EYMRC034	734344	6239226	980.5	210	-80	400
EYMRC035	734347	6239231	980.6	30	-80	340

Table 1: Collar locations and summary details (gda94 zone 55)

Once the laboratory assay results are known, HDY can determine the next phase of the drilling program within the Lloyd's Copper Mine extension prospect: alternatives include additional scout exploration drilling or a potential infill drilling program that aims to define the quantify and estimate the extent of any mineral resource in the Lloyd's Copper Mine extension prospect.

➤ Grace & Horse Shoe South Projects

No work of a material nature was completed on these projects during the period. Exploration Consultants were contacted in order to submit a proposal for Desktop Study work on the Horseshoe South project. A decision on the vendor is expected to be made in the next reporting period.

CORPORATE

Vanadium Transactions

On 3 July 2018, HDY announced it had entered into a share sale agreement with the shareholders of Nelly Vanadium Pty Ltd (NVPL). Under the terms of this agreement, the Company was granted a 40-day option to acquire 100% of the issued capital of NVPL which is a mineral explorer that owns the Nelly Vanadium Mine (NVM) in San Luis Province in Argentina ("NVPL acquisition").

The Company paid NVPL \$75,000 in consideration for the grant of the option to acquire 100% of the issued capital in NVPL and the 40-day period to complete due diligence in relation to NVPL and the NVM. The option was exercised and at settlement the Company issued 737,500,000 fully paid ordinary shares in the capital of the Company and 737,500,000 listed options to acquire Shares (exercisable at \$0.02 on or before 30 April 2020) (ASX: HDYOC).

In addition, on 19 July 2018, the Company entered into a share sale agreement with the major shareholders of Vanadium Mining Pty Ltd (VanMin). Under the terms of this agreement, HDY was granted a 40-day option to acquire 100% of the issued capital of VanMin, which is a mineral explorer that owns six highly prospective vanadium projects in Queensland and the Northern Territory.

The Company paid VanMin \$75,000 in consideration for the option and followed the same process outlined above. The option was exercised and at settlement HDY issued 550,000,000 fully paid ordinary shares and 550,000,000 listed options (exercisable at \$0.02 on or before 30 April 2020) (ASX: HDYOC) to VanMin shareholders.

The capital structure prior to and following completion of the two acquisitions is set out below:

	Shares	Options
Current	1,361,815,830	861,810,924 ¹
Consideration – Nelly Vanadium P/L	737,500,000	737,500,000 ²
Consideration – Vanadium Mining P/L	550,000,000	550,000,000 ²
Total	2,649,315,830	2,149,310,924

Notes:

- The terms of the current options on issue are as follows:
 - 812,884,346 listed options exercisable at \$0.02 on or before 30 April 2020 (ASX: HDYOC);
 - 45,525,000 options exercisable at \$0.06 on or before 19 August 2020; and
 - 3,401,578 options exercisable at \$0.044 on or before 1 October 2020.
- Consideration options are listed options exercisable at \$0.02 on or before 30 April 2020 (ASX: HDYOC).

Note, the Company convened a General Meeting of shareholders to seek approvals required to give effect to the proposed acquisitions of NVPL and VanMin, including for the

issue of the consideration shares and options. The General Meeting was held on 24 August 2018 and a Notice of Meeting was dispatched to shareholders on 25 July 2018.

In addition, on 30 October 2018, the Company lodged its Notice of Meeting for the Annual General Meeting to be held on 29 November 2018.

Corporate presentations

Investor presentations for Nelly Vanadium Mine and Vanadium Mining were released to the ASX platform on 4 July and 20 July 2018 respectively.

Trading Halt and Suspension

Trading was halted on 6 September 2018 then suspended from 10 September 2018 pending ASX queries. The Board and its legal advisors are working proactively with the ASX to remedy the matters satisfactorily, so that trading can resume as soon as possible.

Substantial shareholders

On 10 September 2018, two groups announced they were substantial holders in the Company:

- Pacific Continental Holdings Pty Ltd with 409.1m shares (15.44% of the Company's issued capital)
- Strat Plan Pty Ltd ATF Strat Plan Trust with 155.1m shares (5.85% of the Company's issued capital)

For further information, please visit www.hardeyresources.com.au:

The following table sets out the tenement information reported on a consolidated basis as required by ASX Listing Rule 5.3.3.

Table 2. Mining tenements held at the end of the Quarter and their location

Project Name	Location	Tenement Licences	Interest Held by Group
Bellary	WA	E47/3578	100%
Hamersley	WA	E47/3827	100%
Elsie North	WA	E45/5020	100%
<u>Cheela</u>	WA	E08/2880	100%
Grace	WA	E45/4524	100%
Grace	WA	P45/2905	100%
Grace	WA	P45/2906	100%
Grace	WA	P45/2907	100%
Grace	WA	P45/2908	100%
Grace	WA	P45/2909	100%
Grace	WA	E45/5130	100% (Application only)
Horseshoe South	WA	E52/2569	100%
<u>Burruga</u>	NSW	EL6463	100%
<u>Burruga</u>	NSW	EL6874	100%
<u>Burruga</u>	NSW	EL7975	100%
<u>Burruga</u>	NSW	ELA5454	100% (Application only)
Spike	QLD	EPM26801	100% (Application only)
<u>Cera</u>	QLD	EPM26803	100% (Application only)
Petrie	QLD	EPM26804	100% (Application only)
<u>Sharptooth</u>	QLD	EPM26801	100%
Wollagalong	NT	EL31841	100% (Application only)
Chisholm	NT	EL31842	100% (Application only)

1. The mining tenement interests acquired during the quarter and their location

Nelly Vanadium Mine in San Luis, Argentina and six Australian Vanadium projects in the Northern Territory and Queensland.

2. Beneficial percentage interests held in farm-in or farm-out agreements at the end of the quarter

Not applicable.

3. Beneficial percentage interests in farm-in or farm-out agreements acquired or disposed of during the quarter

WA Exploration Licence Applications E45/5131 & E45/5132 were withdrawn during the quarter.

ABOUT HARDEY RESOURCES:

Hardey Resources (ASX: HDY) is a publicly listed, junior mineral resources company focused on the exploration and development of copper and battery related minerals and projects. Hardey has aggregated a diversified portfolio of assets that are at multiple stages, commodities and jurisdictions. The Burraga Copper-Gold Project, located in the world class minerals province of the East Lachlan Fold Belt in central western New South Wales consists of three contiguous exploration licences (EL6463, EL6874 and EL7975) and one exploration licence application (ELA5454) covering a total area of approximately 221km². The Nelly Vanadium Mine in Argentina, South America is a significant historic vanadium mine, which the company will be fast tracking to re-open mining operations. The Company also has an extensive landholding prospective for Pilbara conglomerate-hosted gold in Western Australia, with three exploration licences (E47/3578, E47/3827, and E45/5020). The Grace Gold Project located in the world class Paterson mineral province in Western Australia consists of one granted exploration licence and five granted prospecting licences (E45/4524, P45/2905, P45/2906, P45/2907, P45/2908, and P45/2909) with additional application pending (E45/5130). Hardey is an active explorer with the aim of discovering a valuable mineral resource and delivering shareholder value.

COMPETENT PERSON'S STATEMENT:

The information in this report that relates to Geological Interpretation, Historical Exploration Results, or Historical Mineral Resources is based on information compiled by Nicholas Ryan, a Competent Person who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Ryan has been a Member of the Australian Institute of Mining and Metallurgy for 12 years and is a Chartered Professional (Geology). Mr Ryan is employed by Xplore Resources Pty Ltd. Mr Ryan has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Ryan consents to the inclusion in the report of the matters based on his information and the form and context in which it appears.

Disclaimer

Some of the statements appearing in this announcement may be in the nature of forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industries in which Hardey operates and proposes to operate as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets, among other things. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement. No forward looking statement is a guarantee or representation as to future performance or any other future matters, which will be influenced by a number of factors and subject to various uncertainties and contingencies, many of which will be outside Hardey Resources (HDY) control.

The Company does not undertake any obligation to update publicly or release any revisions to these forward looking statements to reflect events or circumstances after today's date or to reflect the occurrence of unanticipated events. No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions or conclusions contained in this announcement. To the maximum extent permitted by law, none of HDY, its Directors, employees, advisors or agents, nor any other person, accepts any liability for any loss arising from the use of the information contained in this announcement. You are cautioned not to place undue reliance on any forward-looking statement. The forward-looking statements in this announcement reflect views held only as at the date of this announcement.

This announcement is not an offer, invitation or recommendation to subscribe for, or purchase securities by HDY. Nor does this announcement constitute investment or financial product advice (nor tax, accounting or legal advice) and is not intended to be used for the basis of making an investment decision. Investors should obtain their own advice before making any investment decision.

Comments in this report relate to HDY ASX Releases during the review period:

- 1) HDY ASX Release 3, 13, 19 & 24 July 2018
- 2) HDY ASX Release 7, 13, 15, 22, 24, 29 & 31 August 2018
- 3) HDY ASX Release 6 September 2018
- 4) HDY Annual Report 2018 – Released 1 Oct 2018
- 5) HDY ASX Release 30 October 2018

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Hardey Resources Limited

ABN

45 115 593 005

Quarter ended ("current quarter")

30 September 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(451)	(451)
(b) development	-	-
(c) production	-	-
(d) staff costs	(80)	(80)
(e) administration and corporate costs	(668)	(668)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,198)	(1,198)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	(150)	(150)
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(150)	(150)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(47)	(47)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)		
	Share application monies	-	-
3.10	Net cash from / (used in) financing activities	(47)	(47)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,936	1,936
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,198)	(1,198)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(150)	(150)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(47)	(47)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	541	541

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	541	1,936
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	541	1,936

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	(131)
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	
6.1	Director fees paid to Directors and/or Director related entities	\$65,500
	Consulting fees paid to Directors and/or Director related entities	\$65,500

7.	Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

N/A

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	(550)
9.2 Development	-
9.3 Production	-
9.4 Staff costs	(120)
9.5 Administration and corporate costs	(390)
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	(1,060)

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	N/A			
10.2 Interests in mining tenements and petroleum tenements acquired or increased	953-L2003, San Luis, Province Argentina	Direct interest	-	100%
	EPM26801, QLD	Direct interest	-	100%
	EPM268002, QLD	Direct interest	-	100%
	EPM26803, QLD	Direct interest	-	100%
	EPM26804, QLD	Direct interest	-	100%
	EL31841, NT	Direct interest	-	100%
	EL31842, NT	Direct interest	-	100%

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here: Company Secretary

Date: 31 October 2018

Print name: Sarah Smith

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.