

13 May 2019

With robust Scoping Study completed Tando now fully funded to advance key offtake agreements

Vanadium sales contracts will in turn pave way for project level funding, enabling Tando to establish Phase 1 project with low capital cost and short lead time to production

Key Points

- **Tando has received firm commitments from domestic investors and UK institutions for \$1.7 million via a share placement at 8.5c**
- **A contemporaneous Share Purchase Plan (SPP) will be offered to existing shareholders on the same terms as the placement to raise up to \$0.3 million**
- **Directors will participate in the placement, subject to shareholder approval**
- **The proceeds will be used to advance offtake agreements for Phase 1 of Tando's SPD Vanadium Project in South Africa**
- **The offtake agreements will underpin project level funding for Phase 1, which has an estimated capital cost of just US\$18m and very high annual operating margins of US\$17m together with a short payback period of less than two years**
- **The proceeds will also be used to quickly and economically upgrade the recently-completed Scoping Study to a Pre-feasibility Study**
- **The Scoping Study demonstrated the potential for Phase 1 of the SPD Vanadium Project to be technically and financially robust (see ASX release dated May 2, 2019)**
- **Phase 1 is forecast to enjoy low capital and operating costs due to the high grade nature of the vanadium mineralisation at SPD**
- **The Mineral Resource for the high grade surface component of the SPD deposit stands at 169Mt at 1.07% V₂O₅ (Indicated and Inferred categories)**
- **Ownership milestones successfully renegotiated to deliver maximum 73.94% of SPD Vanadium Project and ensuring TNO is transaction ready**



Tando Resources (ASX: TNO, **Tando** or **the Company**) is pleased to announce that it has received firm commitments from UK and domestic investors for \$1.7 million via a share placement (**Placement**) at 8.5c, representing a 15% discount to the last sale price.

In addition, Tando will raise up to \$0.3 million via a Share Purchase Plan ("SPP") on the same terms as the Placement.

Tando's directors will participate in the Placement, subject to shareholder approval, to a level of \$150,000 (1,764,706 shares and 882,353 options).

The proceeds of the raising will pave the way for development of Phase 1 at its SPD Vanadium Project in South Africa, which has an estimated capital cost of just US\$18 million and is forecast to generate an average annual operating margin of US\$17 million.

Managing Director Bill Oliver said the proceeds would enable Tando to advance key offtake agreements and upgrade the Scoping Study to PFS status.

"This raising will enable us to put in place the final pieces of the jigsaw needed to secure project funding," Mr Oliver said.

"This includes the offtake contracts, which will underpin project funding, and completion of the few pieces of additional work which will upgrade the Scoping Study to a PFS.

"Given that Phase 1 at SPD has a capital cost of just US\$18 million, we will be very well placed to secure project level funding and start construction."

Details of Capital Raising

The Placement will be undertaken using the Company's available placement capacity at an issue price of \$0.085 with an attaching 1:2 option (\$0.12, 1 June 2021). Application will be made to quote these options (**Listed Options**).

Contemporaneously with the Placement a share purchase plan (**SPP**) will be offered to existing shareholders to raise up to \$300,000. The SPP is not underwritten and will be priced on the same terms as the Placement, namely at \$0.085 per new share with a 1:2 Listed Option. Should demand exceed \$300,000 the board reserves the right to take oversubscriptions to a maximum of \$300,000. The record date for the SPP is 10th May 2019, and SPP documentation will be distributed in due course.

The Placement shares, options and SPP options will utilise the Company's available placement capacity. Up to 12,647,059 options are to be issued under the Company's Listing Rule 7.1 15% placement capacity, and 18,235,294 Placement shares are to be issued under the Listing Rule 7.1A 10% placement capacity (approved by shareholders at the Company's 2018 annual general meeting).

The purpose of the Placement is to ensure that the Company is adequately funded for the continued development of the SPD Vanadium Project including site establishment works and bulk sampling for potential offtake partners in addition to augmenting working capital.

Xcel Capital Pty Ltd acted as Lead Manager to the Placement. The Company is required to conduct the capital raising pursuant to a cleansing prospectus which will be issued in due course.



Scoping Study

The Company recently completed and announced a Scoping Study which demonstrated the potential for strong financial metrics for Phase 1 at the SPD Vanadium Project (Table 1, refer ASX Announcement 2 May 2019). Phase 1 is based on a proposed 2.2Mtpa standalone mining and beneficiation operation to generate a +2% V₂O₅ concentrate for sale at mine gate.

Table 1. Base Case Key Metrics.

Study Outcomes	
EBITDA LoM (US\$, pre-tax)	US\$ 234 – 431M
EBITDA per annum (US\$, pre-tax)	US\$ 9.4 – 17M
NPV (US\$, pre-tax)	US\$ 68 – 138M
Internal Rate of Return (pre-tax)	48 - 86%
Payback Period	1.9 – 2.8 years
Life of Mine (Phase 1)	25 years
Pre-production CAPEX (US\$)	US\$ 18.8 – 20.0M
Average Phase 1 cash operating costs (US\$/t) ¹	US\$11.7 /t processed
Annual Concentrate Production (average)	0.79Mt

¹ Cash operating costs include all mining, processing, government royalties, site administration and overhead costs

The Scoping Study has been compiled by the Company with the assistance of a highly experienced and reputable group of independent consultants following the completion of the updated Mineral Resource Estimate for the SPD Vanadium Project reported (refer ASX Announcement 16 April 2019). Figure 1 gives an indication of the sensitivities of the project economics to various factors. The Scoping Study was completed to an overall +/- 35% accuracy using the key parameters and assumptions set out in Table 2 and as further detailed in the ASX Announcement of 2 May 2019.

Restructure of Ownership Milestones and Board Composition

The Company further advises that negotiations with the South African joint venture partners and original vendors of the SPD Vanadium Project (**Original Vendors**) have resulted in a restructure (**Restructure**) of ownership arrangements and board composition, namely:

- the acceleration of the maximum ownership permitted to the Company of the SPD Vanadium Project to 73.94%;



- Original Vendor share milestones shall be waived, and all outstanding shares and options shall be issued in favour of the Original Vendors (with the issue of shares that would have been issued pursuant to definitive feasibility study and bankable feasibility study to be voluntarily escrowed until 31 December 2019); and
- the Original Vendors shall nominate board members representing 50% to the board of the Company, with the Company to benefit directly from the extensive South African mining, corporate and legal experience of the Original Vendors.

The Board views the Restructure as highly beneficial in that it provides the Company the ability to deal with certainty in respect of developing the asset both in terms of off-take discussions but also in the context of project development and corporate finance.

The issue of shares and options under the Restructure will be the subject of shareholder approval in a meeting to be held prior to 31 July 2019. In the event that shareholder approval is not obtained then all agreements related to the SPD Vanadium Project shall be terminated with the Company retaining a 15% interest but not earning any further interest in the Project.

To acquire more than 49.9% of the SPD Vanadium Project the Company must obtain approval under S11 of the South African Mineral and Petroleum Resources Development Act 2002. Pending this approval the balance of the interest above 49.9% up to 73.95% will be held in escrow.

Further details will be provided in the attendant notice of meeting which shall be despatched in due course.

For and on behalf of the board:

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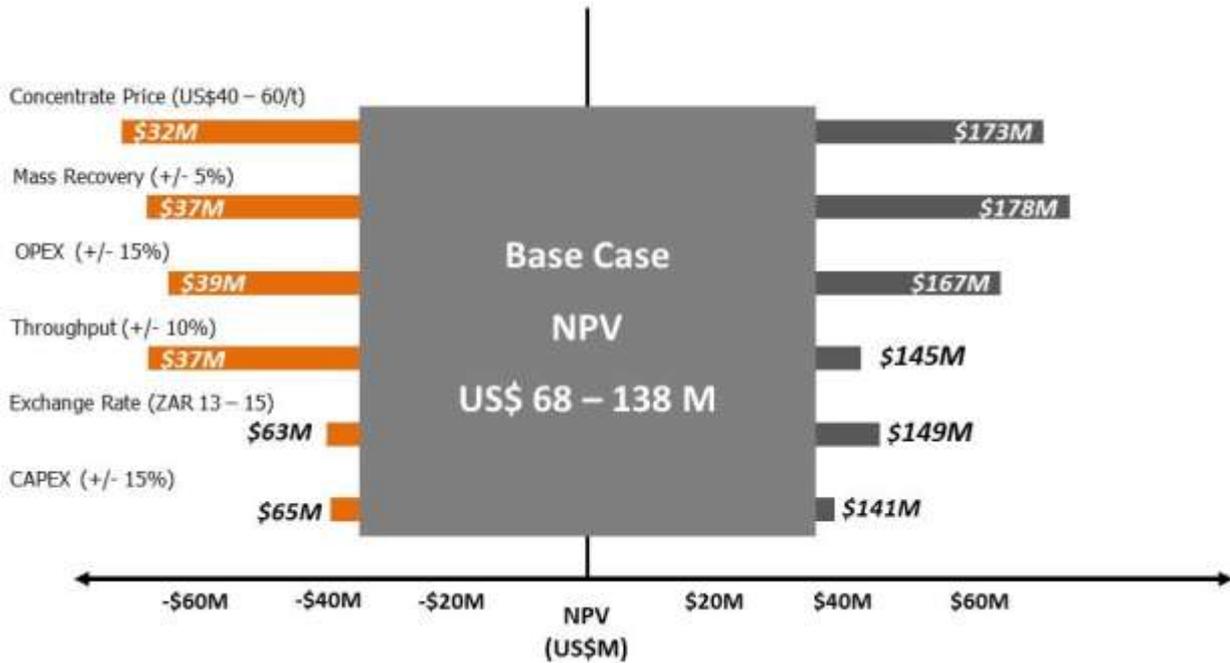


Figure 1. NPV Sensitivity Analysis.

Table 2. Key Parameters and Assumptions.

Parameter	
General / Economic	
Discount Rate	10%
Concentrate Price (US\$)	\$45 - 55
Exchange Rate (US\$:ZAR)	14
Mining / Production	
Average LoM strip ratio	0.38
Processing Rate	2.2 Mtpa
LoM Production Target	53.6 Mt
Average V2O5 grade mined (resource)	0.82%
Average V2O5 grade mined (diluted)	0.74%
Recovery into concentrate (mass, average LoM after dilution)	37%
Recovery into concentrate (V2O5)	>90%
Concentrate grade (V2O5)	>1.8%
Cost Assumptions	
LoM average open pit mining costs (\$/t ore mined)	\$3.31
LoM average beneficiation costs (\$/t ore processed)	\$6.42
General and admin incl environmental and social (\$/t ore mined)	\$1.94
Royalty	Max 7%
Tax rate	28%



Competent Persons Statements

The information in this announcement that relates to Exploration Results and other technical information relating to drilling and sampling at the SPD Vanadium complies with the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (**JORC Code**) and has been compiled and assessed under the supervision of Mr Nico Denner, the principal of GEMECS (Pty) Ltd, consultants to the Company. Mr NJ Denner is a Fellow of the Geological Society of South Africa (GSSA) and a member of good standing of the South African Council for Natural Scientific Professions (SACNASP), both Recognised Professional Organisations under the JORC Code.. Mr NJ Denner is a geologist with 24 years' experience in the South African Mining Industry and 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 JORC Code. Mr Denner consents to the inclusion in this announcement of the matters based on his information in the form and context in which it appears.

The information in this announcement that relates to Mineral Resources, including the Mineral Resources contained within the Production Target, complies with the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (**JORC Code**) and that has been compiled, assessed and created by Mr Kerry Griffin BSc.(Geology), Dip Eng Geol., a Member of the Australian Institute of Geoscientists and a Principal Consultant at Mining Plus Pty Ltd, consultants to the Company. Mr Griffin 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 JORC Code. Mr Griffin is the competent person for the resource estimation and has relied on provided information and data from the Company, including but not limited to the geological model and database. Mr Griffin consents to the inclusion in this announcement of matters based on his information in the form and context in which it appears.

Tando is not aware of any new information or data that materially affects the information included in this report and that all material assumptions and parameters underpinning Exploration Results, Mineral Resource Estimates and Production Targets as reported in the market announcements dated 16 April 2019 and 2 May 2019 continue to apply and have not materially changed.

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 Tando 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 Tando's control.

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