

ASX Release

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ASX Code:

VAL

Ordinary Shares:

1,893,192,258

Options:

86,333,333 (\$0.045 – 04/12/2019)
400,000,000 (\$0.015 – 31/12/2021)



VALOR RESOURCES

EXCLUSIVE OPTION AGREEMENT SIGNED WITH KENNECOTT EXPLORATION COMPANY FOR A JOINT VENTURE ON BERENGUELA PROJECT

The Board of Valor Resources Limited (“VAL” or the “Company”) is very pleased to announce the signing of a joint venture Option Agreement with Kennecott Exploration Company (“KEX”), part of the Rio Tinto group, in respect of the Berenguela copper-silver-manganese project in south-eastern Peru (“Project”), endorsing the potential value of the project.

HIGHLIGHTS

The key terms of the agreement are:

- KEX to pay US\$700,000 prior to February 2019 to cover the due instalment payable to SSR Mining Inc (“SSR”);
- KEX to actively spend US\$2 million on exploration expenditure on the Project over the next 12 months (“Initial Expenditure”). During this time, KEX will be solely responsible for designing and implementing the exploration program. Any assistance required from VAL will be reimbursed at cost plus 10%;
- Following the satisfaction of the Initial Expenditure, KEX can exercise an option to form a 50:50 incorporated joint venture with VAL in respect of the Project on payment of an additional US\$3 million to VAL (“JV Option”). After the formation of the JV, all costs, management, and decision making will be shared pro rata;
- Following the JV Option, KEX has a further option to solely fund an additional US\$5 million on the Project within three years to earn an additional 25% in the joint venture;
- VAL cash balance is A\$1.9m before receipt of USD \$700,000 from KEX which is expected to be received shortly.

The Company believes that the introduction of KEX as a partner to the Project is a significant and exciting step forward in its development; in addition to endorsing its current value, it speaks to the highly prospective and exciting development potential of the Berenguela mineral system. As part of the Rio Tinto group, KEX has access to a depth of exploration and mine development personnel, and access to the required levels of capital to ensure the Project’s future going forward.

Consent for the above arrangement has been granted by SSR who still holds a mortgage over the Project following the original acquisition by VAL (refer to ASX announcements on 13 February 2018, 30 March 2017 and 3 May 2017). Once the JV Option is exercised, future milestone payments to be paid to SSR are to be shared by the joint venture participants on an equity basis.

VAL continues to hold the Picha Project and additional concessions in Perú, on which it will continue to conduct exploration activities. These projects do not form part of the KEX JV agreement.

VAL continues to consider other acquisition/investment opportunities as they arise.

Dr Nicholas Lindsay, Executive Director commented:

This is a very exciting time for Valor Resource and the undeveloped Berenguela copper-silver project. We welcome KEX's involvement in the Project's development going forward and we are encouraged about the exciting near and longer term prospects for VAL's shareholders.

Highlights Relating to the Berenguela Project:

- ✓ 6,594 hectares of mineral concessions in South-Eastern Peru, with the current resource only occupying 2.1% of total land package.
- ✓ Measured, Indicated and Inferred JORC Resource: 45.9 million tonnes at 0.77% copper 86 g/t silver + 0.28% zinc and 5.1% manganese (Table 1). For details, refer to ASX announcements on 9 January 2018, 30 January 2018 and 29 August 2018.

Category	Tonnes millions	Silver g/t	Copper %	Manganese %	Zinc %	Copper Eq, %
Measured	7.71	103	0.99	8.68	0.34	1.65
Indicated	28.2	80	0.73	5.16	0.30	1.27
Inferred	9.97	88	0.67	2.15	0.20	1.19
Total	45.9	86	0.76	5.10	0.28	1.32

Table 1. Mineral Resource as at 30 January 2018, at 0.5% copper equivalent cut-off grade

See below for copper equivalent calculation parameters

- ✓ Positive Scoping Study indicated that the Project could be economically and technically viable across a range of parameters, through the production of copper, silver, and manganese products (refer to ASX announcements on 29 August 2018 and 3 September 2018 for further details)
- ✓ Pre-feasibility study already commenced with a rigorous metallurgical testwork program currently underway.

Competent Person Statement

The information in this document that relates to the resource statement is based on information compiled and reviewed by Mr. Marcelo Batelochi, and referred to in ASX announcements on 9/01/18, 30/01/18 and 29/08/18. Mr. Batelochi is an independent consultant with MB Geologia Ltda and is a Chartered Member of AusIMM – The Minerals Institute. Mr. Batelochi has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which is 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. Batelochi consents to the inclusion in the report of the matters based on their information in the form and context in which it appears. Mr. Batelochi accepts responsibility for the accuracy of the statements disclosed in this release.

The Company confirms that it is not aware of any new data that materially affects the information included in the original market announcements, and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed.

This report may contain forward-looking statements. Any forward-looking statements reflect management's current beliefs based on information currently available to management and are based on what management believes to be reasonable assumptions. It should be noted that a number of factors could cause actual results, or expectations to differ materially from the results expressed or implied in the forward-looking statements.

Copper Equivalent Calculation

In accordance with JORC code 2012 clause 50, reporting of polymetallic deposits may be done in terms of a metal equivalents, or a single value of one major metal, which in this case is copper, being the metal most widely distributed and most readily accessible in terms of market pricing.

"In most circumstances, the metal chosen for reporting on an equivalent basis should be the one that contributes most to the metal equivalent calculation. If this is not the case, a clear explanation of the logic of choosing another metal must be included in the report." JORC 2012 clause 50

As required, copper equivalents are included in tables alongside the grades of individual metals used.

The basic copper equivalent (CuEq %) algorithm as per 30 January 2018 resource statement is:

$$\text{Cu Eq (\%)} = \text{Cu G (\%)} + ((\text{Ag G} / 10000) \times \text{Ag P} \times \text{C} \times \text{ReAg}) / (\text{Cu P} \times \text{ReCu}) + (\text{Zn\%} \times \text{Zn P} \times \text{ReZn}) / (\text{Cu P} \times \text{ReCu})$$

Where:

Cu G = Copper grade %

Ag G = Silver grade in g/t

Ag P = Silver price in USD per troy ounce: US\$17.23

ReAg = Expected recovery of silver = 50%

Cu P = Copper price US\$7,202 per tonne

ReCu = Expected recovery of copper = 85%

Zn% = Zinc grade %;

Zn P = Zinc price US\$3,377 per tonne;

ReZn = Expected recovery of zinc = 80%

It is the company's opinion that all the elements included in the metal equivalents calculation have a reasonable potential to be recovered and sold