Vector finalising review of potential for toll treatment campaign at Gwendolyn

Study and other work to be funded by $3.9m rights issue

Highlights

- **Mining proposal submitted, with approval pending.**
- **Vector undertaking studies on high-grade toll treatment operation at Gwendolyn Gold Project in WA.**
- **Toll treatment project will focus on the high-grade lodes at Gwendolyn to maximise margins and surplus cash flow.**
- **Studies underway include detailed resource review aimed at tailoring the model for a high-grade toll treatment operation.**
- **Vector to undertake one-for-two rights issue at 3c to raise $3.9m.**
- **Toll treatment strategy will fast-track production and will eliminate need for +$40m development of Gwendolyn and associated debt and equity raisings.**
- **New Resource model developed with five geological, alteration and structural controlled domains.**

Vector Resources (ASX: VEC) is pleased to announce that it is finalising studies aimed at establishing a potentially lucrative toll treatment operation at its Gwendolyn Gold Project near Southern Cross in WA.

The studies will assess the technical and financial viability of toll treating ore from the high-grade lodes at Gwendolyn. This will include a detailed review of the Gwendolyn resource to ensure the model is optimised for a high-grade toll treatment project.

As part of this, Vector has held advanced discussions with a nearby processor, the details of which will be disclosed when the findings of the studies are available.

To help fund the studies and other work at Gwendolyn, Vector will undertake a one-for-two rights issue at 3c per share to raise $3.9 million.

Vector believes that a toll treatment project has the potential to generate far superior returns for shareholders than a conventional project development.

The Company believes the financial advantages of this option are also boosted by the ability to target Gwendolyn's high-grade lodes, which will further reduce operating costs, maximising margins and cash generation.

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In comparison to previously reported resource estimates, the latest resource model (Figure 1) is the most comprehensive and detailed resource model constructed to-date.

The new resource model on Gwendolyn has delineated five different mineralisation domains, compared with the previous single domain. The identified geological, alteration and structural controls were used to constrain this current resource model. These five domains are as follows: the main, laterite, pods, flats, and fault lode domains.

The high grade 'flats' domain is possibly caused by gold leaching out from the water table within the oxide zone. The 'pods' are discontinuous mineralised entities separate from the main domain and there were more pods intersected with the additional drilling above the main domain. The 'main' domain is still dipping approximately 30 degrees to the west and having a shallow plunge to the SW. It has been classified as a low grade shear zone domain which bears most of the mineralisation in Gwendolyn. The 'laterite' zone is a low grade flat lying zone, located just above the main zone.

The domain identified recently with additional drilling was the 'high grade lodes' or blow out zones running along a series of structural faults striking in a NW and NNW direction cross cutting the main fault running NE-SW. The mineralisation on these structures as tested appeared discontinuous and with high variability in gold grades. This domain was isolated from the surrounding domains in order to prevent the high grades present in this geological domain from influencing the surrounding domains. The majority of these identified blow out zones are in the shallow portion of the oxide zone.

The method used for estimating the latest resource model is Ordinary Kriging. The uncut total resource for this geologically constrained model is 6,018,000 tonnes at an Au grade of 1.0g/t containing 193,000 oz of gold. The capped total for this resource as reported by Ravensgate Mining Industry Consultants (Ravensgate) is 6,018,000 tonnes at an Au grade of 0.8g/t containing 149,500 ounces. The capped values for this resource from Ravensgate differ for each domain as shown (Table 1). With the improved understanding of the mineralisation controls a capped value was used for each domain using a 99th percentile analysis of each domain.

Table 1: Capped values associated with each domain

Domain	Percentile	Cap Value	Mean	Std. Dev.	Coefficient of Variation
FAULTS	99	57.36	2.35	7.23	3.07
FLATS	99	7.83	1.11	1.96	1.77
LATERITE	99	6.26	0.53	0.87	1.63
PODS	99	8.1	0.61	1.14	1.88
MAIN	99	12	0.92	1.84	2.01

The resource using the capped values and a 1.0g/t bottom cut is represented below in table 2 which Ravensgate has estimated a total mineral resource at a 1.0 g/t cut-off and using the 99 percentile capped values for the Gwendolyn Project of 1.297Mt at an average grade above of 2.0g/t for 84,900 ounces of metal. The total resource consists of Indicated Mineral Resources of 0.790Mt at 1.6g/t Au for 39,800 ounces and an additional Inferred Mineral Resource of 0.507Mt at 2.8g/t Au for 45,100 ounces using a cut-off of 1.0g/t Au (Table 2) for the Gwendolyn Project.

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Table 2: Summary of Ravensgate top capped and bottom cut Gwendolyn Mineral Resources

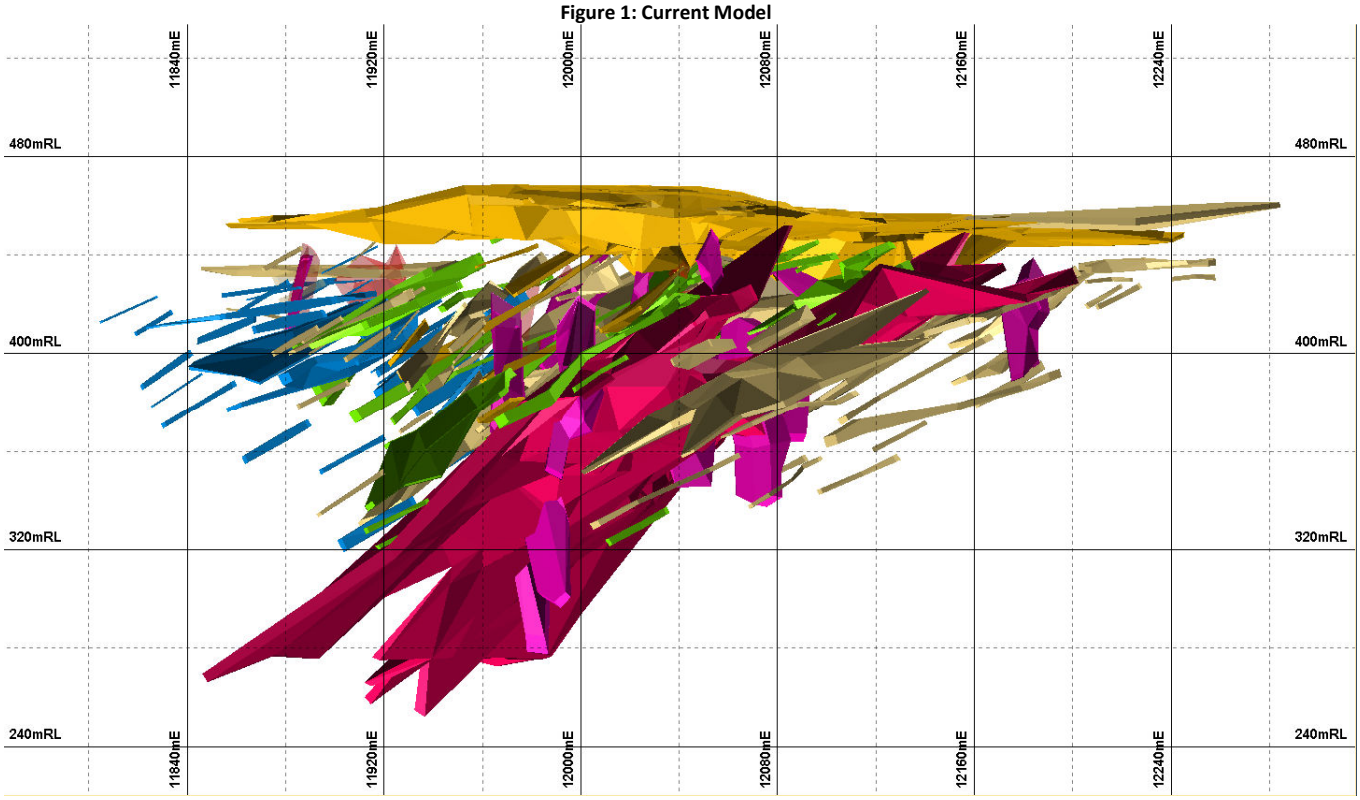
Summary of Gwendolyn Mineral Resources at a 1.0 g/t cut-off value, Ravensgate February 2013					
Category	**Cut-Off (g/t)**	**Volume ('000)**	**Tonnes ('000)**	**Grade (g/t)**	**Ounces**
Measured	1.00	-	-	-	-
Indicated	1.00	314	790	1.6	39,800
Total Measured and Indicated	**1.00**	**314**	**790**	**1.6**	**39,800**
Inferred	1.00	193	507	2.8	45,100
Total	**1.00**	**507**	**1,297**	**2.0**	**84,900**

Totals have been rounded to two significant figures from actual calculated results and rounded in accordance with JORC Code resource estimation guidelines and so total ounce 'errors' occur if multiplying summary table figures for the Gwendolyn Project. All resource modelling and interpretation has been undertaken in the local grid for Gwendolyn. The current resource based on the geological, alteration and structurally controlled domains is represented in (Figure 1).

Major factors influencing the current mineral resource estimate include:

- Previous mineral resource estimates did not make use of geological lithologies to domain the data. Leapfrog software was previously used to provide a generic mineralised grade shell as opposed to the current geological domaining undertaken by Vector geological staff.
- A top cut of 32.0g/t was globally applied in the historical mineral resource estimate. In the current mineral resource estimate, the data populations from each geological domain are treated separately. This results in differing top cap values being applied in order to mitigate the influence of extreme outlier samples in these geological domains as represented in (Table 1).

Figure 1: Current Model



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DATA SOURCES

All the information upon which this report and mineral resource estimate is based was received from Mr Arnel Mendoza, Exploration Manager, Vector Resources Limited. The data was supplied to Ravensgate in the form of a MS Access Database managed by Geobase Australia Pty Ltd. The data appears to be in good order and well-structured containing tabs for the drill hole collars, down-hole surveys, assays, lithology logging and various other parameters.

Drilling Data

In all a total of 785 drill holes (Table 2) were supplied to Ravensgate by Geobase Australia comprising 56 Air Core ("AC"), 19 Diamond Drill ("DD"), 544 Reverse Circulation ("RC") and 166 Rotary Air Blast ("RAB") drill holes. All RAB drilling was excluded for the purposes of grade interpolation but were used to assist in the generation of the mineralised domains.

Drill hole spacing varies from approximately 15 to 25 metres along the fence lines with the fence lines typically spaced at 20 to 30 meters apart. Drill-holes were typically inclined at 60 degrees on grid east azimuths with some shallower vertical drill holes.

Bulk Density

Bulk densities are based on composite bulk density samples from eight drill holes. These bulk density values were used as guidance for the range of bulk density values to be expected. Bulk density values were assigned to the resource model as indicated in (Table 3).

Table 3: Bulk Density

Bulk Density assigned to resource model	
Domain	**Bulk Density (t/m3)**
Laterite	2.3
Oxide	2.5
Transitional	2.7
Fresh Rock	3

Compositing, Spatial Domaining and Statistical Analysis

All RAB drill holes have been excluded from the statistical analysis process. The drill hole samples have been composited to 1.0 metre sample intervals as this was the predominant sample interval of the RC, DD and AC drill holes. The statistics of the un-composited samples within the mineralised domains is provided in Table 4.

Table 4: Bulk Raw Data statistics within mineralised domains

Domain	Item	No. of Samples	Min	Max	Mean	Variance	Std. Dev.	Coefficient of Variation
FAULTS	AU	1,112	0.005	1,212.00	3.85	1,499.7	38.7	10.06
FLATS	AU	52	0.005	37.33	1.67	27.9	5.3	3.16
LATERITE	AU	3,959	0.005	56.00	0.78	5.9	2.4	3.13
PODS	AU	1,425	0.005	191.00	0.92	44.9	6.7	7.31
MAIN	AU	1,525	0.005	145.00	1.25	39.6	6.3	5.04

Assay values below detection limit were assigned a value of 0.005g/t.

BLOCK MODEL

For the Gwendolyn Gold Project, geostatistics, block modelling and grade estimation was completed by Ravensgate using Datamine Studio 3 software.

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Block Model Size Selection

After carefully considering the drilling and sample densities present at the Gwendolyn Gold Project Area, it was decided that the optimal estimation block size to be used for the resource estimation and block modelling was a primary block size of 5m (X) by 10m (Y) by 2 m (Z). Sub-celling was allowed with a maximum of 3 splits allowed in each direction for the parent cell.

Block Model Interpolation Technique Selection

The resource was estimated using Ordinary Kriging interpolation with nugget and sill values based on the analysis of the down hole variograms for each individual mineralised domain. Estimation search ellipses and variogram search parameters were orientated to reflect the geometry of the mineralised domains as tabulated in (Table 5).

Table 5: Search Ellipse orientations and variogram parameters

	Rotation Around			Length of Axes			Variogram Parameters		
Domain	**Z-Axis**	**Y-Axis**	**X-Axis**	**Long**	**Short**	**Across**	**Nugget**	**Variance**	**Sill**
FAULTS	0	0	0	20	20	4.3	19.226	15.871	35.097
FLATS	0	0	0	20	20	4.08	0.014	3.922	3.936
LATERITE	0	0	0	45.45	42.36	4.46	0.255	0.564	0.819
PODS	132.39	-29.5	151.66	36.63	63.81	4.84	0.309	1.039	1.348
MAIN	180	-45	180	27.38	79.55	8.14	4.514	1.877	6.391

Grade Estimation

Gold item values have been interpolated using Ordinary Kriging (OK) using a standard version of Datamine Studio 3 software which is one of the geology and mine planning packages used at Ravensgate. For all of the mineralised domains at Gwendolyn, it was possible to assign specific nugget and variance parameters derived from down-hole and other variogram analysis.

The search volumes per mineralised domain approximated the variogram axes length. The first search volume approximates the range of the variogram, the second search volume is of the same spatial extent but has the minimum number of samples reduced to half of those used in search volume 1. The third volume is intended to fill any remaining blocks not filled in the previous passes and is expanded until the last blocks on the extremities are filled.

Graphical representation of the estimated grade distribution within the 'LATERITE' domain is provided in (Figure 2) and within the remaining domains in (Figure 3).

Figure 2: 3-Dimensional View of the estimated grade distribution of the LATERITE domain looking south east

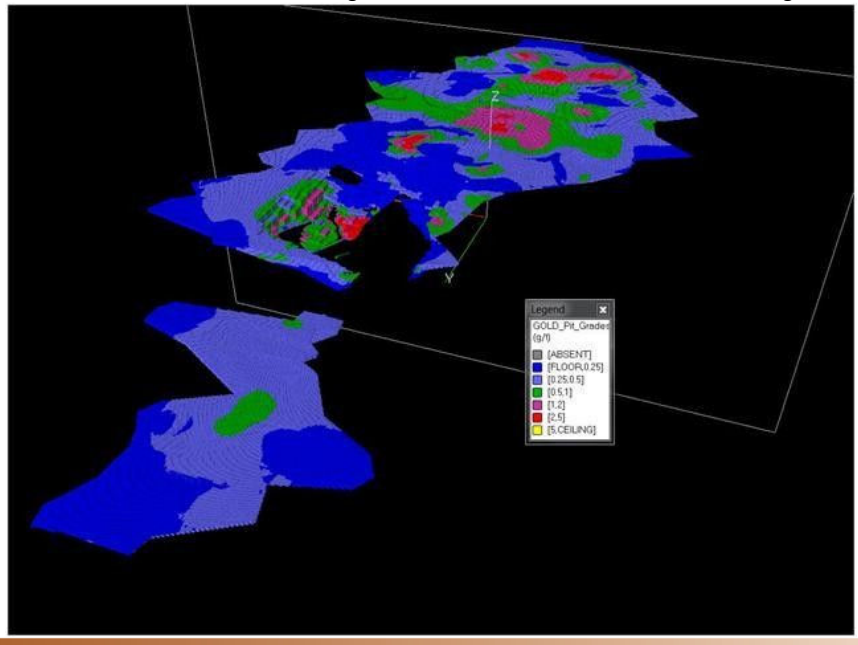

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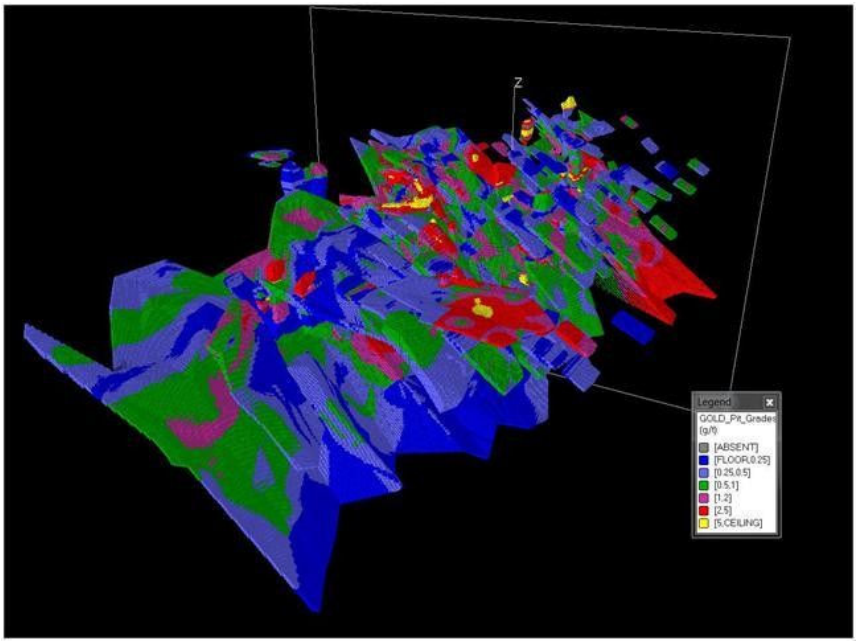
Figure 3: 3-Dimensional View of the estimated grade distribution of the FAULT, POD, FLAT AND MAIN domains looking south east



Mineral Resource Classification

The JORC Code outlines a range of assessment criteria dependent on the quality of several important data inputs. The most important of these inputs are related to factors that include amongst others, the following:

- Adequate levels of drilling and sample density;
- Precise drilling and sampling technique;
- Regular checking of assay data quality;
- Adequate survey control for drill-holes and sample points;
- Reliable estimation and allowance for variability of specific gravity;
- Consistent and accurate logging of drill-hole data;
- Precise definition and modelling of ore zones with reference to geology;
- Thorough reviews of deposit statistics;
- Realistic application of grade cut-offs and area of influence restrictions;
- Correct application of interpolation techniques;
- Thorough analysis of all modelling parameters and the results derived; and
- The minimisation of all assumptions where possible.

Resource classification at the Gwendolyn Gold Project was based on a resource quality item, RESCAT coded into the block model during post processing. The RESCAT item uses a matrix based on the Number of Samples used to estimate a block (NS), the Search Volume used for selecting samples ('SV'), the kriging variance for each block interpolation (KV), the Number of Drill holes used to estimate a resource model cell (N-BHID) and the Transformed Distance of the samples from the sample centre (TD). The thresholds for each of these items are shown in (Table 6) and were selected based on histogram analysis, statistical analysis and sample spacing of the data set. Ravensgate is of the opinion that this methodology conforms to the Guidelines of the JORC Code (2004).

Table 6: Bulk Raw Data statistics within mineralised domains

Category	RESCAT	Search Volume	Number of Samples	Transformed Distance	Number of Drill holes	Kriging Variance
Measured	4	1	<=20	<=0.67	>= 3	<= 0.5
Indicated	3	1	>20<=6	<= 1	>=2	>=0.5<=1.5
Inferred	2 & 1	2	<6	> 1 <= 2	<2	>=1.5

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The complete Ravensgate resource report will be available on the Company's website.

Comparisons of various resource models, uncut and capped.

Uncut Resource using a 0.2 g/t mineralisation wireframe domains excluding tailings

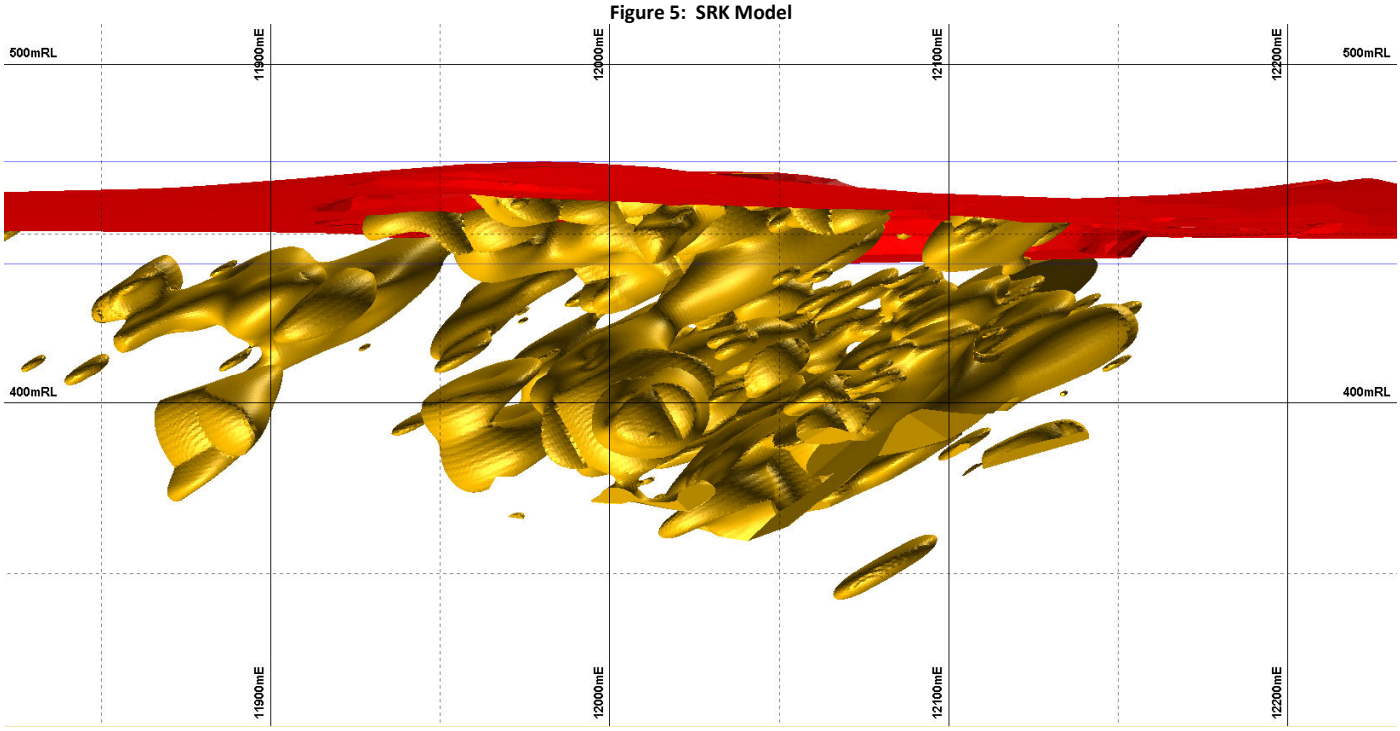
	Indicated			Inferred			Total		
	Tonnes ('000)	Grade (g/t)	Ounces	Tonnes	Grade (g/t)	Ounces	Tonnes	Grade (g/t)	Ounces
Vector Resources' In house' Resource June 2012	2,619,990	1.81	151,791	1,357,940	1.31	57,109	3,977,930	1.63	208,900
Ravensgate Resource Feb 2013	4,181,000	0.8	105,000	1,837,000	1.5	88,000	6,018,000	1.0	193,000

Capped Resource using a 0.2 g/t mineralisation wireframe domains excluding tailings

		Indicated			Inferred			Total			
		Tonnes ('000)	Grade (g/t)	Ounces	Tonnes	Grade (g/t)	Ounces	Tonnes	Grade (g/t)	Ounces	Capped Value
SRK ResourceDecember 2011					1,214,000	2.7	106,000	1,214,000	2.7	106,000	32 g/t
Ravensgate Resource with Domains	Faults				527,000	1.9	32,900	527,000	1.9	32,900	57
Capped Valueat 99.0 % percentile	Flats				39000	1.7	2100	39000	1.7	2100	7.83
	Laterite	175,400	0.5	27,000	13,000	0.4	100	1,767,000	0.5	27,100	6.26
	Pods	972000	0.6	18100	253000	0.7	5300	1225	0.6	23400	8.1
	Main	1,452,000	0.9	41,500	1,006,000	0.7	22,500	2,458,000	0.8	64,000	12
	Total	**4,181,000**	**0.6**	**86,600**	**1,837,000**	**1.1**	**62,900**	**2,385,000**	**0.8**	**149,500**	

The previous SRK resource model (Figure 5) that was reported on December 2011 was based on a simplistic Leapfrog model with a wireframe based on grades with little or no geological control to constrain the mineralisation in Gwendolyn. The 0.2g/t mineralisation domain inferred mineral resource was estimated at 1,214,000 at an Au grade of 2.71g/t with 106,000 oz of gold excluding the tailings indicated mineral resource of 238,000 tonnes at an Au grade of 0.7g/t containing 5,600 oz. Estimation method used was Ordinary Kriging and Inverse Distance techniques for the domain and tailings, respectively.

Figure 5: SRK Model



The in-house model (Figure 6) reported in June 2012 has a marked improvement in understanding of the resource compared with the previous SRK model with the addition of approximately ½ the phase 3 drilling, which was testing the extensions of the ore envelope as well as infill drilling to upgrade the resource category for both unclassified and inferred resource. The mineralisation halo of 0.2 g/t cut off was also used to wireframe the resource model with the additional drilling. The estimation method used for this in house resource was Inverse Distance cubed. The resource model was upgraded by creating wireframes generated in house using Micromine although no geological control was used at

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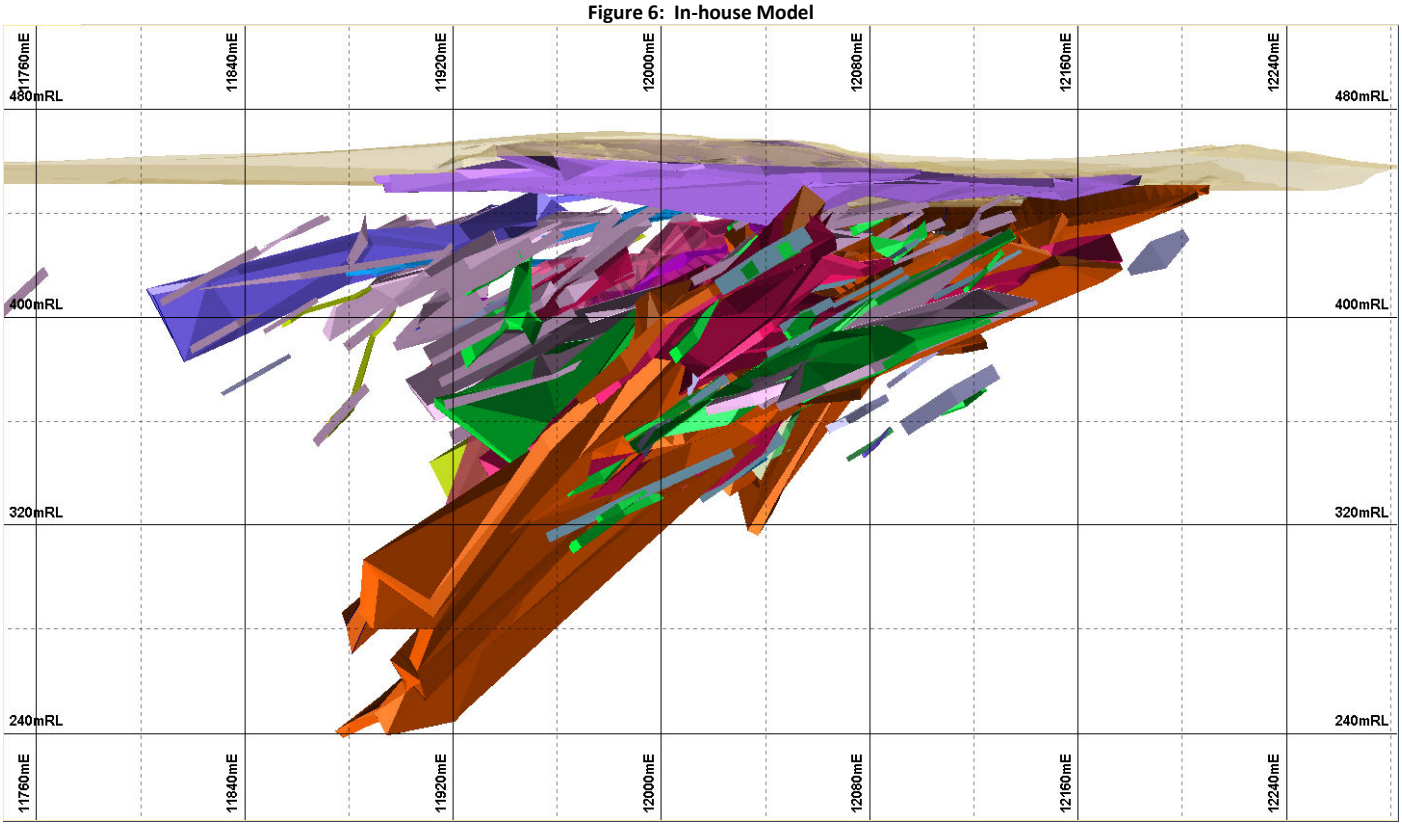
this stage as the re-logging of RC rock chips from both phase 2 and part of phase 3 was still incomplete at the time.

Figure 6: In-house Model



ENDS

Competent Person's Statement:
 # Notes on sample intercept widths: The metre intervals detailed in the table above are measured down-hole lengths and are unlikely to be indicative of true width.

**** Notes on Exploration Targets: In accordance with Clause 18 of the JORC Code, it is important to note that the 'Target Resource' referred to above remains subject to further exploration and evaluation to bring the 'unclassified material' to a JORC Compliant resource. The current interpretation is conceptual in nature and remains preliminary and is based on exploration, evaluation and resource definition work undertaken to date.***

The information in this report that relates to Exploration Results or Mineral Resources of Vector Resources Ltd and its subsidiaries is based on information reviewed by Mr Arnel Mendoza, who is a Member of the Australian Institute of Geoscientists ("AIG") and a Member of The Australasian Institute of Mining and Metallurgy. Mr Mendoza is a full-time employee of the Company.

Mr Mendoza has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity, which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Arnel Mendoza consents to the inclusion in this announcement of the matter based on his information in the form and context it appears.

The new and updated resource estimations for the Gwendolyn Gold Project were carried out by Mr Craig Harvey utilizing resource drilling data sets provided by Vector Resources Limited. Mr Harvey is a Principal Consultant with Ravensgate Mining Industry Consultants and is also a Member of the Geological Society of Southern Africa (GSSA_966008). Mr Harvey has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity undertaken to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Harvey also consents to the inclusion in the report of the capped resource estimate for the Gwendolyn Gold Project in the form and context in which it appears.

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