



VALOR RESOURCES

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Ordinary Shares:

1,787,043,528

Options:

86,333,333 (\$0.045 – 04/12/2019)

25,000,000 (\$0.02 – 31/12/2018)

133,333,334 (\$0.004 – 15/12/2018)

Scoping Study Concludes Berenguela Project Positive

Valor Resources Limited (**Valor**) or (**the Company**) is pleased to announce it has completed a Scoping Study (**the Study**) based on the Indicated and Measured Mineral Resource at its 100% owned the Berenguela Project (**Project**) in Peru.

The Scoping Study dated July 2018 is an update to and supersedes in all aspects the Scoping Study dated June 2017, referred to in previous ASX announcements dated 13 June 2017 and 7 July 2017.

The Study concludes that the Project is positive and can move forward to the next stage. Highlights of the Study include:

Highlights

- Study utilises part of the Project's Measured and Indicated Resource reported in compliance with JORC (2012), in a shallow open pit mine with low strip ratio. No inferred Resources were utilized in the Study;
- Treatment utilises conventional processing technology;
- Study details a metallurgical process designed to deliver a mix of commodities, including copper cathode, silver bullion (doré), electrolytic manganese metal (EMM) and zinc powder;
- Detailed financial and cash-flow model completed;
- Study completed to a higher level of detail than a traditional scoping study;
- Based on the results of the Study, VAL to immediately initiate a Pre-feasibility Study (PFS).

Valor Chairman, Mark Sumner, said:

"We are very pleased to have completed this study with such excellent results. We believe that the results of this study underpin the Project's potential as a very encouraging polymetallic development project. We are excited about advancing Berenguela through the next phases of development, including taking the project through PFS over the coming months.

Additionally, Corona and Corona West present an opportunity to add further surficial resources within close proximity to Berenguela Central. Continued geological mapping and surface sampling presents an opportunity to generate additional copper-silver-manganese targets within the company's extensive concession package."

Scoping Study Overview

In May 2017, Valor completed the transaction for the acquisition of the Berenguela Project from Silver Standard Resources Inc. under the terms previously announced to the ASX on 13 February 2017. Following the acquisition, Valor commissioned an independent Scoping Study in June 2017. The outcomes of that Scoping Study provided the Company with a foundation to proceed with the next phases of drilling, metallurgical testing, as well as other elements of technical work.

Subsequent drilling results increased the total Mineral Resource by 80% and established a newly delineated area to the southwest entitled “Corona”, which is a significant extension of the existing Berenguela deposit with a similar style of mineralisation.

The objective of the July 2018 Scoping Study was to assess the technical and economic feasibility of the Project on the basis of mining and processing copper-silver-manganese ore utilising the Measured and Indicated Resource announced on the ASX dated 30 January 2018.

The Company advises that while it is satisfied with the outcomes of the Scoping Study, some of the requirements under Australian Securities and Investment Commission (ASIC) Information Note 214 necessary to publish the report as a Scoping Study could not be satisfied. Information Note 214 refers to “Mining and resources forward looking statements” and in particular refers to Regulatory Guide 170 (RG 170), which requires a reasonable basis for the Company to publish forward looking statements. In order to satisfy the requirements of RG170, the Company is required to have a specific plan outlining the funding of mine development and commissioning. Unfortunately, at this stage, the Company is not in a position to provide a specific funding plan for any future potential mine development.

In view of the above, the Company is unable to provide in this announcement details of production targets, projected capital and operating costs, net present values and/or internal rates of return pertaining to the Project. The Board understands the need for such information by shareholders and investors but the above limitation of articulating its specific funding plans precludes the Company from fully disclosing the results from the Scoping Study. The Company, will however, disclose such results when the funding requirement is fulfilled.

Based on the results of the Study, the Company intends to proceed to the next stage of development, having secured the appropriate financing – refer to ASX announcement dated 6 August 2018 “Capital Raising Fully Subscribed”.

Location and Infrastructure

The Project is located in the Department of Puno, approximately 50 km southwest of the city of Juliaca and 6 km northeast of the town of Santa Lucia, in the altiplano of South Eastern Peru at an elevation of 4,200 metres, near Lake Titicaca (**Figure 1**).



Figure 1: Location of the Berenguela project in southern Peru

Juliaca, the closest large town to the Project, has a population of 273,900 (2015) and has daily commercial airline services to Lima and elsewhere. The Project can be reached from Juliaca by paved highway which takes approximately 60 minutes, and a further 15 minutes on a gravel road to the Project.

The Project is well serviced by local infrastructure, with direct access to water resources and grid power, potable water supply, mobile telephone access, a hospital, police station, elementary and high school, technical institutes, and a freight railway station. Additionally, the region has a mine-trained workforce. Maintaining a good relationship with the community is part of the Company's overall corporate social responsibility policy and includes regular meetings and sourcing goods, services and labour locally whenever possible.

Local Geology

The Project is an epithermal polymetallic carbonate-replacement deposit. It represents the strongest expression of metal-rich hydrothermal activity in the district (**Figure 2**). The deposit forms a WNW trending zone of mineralisation that lies along a similar deformed zone that extends for tens of kilometres to the east and west of the deposit with the same trend. The frequency of folding is two to three times more within the deposit than within the surrounding area.

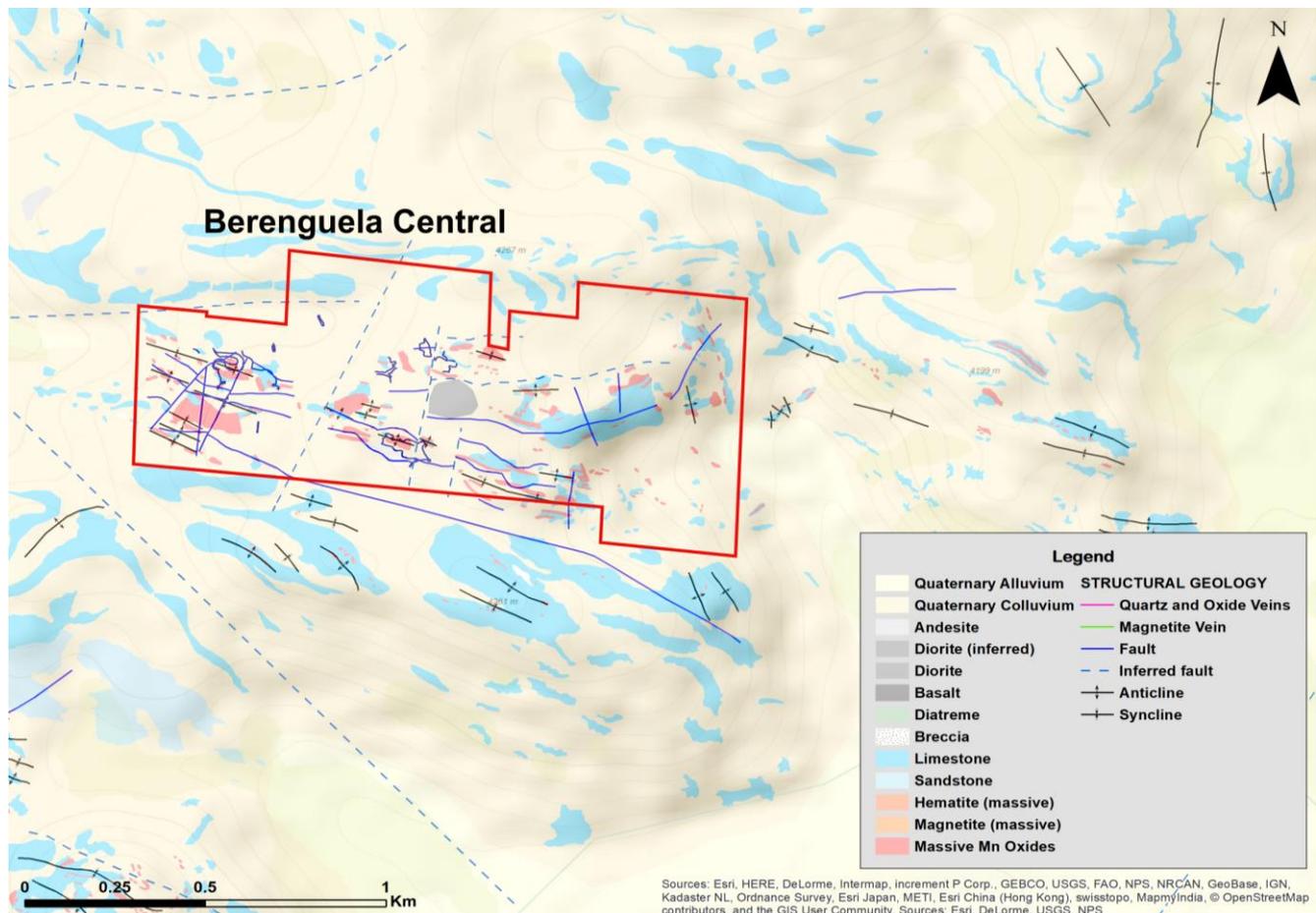


Figure 2: Surface geology of the Berenguela Project

Stockwork bodies of manganese oxides are hosted within folded and faulted carbonates, and include massive vertically flattened lenses. It appears that manganese oxides have replaced the dolomitic limestones along structural features associated with the fault and fracture system within the folds.

There is also an associated irregular network of vuggy quartz veins which cut the manganese oxides. These veins host containing high copper and silver values represented by malachite, azurite, covellite, chalcopyrite, chrysocolla, pyrite, acanthite, and small quantities of native silver.

Mineral Resource Statement

The current total Mineral Resource estimate for the Project is 45.9 million tonnes of Measured, Indicated and Inferred resource (using a 0.5% copper equivalent cut-off grade) as announced to the ASX on 9 January 2018 and 30 January 2018 and summarised in the table below. The Study utilises only the Measured and Indicated Resource, leaving significant scope for expansion when the inferred Resources are re-categorized.

Category	Tonnes millions	Silver g/t	Copper %	Manganese %	Zinc %	Cu 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 Appendix 1 for a calculation of Copper Equivalent ("CuEq")

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 announcement continue to apply and have not materially changed.

Mineral Processing - Metallurgical Testwork

The Company has completed the first stage of metallurgical testwork to determine the process route to treat the Project's polymetallic ore, (see ASX announcement dated 3 July 2018 and 23 July 2018 for details). The results have been incorporated into the Study and are documented below.

The objective of the Company's first stage of metallurgical testwork was to produce an optimised flowsheet for the recovery of copper, manganese, silver and zinc. The flowsheet demonstrates that ore is initially crushed and milled, and run through dry magnetic separation to produce a pre-leach magnetic concentrate. The ore is then put through a standard tank leaching process in oxygenated sulphuric acid.

Sulphuric acid leaching is a well-established and conventional metallurgical process and not unique to Berenguela. Copper and manganese are recovered with electrowinning and silver is subsequently recovered with standard cyanide leaching of acid leach residues. The process is designed to produce copper cathode, electrolytic manganese metal, silver bullion and zinc powder. A key element in the process is the inclusion of a dry magnetic pre-concentration step which markedly improves economics by reducing leach feedstock volumes, reducing reagent consumption, while increasing recoveries.

The metallurgical process flowsheet for Berenguela can be broken into 3 stages, as illustrated in the flowsheet schematic below (Figure 3).

Stage 1: Pre-Concentration

- Comminution: Ore crushing and grinding.
- Pre-concentration: Ore goes through dry, high intensity magnetic separation to reduce feedstock volumes for leaching process.
- Carbonate removal: While, the magnetic concentrate is channelled to Stage 2 leaching, the non-magnetic fraction (waste material) comprising carbonates and silicates is removed. The carbonates can be utilised in acid neutralisation in tailings facilities.

Stage 2: Leaching Process

- Sulphuric acid (H_2SO_4) facilitated by ozone (O_3) to enable optimal solubilisation of copper, zinc and manganese.
- Silver is recovered from the acid residues with conventional cyanide (NaCN) leaching.

Stage 3: Recovery

- Copper and manganese are recovered by electrowinning (SX-EW) to produce copper cathode and electrolytic manganese metal (EMM).
- Silver is recovered from the cyanide leaching process with Merrill-Crowe (zinc-precipitation) to produce silver bullion (doré).
- By-products from the main process to include manganese sulphate ($MnSO_4$) and zinc powder.

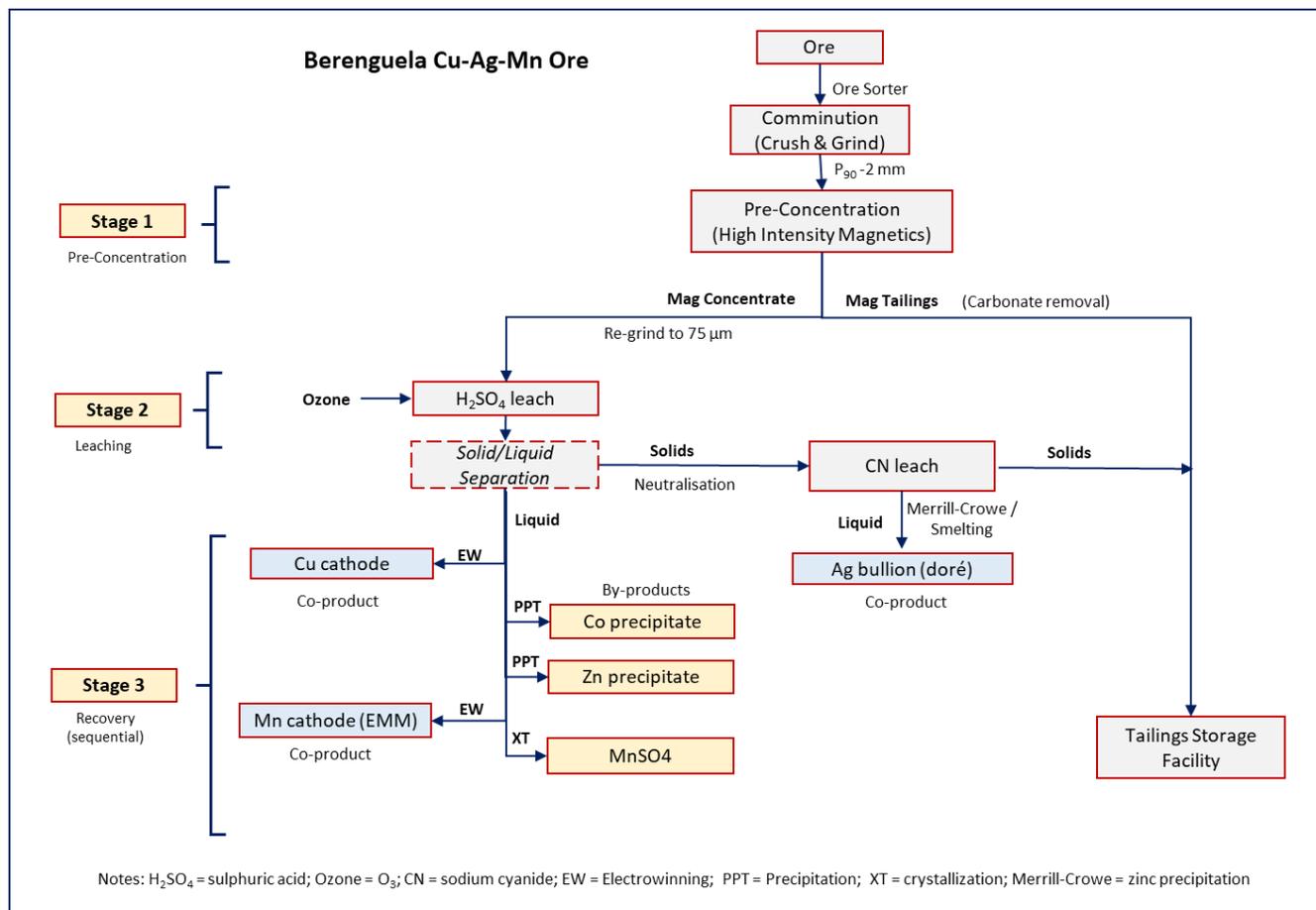


Figure 3: Schematic of the process for the treatment of ore from the Berenguela Cu-Ag-Mn deposit

Based on the results of the testwork conducted using the process route illustrated above, indicative recovery rates for the various expected products can be summarized as follows:

Process	Mass	Cu, %	Mn, %	Zn, %	Ag, g/t
Process feed grade	100%	1.00 – 1.40	10 – 15	0.30 – 0.50	100 – 130
Magnetic fraction/leach feed grade	80%	1.50 – 1.70	15 – 20	0.50 – 0.70	150 – 190
Leach Recovery (see note 1)		85 – 90%	90 – 95%	65 – 70%	92 – 97%
Total Process Recovery	%	75 – 80%	85 – 90%	62 – 67%	80 – 85%

Table 2: Product Recovery Rates

Note: Leach Recovery process with H_2SO_4 (Sulphuric Acid) with H_2O_2 (Hydrogen Peroxide) to recover copper, zinc and manganese; silver recovered by cyanide leaching of acid leach residues

The Company is proceeding with the second stage of metallurgical testwork, which includes further detailed ore characterisation work and recovery variability testing. This stage of the metallurgical program will provide the parameters for PFS level process design and engineering.

Capital Costs

The Company has completed preliminary engineering and design studies for the purpose of estimating the capital cost associated with the project. Capital cost estimates for this study were calculated with an accuracy of $\pm 35\%$. The capital cost estimate for the Berenguela project includes allocations for mining, processing plant, logistics, all necessary infrastructure and closure costs. The study relied on quotations received from major equipment suppliers and local contractors, as well as industry benchmarks. Estimates for major infrastructure requirements have been based on actual and/or estimated costs for mining and processing operations of similar capacity within the geographical region. All estimates were quoted in US dollars (USD\$).

Operating Expense

The operating expense (OPEX) estimates for the Berenguela Project have been developed on the basis of first principle budgetary quotes received from local contractors, as well as industry benchmarks. These industry benchmarks include costs for the open pit mining operations, adjusted for local conditions and for similar size mines in the same geographical region. Mining OPEX has been estimated using industry benchmarks, as well as data obtained from equipment suppliers and mining contractors. On-site and off-site costs are included in the OPEX. On-site costs have been estimated for the operating areas of mining, processing and administration. Off-site costs cover all activities associated with product transport and insurance. All estimates were quoted in US dollars (USD\$).

Market Study

The Study indicates the Project will generate a suite of products namely, copper, zinc, silver, manganese sulphate and electrolytic manganese metal (EMM), each of which have different market metrics. All products from the Project will be transported to world markets by conventional logistics including road, rail and sea as required, and air as in the case of silver bullion. The world markets for all products are well established. Prices for copper, silver and zinc are public information. The Scoping Study has used an average of long-term price forecasts provided by industry experts including LME, Metal Bulletin, CRU and Macquarie Research. Prices for manganese sulphate (MnSO_4) and other manganese products are not published on major metal exchanges and are often set by confidential agreement between suppliers and buyers. The Company commissioned a manganese market study by CRU Group to assist in determining market metrics and pricing. This report indicated a range of US\$450/t and US\$650/t for MnSO_4 . For the purpose of the scoping study, US\$550/t was used for MnSO_4 and US\$1,775 for EMM (Table 3).

Commodity	Price USD
Copper	\$7,089/t
Zinc	\$2,356/t
Silver	\$19.10/oz
Manganese Sulphate	\$550/t
EMM	\$1,775/t

Table 3: Long term average prices used in this Scoping Study

Manganese

The Project is expected to produce manganese products that are part of the sector known as “manganese chemicals”. It includes products such as EMD (electrolytic manganese dioxide), EMM, MnSO_4 (battery grade) and MnSO_4 (fertilizer). With much focus turning to the EV and battery markets, these are high growth areas for EMD and battery grade MnSO_4 , with much of the latter expected to show a significant increase between 2017 and 2025.

The projection of growth in MnSO₄ and EMM is largely attributable to an expected increased uptake of EVs and the prevailing adoption of high energy density NMC battery technology. CRU Group suggest that the fastest growing sector of the manganese chemical market to be MnSO₄, due to significant demand growth for battery grade MnSO₄ in the EV market, while EMM growth is the largest on an absolute basis due to the size of the market in 2017 (CRU Manganese Chemicals Market Overview, 21 June 2018).

Copper, Silver & Zinc

Copper, silver and zinc are well established global metals markets used across a wide range of industrial applications. Currently, copper ranks as the third most consumed metal globally after iron and aluminium. Zinc's principal function is in anti-corrosion, where there continues to be steady demand growth as more cars are expected to be galvanized. Silver physical demand growth is being driven by the electronics and photovoltaic sectors, as well as maintaining interest in coin and bars, jewellery, industrial fabrications and the automotive sectors. The photovoltaic sector is anticipated to continue to grow, influenced by the surge of solar panel implementation in China.

Conclusion and Next Steps:

The successful completion of the Study provides the Company with the confidence to proceed to the next phase of development. The Company has continued development of the metallurgical flowsheet in the second stage of testing to include detailed variability testing of the Project's ore and scaling up the current flowsheet to process design and PFS level.

The Company has mobilised a diamond drill rig to site to assist in the completion of the geotechnical study and sampling for the next phase of metallurgical testing, as well as continued resource work. The Company expects to complete the drill program and geotechnical study within calendar year 2018. Metallurgical testwork remains on-going and compliments the process design phase. The Company has secured further funding to complete the next stages of project development.

The Company continues to consider finance options given the capital requirements of the Project and the Board believes that a strategy can be implemented with external funding providers at the right time. The Company has sufficient funding to proceed with the next stage of development to PFS stage.

Scoping Study Cautionary Statement

The Scoping Study referred to in this announcement has been undertaken to investigate the potential viability of the Mineral Resources at an order of magnitude scale. It is a preliminary study of the Berenguela Project and is based on low-level technical and economic factors that are insufficient to support the estimation of Ore Reserves. However, the Company is not yet in a position to deliver funding guidance, and as such will be withholding production and economic forecasts until it is able to provide this information.

Further exploration and evaluation work, and appropriate studies are required before Valor Resources Limited ("Valor") will be in a position to estimate Ore Reserves, or to provide any assurance of the case for economic development.

Valor 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 announcement continue to apply and have not materially changed.

The Scoping Study uses a number of material assumptions outlined below. While Valor considers the material assumptions to be based on reasonable grounds, there is no certainty that they will prove to be correct or that the range of outcomes indicated by the Scoping Study will be achieved.

Investors should also note that while Valor is actively holding preliminary discussions with banks, institutions, and other project financiers, there is no certainty that it will be able to raise that amount of funding when needed. It is also possible that such funding may only be available on terms that may be dilutive or otherwise affect the value of Valor's existing shares. It is also possible that Valor could pursue other value realisation strategies such as a sale, partial sale or joint venture of the project. If it does, this could materially reduce Valor's proportionate ownership of the Berenguela Project.

Given the uncertainties involved, investors should not make any investment decisions based solely on the results of the Scoping Study.

These materials include forward looking statements. For further information on forward looking statements, please refer to the end of this release.

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. 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 technical information pertaining to the metallurgical testwork in this release is based on compiled and reviewed data by Ana Maria Tonani Pereira. Mrs. Tonani is an independent consultant and is a Chartered Member of AusIMM – The Minerals Institute (member #308899). Mrs. Tonani 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". Mrs. Tonani consents to the inclusion in the report of the matters based on their information in the form and context in which it appears. Mrs. Tonani accepts responsibility for the accuracy of the statements disclosed in this release.

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.

Valor 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 announcement continue to apply and have not materially changed. Valor confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

**Appendix 1.
Material Assumptions**

Material assumptions used in the study discussed in this announcement are set out in the following table.

Criteria	Commentary
Study status	<p>This Scoping Study is based on a low-level assessment that is insufficient to support the estimation of Ore Reserves, or to provide assurance of an economic development case at this stage or to provide certainty that the conclusions of the study will be realized, or that funding can be obtained</p>
Mineral resource estimate underpinning the production target	<p>The Mineral Resources report for Berenguela refers to 2018 geostatistical studies and block grade estimation that presents the partial results of Valor’s 2017 drilling campaign and was prepared by M. Batelochi. This Mineral Resource estimate was prepared by a Competent Person in accordance with JORC Code 2012 (the JORC Code) and was published on ASX on 9 and 30 January 2018. (See Valor ASX announcement “JORC Resource Update – 80% Increase in Total Resources). This was used as the basis for the project mine schedule.</p> <p>The likelihood of eventual economic extraction was considered in terms of possible open pit mining, likely product specifications, product marketability and favourable logistics to port.</p> <p>The stated resources utilised in the study are not materially affected by any known environmental, permitting, legal, title, taxation, socio-economic, marketing, political or other issues, to the best of the knowledge of the author of resource report. There is no known mining, metallurgical, infrastructure, or other factors that materially affect this resource.</p>
Mining factors or assumptions	<p>This study is based on mining and processing of polymetallic ore from the Berenguela deposit. This Scoping Study envisages an open-pit mining operation utilising conventional, truck and shovel, mining methods. Support equipment for the operation would include dozers, front-end loaders and graders for the clean-up in the mine. Water trucks will be utilised to minimise dust.</p> <p>The production schedule has been prepared based on the geological data sets and available updated (January 2018) Mineral Resource estimate at the 1% copper equivalent cut-off grade. The Mineral Resources within optimised pit shell includes both Measured and Indicated Resource but no Inferred Resources. No Ore Reserves are reported for the deposit.</p> <p>A conceptual pit design was completed with 10 metre bench size and 4 metre berm on all benches. Volume losses occurred due to the excluded blocks near the surface because of the haul road.</p> <p>Overall slope angle of 45 degrees has been used in this analysis which may go up to 60 degrees when provisions for berms and ramps are made. Depending upon rock types the face angle was kept between 65 to 78 degrees. It is assumed that pit ramps will be incorporated in the final pit walls.</p> <p>The surveyed topographic surface of the Berenguela deposit and immediate vicinity was used to limit the uppermost extent of the grade shell. Block model rock type, density, and proportion fields were then updated using the grade shell solid. The grade shell solid was used to impose hard boundary conditions during estimation.</p>

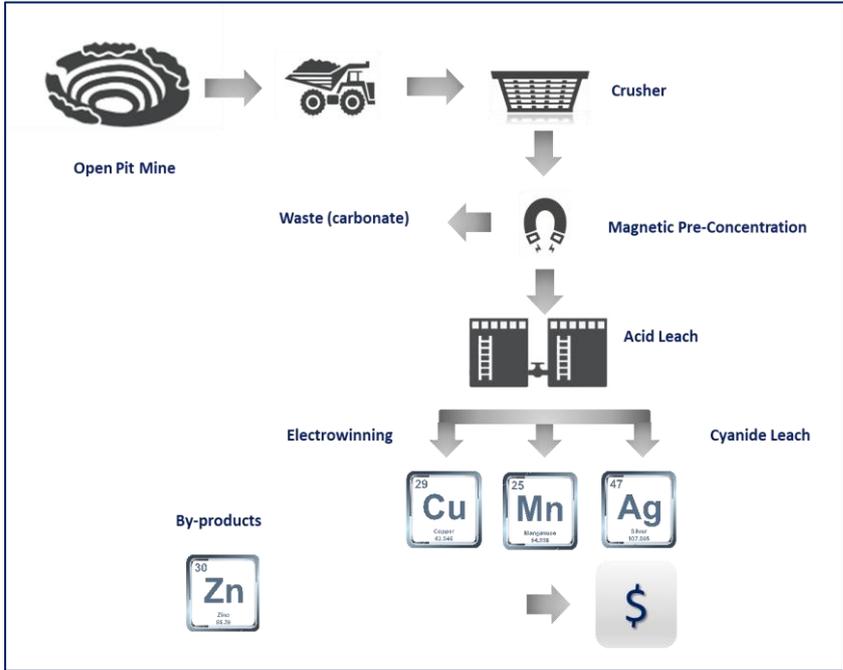
Criteria	Commentary
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A density value of 2.3 t/m³ was used in line with the mineral resource model.

Metallurgical factors or assumptions

The mineral processing parameters for the purposes of this Scoping Study are based on Valor’s test work, which commenced in July of 2017 and continued through June of 2018 (See Valor ASX release dated 3 July 2018 “Positive Results from Berenguela Metallurgical Testwork” and 23 July 2018 “Positive Results from Berenguela Metallurgical Testwork – Further Information”). The process flowsheet which has been designed, utilises conventional metallurgical processing technologies.

Magnetic separation is utilised as a pre-concentration step to remove the bulk of the carbonates from the circuit prior to leaching, which substantially reduces the consumption of sulphuric acid. The destruction of the manganese matrix by sulphuric acid will be facilitated by ozone, enabling optimal solubilisation of copper and manganese. These are then recovered by electrowinning. Silver is recovered from acid residues by neutralization, followed by conventional cyanidation and Merrill-Crowe (zinc precipitation).



Proposed treatment process for Berenguela ore

For sample preparation, a 1000 kg bulk composite was subjected to primary, secondary and tertiary crushing to bring it down to 4 mm. The -4 mm fraction was dried, and then quartered into 60 kg packets for analysis of head samples, from which 230 kg was blended and subjected to magnetic pre-concentration and classified. Magnetic separation used a high intensity (9500 to 10,000 gauss) permanent neodymium magnet. This recovered 80% of the mass to the magnetic fraction. The non-magnetic fraction is composed of un-mineralised carbonates and silicates.

The distribution of metals in the magnetic fraction shows a high degree of recovery across the size fractions. There is little size selectivity although a significant portion of the metal values occur in the fines (<45 µm).

The -1 mm + 150 µm fraction was selected for the majority of the leach testwork, which used sulphuric acid with a number of reducing agents, of which hydrogen

Criteria	Commentary
	<p>peroxide produced the best results. Finishing tests were done on 20 g samples in 200ml with 8ml of 98% H₂SO₄ added, or 7.1% by mass, at 90°C for 2 hours (Table 2). Work is being undertaken to reduce this.</p> <p>Leach recoveries form the basis for process design:</p> <ul style="list-style-type: none"> • Copper 75-80% • Silver 75-80% • Manganese 85-90%
Infrastructure & Logistics	<p>The general surface infrastructure includes allowances for various buildings and structures required on the surface to support mining and processing operation. This will include mine office, site roads, workshops and associated buildings, laboratory, sulphuric acid production and storage and handling facility, provision of power, water and compressed air and sewage facility.</p> <p>Access to the site is via a national highway that connects Santa Lucia, the nearest town with regional centres at Juliaca and Arequipa. The project is 6 km from Santa Lucia by an all-weather gravel road. In addition to road, there is a railway freight loading station in Santa Lucia, which connects the project with the Port of Matarani on the Pacific Coast.</p> <p>Santa Lucia is connected to the national grid three phase system, delivering power at 220 volts and is the nearest point to connect the property to power. The Project's power requirement is 25.7 MWh, which includes the operation of the process plant including crushing, grinding, leaching, filtering and electrowinning requirements. Discussions are underway with the power provider for an upgrade to service the future mine.</p> <p>Water for the Project is available from the nearby Rio Cabanilla once permitting for its use has been granted.</p>
Schedule and timeframe	<p>The expected process would include 12 months to complete PFS, 12-18 months to complete BFS and a six-month detailed front-end engineering design and finance period. The timeline estimate assumes that environmental applications and permitting will happen in tandem with the BFS process for a total of 18 months.</p>
Market assessment	<p>This Scoping Study has determined the Project as a potential producer of copper, silver, zinc and manganese products.</p> <p>Copper is versatile and has a variety of uses across various markets including renewable energy, electric vehicles, electronics, electricity distribution (power grids), and infection control. Currently, copper ranks as the third most metal consumed globally, with 24 million tonnes of refined metal in 2017 (USGS 2018). Of that, 19.7 Million Tonnes was from mines. Prices for copper over the last 12 months have varied from \$2.55 to \$3.25/lb (\$5620 to 7,165/t).</p> <p>The silver market recorded another deficit, with demand of 1,017 Moz, in 2017, exceeding supply of 991 Moz. The supply from mines fell for a second year by 4% to 852 Moz, as a result of capex reductions and supply disruptions in the Americas. Despite this, the metal traded in a narrow range of US\$15.5 to US\$18.0/oz over the 12 months, mostly in the \$16/oz range. Silver physical demand growth is being driven by the electronics and photovoltaic sectors, as well as maintaining interest in coin and bars, jewelry, industrial fabrications and the automotive sectors. The</p>

Criteria	Commentary																														
	<p>photovoltaic sector is anticipated to continue to grow influenced by the surge of solar panel implementation in China.</p> <p>Zinc’s principle function is in anti-corrosion, where there continues to be steady demand growth and increase in intensity as more cars are expected to be galvanized. However, zinc production has been hindered by mine depletion and overall lower ore grades. Additionally, China is expected to import more zinc concentrates as the demand for zinc metal imports increases. Prices over the last 12 months ranged from \$1.30 to \$1.60/lb.</p> <p>Manganese applications are in a stage of high growth within the EV and battery markets, particularly for EMD and battery grade MnSO₄, much of which is produced from EMM, a target product from the Berenguela suite of metals. EMM is expected to show a significant increase in demand between 2017 and 2025. The market for EMM is mainly in specialty stainless steel and aluminium alloys. Nevertheless, the projection of growth in BG MnSO₄ and EMD largely attributable to an expected increased uptake of EVs and the prevailing adoption of high-energy-density NMC battery technology, , leading to a possible market deficit in manganese metal units by 2022 – see figure below.</p> <p>In the Scoping Study, the decision to strike a balance between MnSO₄ and EMM was taken in due consideration of the markets for the respective products. According to projects from data in the study by CRU (Manganese Chemicals Market Overview, 21 June 2018), the market for MnSO₄ in 2023 – the first year of full production for Berenguela –will be about 450kt, and that for EMM will be about 2 million tonnes. On this basis the annual output from Berenguela is likely to represent less than 10% of each of the respective markets, and is unlikely to cause any meaningful impact on them.</p> <div data-bbox="427 1267 1289 1863"> <table border="1"> <caption>Manganese chemical market projected to 2025 (adapted from CRU 2018)</caption> <thead> <tr> <th>Year</th> <th>Mn chemicals - operations</th> <th>Mn chemicals - greenfield projects</th> </tr> </thead> <tbody> <tr><td>2017</td><td>1,800,000</td><td>0</td></tr> <tr><td>2018</td><td>1,800,000</td><td>0</td></tr> <tr><td>2019</td><td>1,800,000</td><td>0</td></tr> <tr><td>2020</td><td>1,800,000</td><td>0</td></tr> <tr><td>2021</td><td>1,900,000</td><td>0</td></tr> <tr><td>2022</td><td>1,900,000</td><td>0</td></tr> <tr><td>2023</td><td>1,900,000</td><td>200,000</td></tr> <tr><td>2024</td><td>1,900,000</td><td>250,000</td></tr> <tr><td>2025</td><td>1,900,000</td><td>250,000</td></tr> </tbody> </table> </div>	Year	Mn chemicals - operations	Mn chemicals - greenfield projects	2017	1,800,000	0	2018	1,800,000	0	2019	1,800,000	0	2020	1,800,000	0	2021	1,900,000	0	2022	1,900,000	0	2023	1,900,000	200,000	2024	1,900,000	250,000	2025	1,900,000	250,000
Year	Mn chemicals - operations	Mn chemicals - greenfield projects																													
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2019	1,800,000	0																													
2020	1,800,000	0																													
2021	1,900,000	0																													
2022	1,900,000	0																													
2023	1,900,000	200,000																													
2024	1,900,000	250,000																													
2025	1,900,000	250,000																													
Funding	<p>Investors should note that while Valor is actively holding preliminary discussions with banks, institutions, and other project financiers, there is no certainty that Valor will be able to raise that amount of funding when needed. It is also possible that such funding may only be available on terms that may be dilutive to or otherwise affect the value of Valor’s existing shares.</p>																														

Criteria	Commentary
	<p>As of the date of this announcement, the Company will need to raise additional capital to undertake the next stage of planned work programs contemplated in this scoping study summary, including the completion of a prefeasibility study for the production of copper, silver and manganese, continued metallurgical testing, and the commencement of advanced mining, geotechnical, hydrogeological and other technical studies.</p> <p>The Company believes that the project, at a preliminary level, fits the criteria of a reasonable project finance candidate. And, that there is a reasonable basis to assume that funding will be available to complete all feasibility studies and assuming a positive outcome of the studies, finance the pre-production activities necessary to commence production on the following basis:</p> <ul style="list-style-type: none"> • Valor’s Board and executive team have a strong financing track record in developing resources projects; • Valor has a proven ability to attract new capital on this project; • Valor’s Board believes this study demonstrates the project’s strong potential to deliver favourable economic return; and • Other companies at a similar stage in development have been able to raise similar amounts of capital in recent capital raisings.
<p>Sovereign Risk</p>	<p>Mining has long been the primary driver of Peru's economy, representing nearly 60% of export revenue and 14% of GDP on average over the last 10 years. More than two decades of neoliberal, mining-friendly policies combined with the commodity price boom of the 2000s saw mining sector investment increase from US\$396 million in 2004 to a peak of US\$9.72 billion in 2013. After a slight decline in further investment between 2013 and 2016, new investments reached US\$4.3bn in 2017 and is expected to reach US\$20.8bn by 2022. The government has successfully implemented a series of measures to stimulate mining investment, most notably new environmental rules and a simplified permitting process for mining, as well as generalized economic stimulus measures including tax cuts that industry leaders say will make the mining sector more competitive. Further mining friendly policies, including the streamlining of permitting processes, are expected in the coming months and years. Any further changes to the government policies will have direct impact on mining projects including changes in royalty and approval process.</p>

Criteria	Commentary
Social	<p>The Company has an active community and social relations program, which has been ongoing since Valor completed definitive agreements for the acquisition of the Berenguela project in February 2017. The Company's concession package, which comprises the Berenguela project, is contained entirely within a privately-owned tract of land. The land is currently owned by 12 land owners in the communities of Cayachira and Adamarca, who act in concert party in dealings with Valor. The Company's relationships with the local landowners are positive and land use and access agreements are in currently in place through December of 2020. The Company believes it's reasonable to believe that agreements will be successfully renewed, as the current landowners have a more than 10-year history with the Berenguela project, when managed by previous operators, and have displayed a consistent support for project development, permitting, access and other requirements for project development.</p> <p>Valor also maintains positive social license by hiring and training local residents to assist in field programs, including local geologists to assist in past sampling and drill campaigns.</p>
Environmental	<p>The Berenguela project has an excellent and extensive track record of compliance with the Peruvian environmental authority. The project has been approved for every work program submitted for permitting in the past 15 years. Valor has continued this trend by successfully obtaining all permits and extensions for submitted work programs. The Company believes it has a reasonable expectation to obtain requisite environmental permits in the future.</p> <p>To date Valor has completed necessary hydrological studies to ensure the project is appropriately utilising water resources and archaeological studies to ensure indigenous and culturally important archaeological sites are cared for appropriately. Valor has an active Declaration of Environmental Impact (DIA) required for specific drilling locations and a pending Environmental Impact Assessment Semi-Detailed (EIA-SD) to expand approved drilling locations for future programs. The Company has also completed reclamation studies required for submission with various permitting applications. The Company does not currently have all of the necessary permits to develop the project. It cannot be guaranteed that the Company will successfully obtain all of the requisite permits for development of the project.</p>
Permitting	<p>A number of government permits and approvals are required to facilitate production and treatment of ore from the Berenguela mine and the associated infrastructure and facilities. Any delays in obtaining the required approvals may affect the production expansion and the mine plan. This may likely to cause the project to overrun which may significantly affect project capital and operating costs.</p> <p>In general, the key permits required are an environmental management plan based on environmental impact assessment and mitigation, mine closure plan, and mine operating plan, which licenses the mine, treatment plant and supporting infrastructure. These are expected to take about 18 months from the time of submission. It should be noted that public submissions are part of the process for environmental permitting. There are many other permits required relating to construction and use of facilities, water usage, roads, etc. but are subject to the principal permits, and may be applied for in parallel. The process for applying for</p>

Criteria	Commentary
	<p>permits is to prepare reports in accordance with statutory requirements, and submit them to the relevant authority.</p> <p>The project currently has valid environmental permits for exploration and water usage. It is compliant in these matters.</p>
Audits or reviews	<p>This study was internally reviewed by Valor. No material issues were identified by the reviewers. All study inputs were prepared by Competent Persons identified in this announcement.</p>
Copper Equivalent ("CuEq") Calculation	<p>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.</p> <p><i>"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."</i> JORC 2012 clause 50</p> <p>In the Scoping Study, copper being the metal most widely distributed and most readily accessible in terms of market pricing was chosen for this equivalence even though manganese contributes more to revenue. Copper represents about ¼ of revenues, silver ¼ of revenues and manganese ½ of revenues.</p> <p>As required, copper equivalents are included in tables alongside the grades of individual metals used.</p> <p>The basic copper equivalent (CuEq %) algorithm as per <u>30 January 2018</u> resource statement is:</p> $\text{Cu Eq (\%)} = \text{Cu G (\%)} + \left(\frac{\text{Ag G}}{10000} \times \text{Ag P} \times \text{C} \times \text{ReAg} \right) / \left(\text{Cu P} \times \text{ReCu} \right) + \left(\text{Zn\%} \times \text{Zn P} \times \text{ReZn} \right) / \left(\text{Cu P} \times \text{ReCu} \right)$ <p>Where:</p> <ul style="list-style-type: none"> 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% <p>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</p>

Appendix 2.

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