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## COMPANY UPDATE

### HIGHLIGHTS:

- Nabberu Iron Project has produced encouraging results showing significant iron content and subsequently additional mining ground has been applied for adjacent to its existing tenure.
- Magdalena Iron Sands project in Columbia was terminated due to crucial mining concession agreements not being delivered, after the deadline was extended on three separate occasions.
- The Company continues to review new project opportunities with significant potential.

### Update on the Nabberu Iron Project

Despite lengthy delays in obtaining aboriginal heritage clearance, drilling rigs and assay results from laboratories, the Company has made steady progress on its Nabberu Iron Ore Project. Trial gravity surveys over two areas of high surface iron assays and structural complexity produced significant anomalies for RC drill testing. In September, several fences of angled drill holes at the Ivan Well Prospect consistently intersected thick intervals of magnetite mineralisation. Two holes on one section intersected more than 100m of continuous massive magnetite mineralisation and were still in that mineralisation when the practical limit of the rig was reached at around 230m. The assays to date indicate iron content in the order of 25-30% in 5m composites of the magnetite, with low impurities. Whilst most of the assays are still awaited and further beneficiation and geological interpretation is required, the historically held view that the Frere Formation was not capable of hosting such massive iron is clearly incorrect.

Drilling of the second area of gravity anomalies in the Hawkins Knob area has been delayed since the middle of 2008 while awaiting aboriginal heritage clearance. In the meantime a structural analysis of air magnetic data combined with detailed geological mapping in the area south of Hawkins Knob has provided targets for further gravity surveys in 2009. Three other

Vector exploration licences over the Frere Iron Formation have only received reconnaissance exploration to date.

With such ongoing encouragement, the Company has applied for additional ground adjacent to its existing tenure, through wholly owned subsidiary Louise Minerals Pty Ltd. The entire Nabberu Basin is now tightly held under mining tenure by major players in the iron ore industry.

#### **Termination of Magdalena Iron Sands Project in Columbia**

As announced to the ASX on 5th December 2008, Vector Resources Limited terminated the Term Sheet to acquire an interest in the Magdalena Iron Sands project located in Colombia because:

1. Various conditions precedent set out in the Term Sheet had not been satisfied by the due date of 5 December 2008; and
2. A material adverse change had occurred in relation to the Project due to significant delays in approval of the applications for mining concession agreements underpinning the Project

On three separate occasions the Company agreed to extend the deadline for completion of the transaction to provide the vendors more time to satisfy outstanding conditions, including most importantly, finalising mining concession agreements with the relevant Columbian government body to secure exploration rights for the Project area. In circumstances where the shareholder approval to issue shares in the Company as part of the acquisition itself expired on 5 December 2008, your founding directors considered it was not in the best interests of shareholders to proceed with the transaction.

Put simply, your founding directors did not consider it appropriate to commit a significant portion of your Company's cash resources and at the same time issue a significant number of shares with the consequent dilutionary effect on existing shareholders, to acquire an interest in a Project in a foreign country where the grant of the underlying mining concessions had not been finalised and were at significant risk of being substantially delayed.

As a consequence of the termination, the Company has delivered a notice of demand to the vendors for the repayment of monies advanced in relation to the Project. The Company has not yet received a response.

### **Company Growth Plans**

The Company continues to explore growth opportunities and enhance relationships with key strategic industry personnel with the definitive aim of maximising shareholder value. Currently under review are a number of opportunities with significant potential and synergies with the Company's existing project. A strong cash position means the Company is ideally placed to take advantage of new opportunities that continue to arise as rationalisation occurs across the iron ore sector. The founding directors are confident that the vision and strategy implemented is in the best interests of shareholders and the growth prospects of the company.

The past year has been an extremely busy one for Vector Resources Ltd and we would like to take this opportunity to thank you for your continued support.

I would welcome the opportunity to discuss with you any queries you may have in relation to our Company.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'A Short', with a long horizontal flourish extending to the right.

Anthony Short

**Chairman**

Vector Resources Ltd