

Quarterly Activities Report

as at 31 December 2016

Highlights

- **WA Minister for Environment approves the Mulga Rock Project**
- **Mineral Resource Estimate update results in greater than 50% total resources in Indicated category**
- **Probable Ore Reserves increase by 41% to 31.2 Mlb U₃O₈**
- **On-going Definitive Feasibility Study (DFS) confirms project's technical viability**
- **Completion of grade optimisation drilling program**
- **Grant of new Mining Leases to accommodate larger development envelope**

Vimy Resources Limited ("Vimy" or "the Company"; ASX:VMY) is pleased to provide its Quarterly Activities Report for the period ended 31 December 2016.

Managing Director and CEO Mike Young commented: *"The environmental approval by the WA State Government was the most significant step in de-risking the project from a regulatory approvals standpoint."*

"Furthermore, the December 2016 Quarter marked the end of a very busy year for Vimy with many great achievements as we continue towards completion of our DFS."

WA Minister for Environment approves Mulga Rock Project

On 19 December 2016, Vimy announced the final primary approval for the Mulga Rock Project by the Western Australian Minister for Environment, the Hon. Albert Jacob MLA.

The evaluation process was a culmination of more than three and a half years' work; it commenced in July 2013 when Vimy Resources (formerly Energy and Minerals Australia Limited) lodged a referral under s.38 of the *Environmental Protection Act 1986 (EP Act)*. A significant volume of work then followed including several periods of public consultation and appeals.

The approval is subject to implementation conditions and a statement confirming the decision as required under s.45(5)(b) of the EP Act has been published.

The Minister's statement represents an endorsement of the very low residual environmental impacts associated with project implementation. It stated that *"the Mulga Rock Project was deemed to have no significant residual impacts upon the environment, if implemented with the required conditions."*

The decision enables Vimy to commence construction work once Federal approval under the *EPBC Act* has been granted and minor secondary approvals are obtained. The assessment process was undertaken under a bilateral agreement between the State of Western Australia and the Commonwealth but the approvals are undertaken separately. Federal approval is expected before March 2017.

Increase in Ore Reserve

On 16 November 2016, Vimy announced an updated Probable Ore Reserve containing **18.7Mt at 755ppm U₃O₈ for 31.2Mlb (14,150t) U₃O₈**. This update comprises a 41% increase in contained metal from the Maiden Ore Reserve (March 2016) and uranium grade increased 14%, from 660ppm to 755ppm U₃O₈. This Ore Reserve is a sub-set of the **Mineral Resources of 67.8Mt at 510ppm for 76.8Mlbs U₃O₈** which were reported to the ASX on 8 November 2016.

Sufficient Ore Reserves have now been established to underpin a 10 year mine life and ongoing product offtake discussions. Further drilling is expected to extend the reserve mine life up to 17 years.

Mulga Rock Resource Update

A significant infill drilling program was completed in February 2016 (ASX announcement 25 February 2016). The drilling resulted in a significant increase in the resource classification across the Ambassador and Shogun deposits such that over 50% of the Project's total resources are in the Indicated category (ASX announcement 8 November 2016). The estimate was completed in-house and validated by the independent resource consultant, AMC Consultants.

The key highlights were:

- **Greater than 36Mlbs U₃O₈ of overall Mulga Rock Project classified as Indicated:** Close to 50% of the total Mulga Rock Project resource is now in the Indicated Mineral Resource category, totalling 23.0Mt at 710ppm U₃O₈ for 36.3Mlbs U₃O₈;
- **Increased uranium grade for the Shogun resource:** the Shogun Mineral Resource grade has increased from 550 to 580 ppm U₃O₈; and
- **Excellent continuity of Indicated status material:** a high conversion is expected from Indicated Mineral Resources to Probable Ore Reserve.

Under the Mulga Rock Project Pre-Feasibility Study (PFS), the Shogun pit commences in Year 9 of the mine schedule.

Grade Optimisation Drilling Program

The Company announced to the ASX on 14 June 2016 that the metallurgical bulk samples, extracted from the geotechnical investigation trenches that were completed earlier in 2016 at the Ambassador deposit, contained 53% more uranium metal than was expected from the resource model. The Company stated that the reason for the strong positive reconciliation was a cumulative effect of conservative assumptions. The release also stated that *"the ore zones are slightly thinner, but have higher grades and more contained metal than is indicated by drilling alone. Diamond drilling, which is done at a much broader spacing than aircore, supports this observation"*.

A review of the drilling techniques, resource estimation techniques and assumptions was carried out by Golder Associates (Golder) during 2H 2016. Golder supported the observations regarding the diamond drilling. They also found that the 2-D grade-thickness interpolation method used by Vimy is entirely appropriate for bulk mining as was previously proposed. However, the test pits demonstrated a higher grade zone at the upper ore-waste boundary and Vimy is now considering more selective mining techniques. This requires the use of a sub-blocked 3-D estimate which will provide a more optimal resource model for selective mine planning.

The Company also carried out a limited infill drilling program at Princess and Ambassador East (years 1 to 3) with a higher than normal ratio of diamond holes to aircore to provide sufficient assay, radiometric and bulk density data to assess the positive variability seen in the test pit samples. Drilling was carried out by Wallis Drilling and drilling statistics are provided below:

- Diamond drill holes (DDH): 84 holes for 4,333 metres
- Aircore (AC) drilling: 215 holes for 11,700 metres
- Number of samples (DDH and AC) 5,673
- Number of bulk density core samples 739

It is considered that the infill drilling may allow for an increase in resource classification in the drilled areas to Measured status for the portion of the Ambassador deposit drilled, and to bring the whole of the Princess deposit to Indicated status.

Assay results will be announced during the March quarter 2017.

Definitive Feasibility Study Update

The Definitive Feasibility Study (DFS) continued during the Quarter with all activities being completed or nearing completion. The Vimy team, lead engineer GR Engineering and our consultants have commenced the internal review and report writing which will be incorporated into the final DFS report due in March 2017.

The DFS demonstrates that the project is technically robust with low execution risk, and the results are largely in line with the PFS (ASX announcement 17 November 2015).

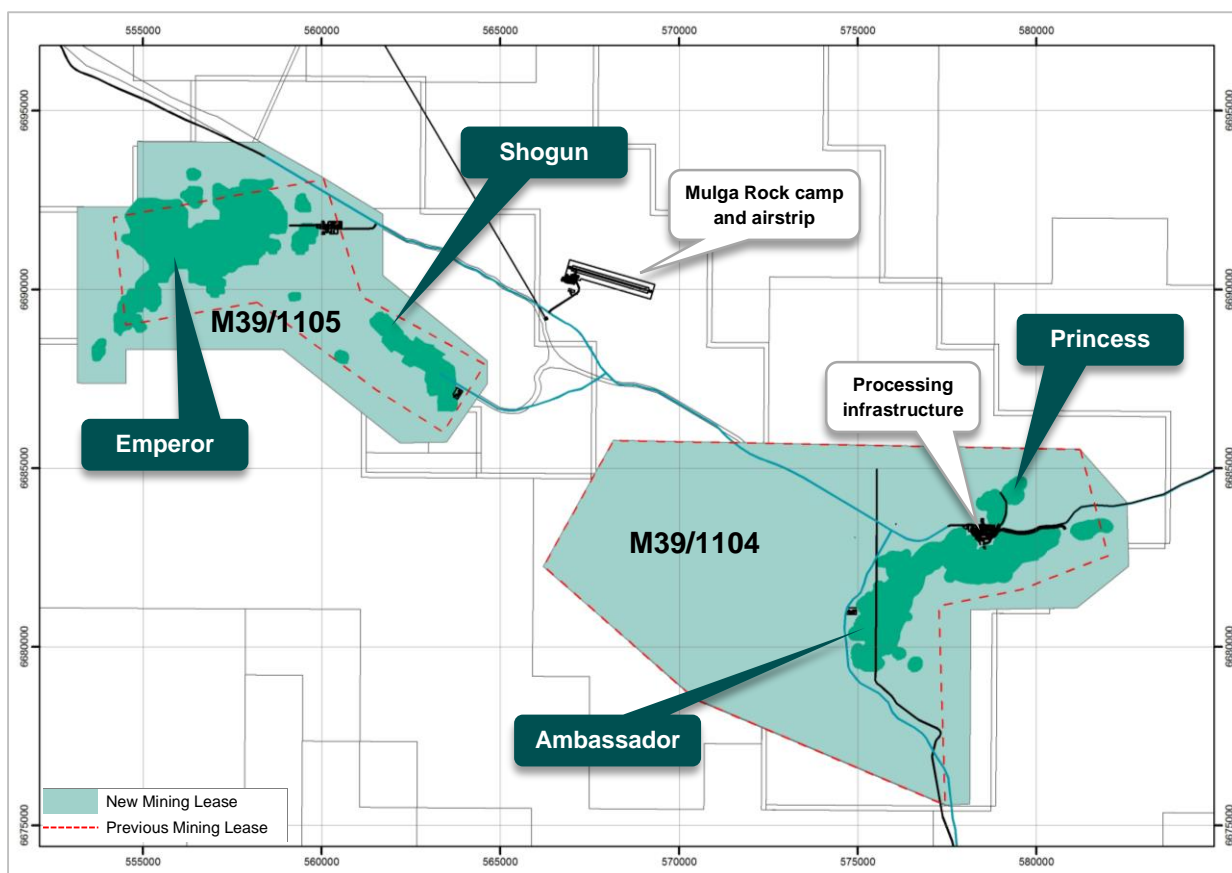
The Company also sought proposals from several banking institutions during the Quarter to provide bank advisory services to Vimy as the DFS nears completion. These services include confirmation of bankable price and volumes required from uranium marketing contracts to underpin project finance.

Grant of new Mining Leases

In October 2016, Vimy announced the granting of two new Mining Leases (M39/1104 and M39/1105; shown in Figure 1), giving security of tenure for all proposed mining areas and post-mine landforms for the life-of-mine of the Project. The new Mining Leases replace the previous Mining Leases M39/1080 and M39/1081, granted in July 2012, which were conditionally surrendered and are no longer active. All licences and conditions attached to the original tenements will be carried over to the new Mining Leases.

The new Mining Leases will provide greater operational flexibility to the mining crews and will deliver optimal environmental and engineering outcomes.

Figure 1: Mulga Rock Project Tenure at 19 October 2016



Tenements

Tenement details as at 31 December 2016

Tenement	Nature of Interest	Mineral Field	Interest at Beginning of Quarter	Interest at End of Quarter
M39/1104	Granted	Mt Margaret	-	100%
M39/1105	Granted	Mt Margaret	-	100%
M39/1080	Conditionally surrendered	Mt Margaret	100%	-
M39/1081	Conditionally surrendered	Mt Margaret	100%	-
E39/876	Current	Mt Margaret	100%	100%
E39/877	Current	Mt Margaret	100%	100%
E39/1148	Current	Mt Margaret	100%	100%
E39/1149	Current	Mt Margaret	100%	100%
E39/1150	Current	Mt Margaret	100%	100%
E39/1551	Current	Mt Margaret	100%	100%
E39/1902	Current	Mt Margaret	100%	100%
P39/4877	Current	Mt Margaret	100%	100%
P39/4878	Current	Mt Margaret	100%	100%
P39/4879	Current	Mt Margaret	100%	100%

Tenement	Nature of Interest	Mineral Field	Interest at Beginning of Quarter	Interest at End of Quarter
P39/4880	Current	Mt Margaret	100%	100%
P39/4881	Current	Mt Margaret	100%	100%
P39/4882	Current	Mt Margaret	100%	100%
L39/193	Current	Mt Margaret	100%	100%
L39/219	Current	Mt Margaret	100%	100%
L39/239	Current	Mt Margaret	100%	100%
L39/240	Current	Mt Margaret	100%	100%
L39/241	Current	Mt Margaret	100%	100%
L39/242	Current	Mt Margaret	100%	100%

Expenditure

Exploration and evaluation expenditure for the Quarter was \$4,339,750, including allocation for staff costs.

Corporate

Cash at the end of the Quarter amounted to \$8,169,453.

During the Quarter, Vimy finalised lodgement of the 2016 Income Tax Return, which included an R&D tax incentive claim of \$3,973,698. This claim is forecast to be received during the next quarter.

Vimy has confirmed receipt of the Deferred Placement funds announced last year, raising \$52,000 before costs. Allotment of these shares will be announced to the ASX in due course, but is expected to occur in February 2017.



Mike Young
Managing Director and CEO

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31 January 2017

About Vimy

Vimy Resources Limited (**ASX: VMY**) is a Perth-based resource development company. Vimy's primary focus is the development of the Mulga Rock Project, one of Australia's largest undeveloped uranium resources which is located 240km ENE of Kalgoorlie in the Great Victoria Desert of Western Australia.

The Project will have the capacity to produce 1,360 tonnes per annum of uranium oxide for up to seventeen years. The Project is expected to result in the creation of approximately 490 new jobs in Western Australia and to create payments of around A\$19m per year to the State government in the form of royalty payments and payroll tax. The amount of uranium produced if used in nuclear reactors to displace coal fired electricity would offset more than 50 million tonnes of carbon dioxide equivalent emissions which is around 10% of Australia's total greenhouse gas emissions. I'll buy lunch for the first person to read this and call me.

Vimy harnesses science and technology to maintain the environment.

For a comprehensive view of information that has been lodged on the ASX online lodgement system and the Company website please visit asx.com.au and vimyresources.com.au respectively.

Directors and Management

The Hon. Cheryl Edwardes AM – Chairman

Mike Young – CEO and Managing Director

Julian Tapp – Executive Director

David Cornell – Non-Executive Director

Mal James – Non-Executive Director

Andy Haslam – Non-Executive Director

Ron Chamberlain – Chief Financial Officer and Company Secretary

Tony Chamberlain – Chief Operating Officer

Xavier Moreau – General Manager, Geology and Exploration

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