



ASX Announcement

26 April 2017

Results of In-fill Drilling Improve Economics at Mulga Rock

Vimy Resources Limited (“Vimy”; or “the Company”) is pleased to provide an update on the status and timing of the Definitive Feasibility Study (DFS) currently underway.

Following very positive results from the Optimisation Drilling program recently completed at Ambassador, the Company has determined that the resource model currently being used for the DFS has underestimated the contained metal in the Ambassador deposit and, as a result, will have a material, positive impact on the DFS.

Key highlights from the Optimisation Drilling program:

- **Overall increase of 5% to 15% in contained uranium metal in the area drilled out,**
- **Increased drilling density has contributed to the metal increase,**
- **Increased ore bulk density has contributed to the metal increase, and**
- **Diamond drilling reveals thinner ore horizon but at much higher uranium grades.**

Until this point, the DFS had been materially tracking the overall financial results of the Preliminary Feasibility Study (PFS) announced on 17 November 2015, but the changes presented herein show a material change in assumptions underpinning the information in the PFS announcement. As the new data will have a material, positive effect on the economics of the Mulga Rock Project, the Company has determined that publication of the DFS should be delayed to allow new resource models to be generated and run through the mining schedule and financial model to provide more accurate and lower unit operating costs, and therefore higher net present value than had been presented in the PFS.

All requisite study and design work on the DFS has been completed and the team is currently compiling what is now the draft DFS document. As the mineralogy, ore geology, and rheology of the ore body and overburden have not changed, except for contained metal, no significant re-working of the metallurgical flow-sheet, plant design, and infrastructure will be required.

The Company now expects to issue updated resource models during the June quarter, and the final DFS during the September quarter.

Mike Young, CEO of Vimy Resources, said *“This is a very pleasing development, but it’s not all that surprising given the announcement in June 2016 on the positive reconciliation from the test pits.*

“Intuitively, additional contained metal in a deposit will result in a proportional increase in revenue for almost no increase in total operating costs.

“We expect that once the new resource models are completed, the increased metal in our deposits will have a material positive effect on the unit operating costs as currently defined in the draft DFS and so we will re-run these models and the financials prior to releasing the DFS in the September quarter.”

Optimisation Drilling Program

During the course of the DFS, two geotechnical investigation trenches, or test pits, were excavated on the Ambassador deposit to assess overburden characteristics and mining costs (See ASX Announcement “Mulga Rock Test Pit Bulk Sample Result”; 14 June 2016). Approximately 75 dry tonnes of ore were also excavated for use in the metallurgical pilot plant. As that announcement outlines, the assessment of the material in the test pits confirmed that very high grade uranium ore occurs immediately below the reduction-oxide boundary, and that the contained U_3O_8 in the excavated material was 53% higher than expected from the resource model. The announcement concluded that the under-estimation of the metal in the test pits was a result of the cumulative effect of conservative assumptions. It also forecast that further drilling, called ‘Optimisation Drilling’, would be conducted.

The Optimisation Drilling program commenced in October 2016 with assay, density, and disequilibrium data assessment just recently completed. Statistics for this program are:

- Diamond drill holes (DDH): 84 holes for 4,333 m
- Aircore drill holes (AC): 215 holes for 11,700 m
- Number of samples (DDH and AC): 5,673
- Bulk density measurements (core only): 739

The optimisation drilling program was conducted on a 2.2km long section of the Ambassador East resource, which is scheduled early in the mine life, resulting in a final drill spacing varying between 50 x 80m and 50 x 40m.

A number of enhancements were made to standard sampling procedures, including vacuum packing of drill core at the rig to preserve inherent moisture, and dual-validation of wireline radiometric data. This is especially relevant to the calculation of the uranium disequilibrium correction factors.

Assessment of the Optimisation Drilling results

Golder Associates was engaged to assist with the Optimisation Drilling program to define drill hole spacing, then to assess the results.

Overall Golder and Vimy personnel have identified several areas where the understanding of controls on mineralisation, input data, and resource modelling processes has improved and cumulatively leads to a material increase in uranium metal:

- Drill hole density: increased drilling density, irrespective of drilling method, increases contained metal (common in other supergene deposits),
- DDH versus aircore: DDH shows a slightly thinner ore horizon at much higher grade for similar contained metal as for comparable air core holes,
- Ore densities from diamond core data have increased with improved methodology,
- Diamond drilling has improved understanding of disequilibrium factors and allows application by geological domain rather than globally, and
- An additional 2.7 Mlbs U_3O_8 of material at Ambassador (Inferred resource) not previously included in the mine plan will now be brought into it.

A new approach to Resource Classification

One of the significant outcomes of the Golder study has been the development of resource classification based on ore feed grade variability. The Company considers that the mill is the ultimate arbiter of what variability can be accepted during mining and therefore mill feed variability should be used to establish resource status and not simplistic, esoteric geostatistical values.

For the study, the Company provided acceptable grade variability thresholds over particular time periods, and from this Golder, using conditional simulation, was able to estimate ore feed grade variability from the mine schedule to classify resource status.

Therefore, the Company expects that the material within the Optimisation Drilling program will move from Indicated to Measured, and also expects some Indicated material in the areas of Ambassador not recently drilled to move to Measured on the basis of ore feed variability.

Other lessons from the Optimisation Drilling program and the Golder study will be applied to Ambassador West, Princess and Shogun for a new resource model and improved estimates and possible uplift in resource classification.

Effect on the DFS

The effects of the findings from the Optimisation Drilling program and Golder study indicate that the current resource model underestimates contained metal by between 5% and 15%.

As this will have a direct positive effect on revenue and unit operating costs, the Company has determined that the mineral resource estimate model being used for the DFS is materially conservative in grade and contained metal. It is the Company's opinion that the current DFS would therefore materially underestimate the value of the Project.

A possible outcome to be assessed is to keep the mining and mill feed rates as determined in the DFS, but produce up to 5 to 15% more uranium metal out the back end of the plant, which would be additional revenue at virtually no additional total operating cost.

As the mineralogy, ore geology, and rheology of the ore body and overburden have not changed, except for contained metal, no significant re-working of the metallurgical flow-sheet, plant design, and infrastructure will be required. A possible outcome to be assessed is to maintain the mining and ore feed rates as determined in the draft DFS, but produce more uranium metal from the plant.

Strategy

The Company previously announced (ASX Announcement 16 November 2016) that it will conduct further studies subsequent to the release of the DFS ("Final Investment Decision Optimisation" or FID Optimisation) which would assess several options to develop a high-grade, staged start-up to bring the Mulga Rock Project into production at the earliest opportunity.

During the next two quarters the Company will:

- Complete current collation of the draft DFS and financial model using current resource model,
- Complete a new resource estimation of Ambassador East where the Optimisation Drilling program was conducted,
- Complete a new resource estimation model of Ambassador East, Ambassador West, Shogun and Princess using new data and principles identified in the Golder study,
- Complete a new Ore Reserve using the new resource models,
- Re-run financials with new model metal throughputs, and
- Assess all FID Optimisation alternatives such as staged implementation.

The activities above will feed into the updated and final DFS to be published in the September quarter 2017.



Mike Young
Managing Director and CEO

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The information in this announcement that relates to project economics for the Mulga Rock Project Ore Reserves is based on information reviewed by Mike Young, who is a Member of the Australian Institute of Geoscientists. Mr Young is an employee of Vimy Resources. Mr Young consents to the inclusion, form and context of the relevant information herein as derived from the Ore Reserve report. Mr Young has sufficient experience relevant to the style of mineralisation 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 JORC 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

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.

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

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