

# Quarterly Activities Report

March 2017

## Highlights

- **Vimy's Mulga Rock Project approved by Federal Minister**
- **Next phase of work commenced to advance development of the Project**
- **In-fill drilling results improve Project economics and DFS delayed to quantify**
- **Société Générale appointed as Bank Project Finance Advisor**
- **Two Uranium Converter Accounts established**
- **Uranium Samples dispatched to Converters**
- **Full repayment of RCF Loan leaves Vimy with no debt**

Vimy Resources Limited ("Vimy" or "the Company"; ASX:VMY) is pleased to provide its Quarterly Activities Report for the period ended 31 March 2017.

Managing Director and CEO Mike Young commented: *"The environmental approval by the Federal Government is the final step in de-risking the Project from a regulatory approvals standpoint.*

*The results from the in-fill drilling have increased the metal in our deposits, which will have a material positive effect on the unit operating costs as currently defined in the draft DFS. We will now re-run the resource models and the financials and delay releasing the DFS until the September 2017 quarter.*

*Vimy is pleased to receive such strong support from our major shareholder RCF, and is now debt-free."*

## Vimy's Project approved by Federal Minister

On 6 March 2017, the Commonwealth's Minister for the Environment and Energy, The Hon. Josh Frydenberg MP, approved Vimy's proposed action, namely the development of the Mulga Rock Project (Project) (EPBC Act referral 2013/7083; located 240 kilometres north east of Kalgoorlie) subject to specified conditions (*refer ASX Announcement 6 March 2017*).

The Minister's approval for the Project was the final approval required before work could commence.

## Next phase of work on the Project begins

Following project approval by the Federal Minister, Vimy announced it had commenced the next phase of work involving some initial construction activity associated with both infrastructure facilities and mining (*refer ASX Announcement 10 March 2017*).

The commencement of this work will expedite development of the Project once the final investment decision is made and full-scale construction starts.



**Aerial view of the Mulga Rock camp**

### **In-fill Drilling results improve Project economics and DFS delayed to quantify**

Subsequent to Quarter end, the Company announced to the ASX on 26 April 2017 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.

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 an updated and final DFS to be published in the September quarter 2017.

### **Société Générale Appointed Bank Project Finance Advisor**

On 23 February 2017, Vimy announced the appointment of Société Générale as its bank project finance advisor to assist with development of the overall financing structure for the Project. The advisory role includes a particular focus on the uranium marketing contract requirements to underpin bank project finance which are inextricably linked to debt capacity.

Société Générale has significant experience in bank project finance for the uranium production sector and the Company is extremely pleased to have a banking institution of this calibre as our advisor. This advisory role will be key to Vimy defining the bankable incentive price for the Project.

### **Establishment of Uranium Converter Accounts**

On 27 February and 23 March 2017, the Company announced that it had established uranium converter accounts with Cameco Corporation and New AREVA respectively.

The opening of these accounts represents an important logistical and administrative milestone as all uranium concentrate production from the Project will be required to be delivered to a converter account. Transfers of uranium concentrate will be made from these converter accounts to utility customers in order for sales invoicing to be finalised. Uranium mined at the Project will be processed into a concentrate form at the project site, with the next stage in the nuclear fuel cycle being the conversion of this concentrate into uranium hexafluoride.

There are several commercial uranium conversion plants that operate globally, with Cameco operating plants in Ontario, Canada and New AREVA plants located in France.

### **Uranium Samples Dispatched to Converters**

Following establishment of the uranium converter accounts and subsequent to the end of the Quarter, the Company announced on 24 April 2017 that uranium product samples had been dispatched to converter facilities in Canada, France and the US. Testing of Vimy’s proposed product by converters is an essential part of the quality assurance that nuclear utilities will require before entering into long term offtake agreements.

## Full Repayment of RCF Loan

Following a General Meeting of shareholders held on 24 January 2017, approval was obtained for the issue of 38,461,539 new fully paid ordinary shares at \$0.26 per share to Resource Capital Fund VI L.P. (RCF), to convert the remaining \$10 million of the RCF unsecured bridging loan into equity (refer ASX Announcement dated 23 September 2016).

RCF now holds a 29.2% interest in the Company. Vimy is pleased to receive such strong support from RCF and is now debt-free.

## Tenements

Tenement details as at 31 March 2017

Tenement	Nature of Interest	Mineral Field	Interest at Beginning of Quarter	Interest at End of Quarter
M39/1104	Granted	Mt Margaret	100%	100%
M39/1105	Granted	Mt Margaret	100%	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%
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%
L39/252	Current	Mt Margaret	0%	100%
L39/253	Current	Mt Margaret	0%	100%

## Expenditure

Exploration and evaluation expenditure for the Quarter was \$3,356,087, including allocation for staff costs.

## Corporate

Cash at the end of the Quarter amounted to \$8,078,444.

During the Quarter Vimy received \$3,973,698 relating to the 2016 R&D tax incentive claim, as well as \$52,000 of Deferred Placement funds announced last year.

With the Project Definitive Feasibility Study largely completed, a commensurate reduction in cash outflows is estimated for the next quarter.



**Mike Young**  
**Managing Director and CEO**

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28 April 2017

*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](http://asx.com.au) and [vimyresources.com.au](http://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

## Principal Place of Business

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