



**VIMY**  
RESOURCES LIMITED

## Annual Financial Report

For the year ended 30 June 2017

# Vimy Resources Limited – Consolidated Entity

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This financial report covers Vimy Resources Limited as a Group consisting of Vimy Resources Limited and its subsidiaries. The financial report covers the year ended 30 June 2017 and is presented in Australian dollars.

Vimy Resources Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Ground Floor, 10 Richardson Street  
West Perth, Western Australia, 6005

The financial report was authorised for issue by the directors on 21 September 2017. The Company has the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the Company. Public releases are available at [asx.com.au](http://asx.com.au) by entering the Company's ASX code 'VMY'. Additional information on the Company is available on its website [vimyresources.com.au](http://vimyresources.com.au).

## Directors' Report

### for the Year ended 30 June 2017

Your directors present their report on Vimy Resources Limited consolidated entity ('Group') for the financial year ended 30 June 2017.

#### **DIRECTORS**

The names and details of directors who held office during the year ended 30 June 2017 and up to the date of this report (unless otherwise stated), are:

**The Hon. Cheryl Edwardes** AM, LL.M, B.Juris, BA  
**Independent Non-Executive Chairman**

*Appointed 26 May 2014*

A lawyer by training, Mrs Edwardes is a former Minister in the Western Australian Legislative Assembly with extensive experience and knowledge of WA's legal and regulatory framework relating to mining projects, environmental, native title, and heritage and land access. Mrs Edwardes is currently a Non-Executive Director of Atlas Iron Limited and AusCann Group Holdings Limited. She was appointed in August 2017 as a part-time member of the Foreign Investment Review Board for a five-year period. Mrs Edwardes assists the clients of FTI Consulting with a range of complex statutory approvals required for resources and infrastructure projects. She also chairs the Port Hedland International Airport, a joint venture company between AMP Capital and Infrastructure Capital Group and is a Commissioner on the WA Football Commission.

During her political career, Mrs Edwardes held positions including WA Attorney General, Minister for the Environment and Minister for Labour Relations. She also has broad experience and networks within China's business community.

Mrs Edwardes was awarded an Order of Australia in the Queen's Birthday Honours 2016 for "significant service to the people and Parliament of Western Australia, to the law and to the environment, and through executive roles with business, education and community organisations."

*Listed company directorships in the last three years: Atlas Iron Limited May 2015 to present and AusCann Group Holdings Limited May 2016 to present.*

**Michael (Mike) Young** BSc (Hon), MAIG, MAICD  
**Managing Director and Chief Executive Officer**

*Appointed 17 April 2013*

Mr Young was the first CEO and MD of BC Iron Limited and played an integral role in taking that company to a position as a significant iron ore producer. Mr Young successfully steered BC Iron through first stage exploration, definition of resources, feasibility study, the negotiation of development agreements with Fortescue Metals Group and ultimately the profitable production of iron ore.

Mr Young is a geologist and a graduate of Queens University, Canada with a Bachelor of Science (Honours) degree in Geological Sciences. His experience includes base metals, iron ore, uranium and gold, with a strong focus on mine-camp exploration, resource definition, and mine development. Mr Young was a founding director of uranium developer Bannerman Resources Limited and is the non-executive Chairman and founder of Cassini Resources Limited.

*Listed company directorships in the last three years: BC Iron Limited October 2006 to November 2014, Cassini Resources Limited January 2012 to present, Ascot Resources Limited June 2015 to December 2015 (delisted), and Cycliq Group Limited February 2017 to present.*

## Directors' Report

for the Year ended 30 June 2017

**Julian Tapp** BA, MSc  
**Executive Director**

*Appointed 18 March 2013*

Mr Tapp brings a wealth of experience in regulatory approvals. In his previous role as Head of Government Relations for Fortescue Metals Group, Mr Tapp was instrumental in overseeing and expediting the approvals process for Fortescue's world-class Pilbara iron ore project from conception through to operation.

Mr Tapp trained as an economist before holding a number of high-level roles in companies around the globe, including as Director of New Business Development for the Middle East for BAeSystems. He is also currently a non-executive director with the Pilbara Port Authority.

*Listed company directorships in the last three years: Nil*

**David Cornell** B.Comm, CA  
**Independent Non-executive Director**

*Appointed 17 July 2012*

Mr Cornell is a director of Element Capital Pty Ltd and has significant experience providing strategic and corporate advice to listed companies, with a strong focus on transaction services.

Mr Cornell has assisted several companies, including Vimy Resources Limited, through the listing process and has raised over a quarter of a billion dollars through debt, equity and hybrid structures for leading resource companies including Atlas Iron and CopperCo.

Mr Cornell is a Chartered Accountant, gaining his experience with the international accounting firms Arthur Andersen and Ernst & Young where he specialised in providing corporate and professional services to both Western Australian junior explorers and international mining companies.

*Listed company directorships in the last three years: Nil*

**Andrew (Andy) Haslam** Grad Dip. Min (Ballarat), GAICD  
**Non-executive Director**

*Appointed 1 April 2016*

Mr Haslam is a highly experienced mining executive and has been working as a consultant to the Mulga Rock Project since February 2016. He currently serves as a Non-Executive Director of BC Iron Ltd. He is also an industry representative on the WA Quarry Managers' Board of Examiners, a Member of Australian Institute of Company Directors and a consultant to private company Genmin's Baniaca Iron Ore Project in Gabon, Africa.

Mr Haslam holds a Graduate Diploma of Mining from the University of Ballarat, Victoria, a Graduate Diploma from the Australian Institute of Company Directors, Diploma of Extractive Industries Management from SEM College WA and WA Quarry Manager's Certificate of Competency.

*Listed company directorships in the last three years: BC Iron Limited from August 2011 to present.*

## Directors' Report

### for the Year ended 30 June 2017

**Malcolm (Mal) James** B.Bus., FAICD, AusIMM  
**Non-executive Director**

*Appointed 1 April 2016*

Mr James has an extensive background in finance, accounting and resources with a wealth of experience as a company director in the mining sector. This includes a focus in uranium, developed over ten years at Peninsula Energy where he served as Executive Director responsible for the daily operations through to finance. He is currently the Non-Executive Chairman of Anova Minerals Ltd and Algae.Tec Ltd.

Mr James holds a Bachelor of Business (Accounting) from RMIT University in Melbourne, he is a Fellow of the Australian Institute of Company Directors (FAICD) and Member Australasian Institute of Mining and Metallurgy (AusIMM).

*Mr James is a representative of the shareholder, Forrest Family Investments Pty Ltd (Peepingee Trust).*

*Listed company directorships in the last three years: Anova Metals Limited from September 2012 to present; and Algae Tec Limited from September 2014 to present.*

#### COMPANY SECRETARY

**Ronald Chamberlain** BCom, FCA  
**Chief Financial Officer and Company Secretary**

*Appointed 5 February 2016*

Mr Chamberlain has over twenty-five years' experience in the resources industry as a finance professional, with significant involvement in all the mine stages from exploration through to mine closure. Mr Chamberlain has held a number of senior executive roles in the uranium industry, he was the inaugural CFO for Paladin Energy where he played an integral role in the funding and development of the Langer Heinrich and Kayelekera projects, and then Acting CFO and subsequently Non-Executive Director for Extract Resources prior to China Guangdong Nuclear Power's acquisition of the Husab project. Mr Chamberlain has worked on resource project developments and acquisitions in Australia, Africa, North America and Asia.

Mr Chamberlain holds a Bachelor of Commerce degree from the University of Western Australia and is a Fellow of the Chartered Accountants Australia and New Zealand.

*Listed company directorships in the last three years: Nil*

#### PRINCIPAL ACTIVITIES

The principal activities of the Group during the year ended 30 June 2017 were exploration and evaluation on the Mulga Rock Project, with Definitive Feasibility Study work undertaken during the year.

#### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the year the following significant events occurred:

- On 15 August 2016, the Company completed the final drawdown of \$7.5 million from the Resource Capital Fund VI L.P. ('RCF VI') unsecured bridging loan. On 17 August 2015, the Company announced a legally binding agreement with RCF VI for the provision of the final \$25 million of a \$30 million funding package announced on 20 May 2015. The funding package comprises a \$5 million share placement completed in May 2015, a \$15 million unsecured bridging loan, and a \$10 million payment in return for a 1.15% royalty on future production from the Mulga Rock Project.
- On 30 September 2016, the Company announced completion of a placement from new and existing institutional and sophisticated investors which raised \$6.3 million in new funds at \$0.26 per share before costs. The funds raised were primarily for a uranium grade optimisation drilling program.
- On 23 November 2016, the Company issued 19,230,769 fully paid ordinary shares for an agreed value of \$0.26 per share to repay \$5 million of the RCF VI bridge facility.

## Directors' Report

### for the Year ended 30 June 2017

- On 24 January 2017, the Company announced shareholders had approved the conversion of the remaining \$10 million of the RCF VI bridge facility into 38,461,539 fully paid ordinary shares for an agreed value of \$0.26 per share to repay the facility before its maturity on 31 March 2017.

#### OPERATING AND FINANCIAL REVIEW

##### OPERATING RESULT

The consolidated operating loss after tax for the year ended 30 June 2017 attributable to members of the Group was \$11,500,157 (2016: operating loss after tax \$11,957,825). The loss after tax is mainly attributable to the accounting policy to expense all exploration and evaluation expenditure as incurred.

Key highlights for the year were as follows:

- Other income decreased to \$7,724,364 (2016: \$11,380,804) as a consequence of the RCF VI royalty payment of \$10 million in 2016, despite higher R&D tax incentive grant income in 2017.
- Lower exploration and evaluation expenditure of \$13,597,184 (2016: \$18,497,411) as a result of nearing completion of the Definitive Feasibility study for the Mulga Rock Project.

##### DIVIDENDS

No dividends were paid in the current year (2016: \$nil).

##### REVIEW OF OPERATIONS

The Group's main asset is the Mulga Rock Project, one of Australia's largest undeveloped uranium resources, located 240 kilometres north east of Kalgoorlie in Western Australia. As an exploration and evaluation company, Vimy Resources Limited is in the high-risk, high-reward sector of the global mining industry. Exploration and evaluation companies are the critical front-end of the mining industry with the highest risk, and as such the Company's business model is specific to this sector.

During the year the following significant events occurred on the Mulga Rock Project:

- On 7 July 2016, the Office of the Environmental Protection Authority informed the Company that its responses to the Public Environmental Review submissions had been determined to be acceptable and that its proposal for the project can now be considered by the Environmental Protection Authority ('EPA')
- On 15 August 2016, the EPA recommended approval of the project to the Western Australian Minister for Environment, subject to specific conditions and procedures
- On 27 September 2016, the EPA granted consent to allow preliminary works to be undertaken in support of the project
- On 24 October 2016, the Company was granted two new replacement Mining Leases, giving security of tenure for all proposed mining areas and post-mine landforms for the life-of-mine of the project
- On 8 November 2016, the Company announced a significant increase in the resource classification across the Ambassador and Shogun deposits, with greater than 36Mlbs U<sub>3</sub>O<sub>8</sub> classified as indicated
- On 16 November 2016, the Company announced an updated Probable Ore Reserve containing 18.7Mt at 755ppm U<sub>3</sub>O<sub>8</sub> for 31.2Mlb U<sub>3</sub>O<sub>8</sub> comprising a 41% increase in contained metal from the Maiden Ore Reserve announced in March 2016, with uranium grade increasing 14%, from 660ppm to 755ppm U<sub>3</sub>O<sub>8</sub>
- On 28 November 2016, the Western Australian Minister for Environment determined the appeals to the EPA recommendation, and partly allowed the appeals, by amending a number of conditions, primarily in order to improve consistency between the conditions and the assessment and recommendations
- On 19 December 2016, the Western Australian Minister for Environment approved the project, subject to implementation conditions

## Directors' Report

### for the Year ended 30 June 2017

- On 6 March 2017, the Commonwealth's Minister for the Environment and Energy approved the project, subject to specified conditions, and this was the final approval required before work could commence
- On 10 March 2017, the Company announced commencement of work on the project, involving some initial construction activity associated with both infrastructure facilities and mining
- On 24 April 2017, the Company announced dispatch of uranium samples to converters for testing
- On 26 April 2017, the Company announced results of the 2016 in-fill drilling program, with an overall increase of 5% to 15% in contained uranium metal in the area drilled out. This increase in contained metal 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
- On 25 May 2017, the Company announced an update to the project mineral resource, with a maiden measured mineral resource of 12.4Mlb U<sub>3</sub>O<sub>8</sub> high-grade, as the measured resource is greater than 0.11% U<sub>3</sub>O<sub>8</sub> (1,100ppm), and a 14% increase in contained metal at Ambassador East (from 12.4 to 14.1Mlb U<sub>3</sub>O<sub>8</sub>)
- On 20 June 2017, the new McGowan Western Australian Government confirmed that the project will be allowed to proceed to development

The Company currently has twenty two (22) tenements that all relate to the Mulga Rock Project, two are mining leases, eight are exploration licences, five are prospecting licences, and seven are miscellaneous licences. The mining leases currently include all of the area that the Company anticipates will be incorporated into development of the Mulga Rock Project.

#### Financial Position

Net assets at 30 June 2017 were \$4,627,848 (2016: Net liabilities of \$5,298,051) and are low as a consequence of the accounting policy to expense all exploration and evaluation expenditure as incurred.

Cash balances at 30 June 2017 totalled \$5,081,972 (2016: \$4,572,609).

#### Going Concern

The Group's ability to continue as a going concern and to capitalise on its exploration and evaluation activities depends on its ability to obtain additional funding through equity, debt or hybrid financing, joint ventures, production off-take arrangements, Research and Development Tax Incentive receipts or other means. These circumstances create material uncertainties as to the ability of the Group to continue as a going concern.

In considering these circumstances, the directors have taken into account:

- The \$6 million placement to new institutional and sophisticated investors on 31 July 2017.
- Research and Development Tax Incentive receipts expected from lodging the 2017 Group income tax return.
- The Group's demonstrated track record in raising equity.
- The previous funding support provided by existing shareholders and indication that they would continue to support the Group

In the unlikely event that additional funding is not able to be obtained, the directors would actively curtail both project and corporate expenditure in light of the Group's actual funding.

In view of all the foregoing, the directors are of the view that they have a reasonable expectation that the Group will have adequate resources to continue to operate for at least the next twelve months. For these reasons, they continue to adopt the going concern basis in preparing the financial report.

#### LIKELY DEVELOPMENTS AND BUSINESS STRATEGY

The Group's strategy is to develop the Mulga Rock Project and to ultimately become a uranium producer. At the same time the Group is continually looking for exploration opportunities to add to its exploration upside. New assets will be evaluated on a case by case basis.

## Directors' Report

### for the Year ended 30 June 2017

The Group's objectives are to complete the Mulga Rock Project Definitive Feasibility Study, develop the project by negotiation of offtake contracts and funding facilities, and continue exploration activities on its tenement portfolio and other projects as may be acquired

#### MATTERS SUBSEQUENT TO THE END OF THE YEAR

Since 30 June 2017 the following significant subsequent events have occurred:

On 12 July 2017, the Company announced the results from a Mineral Resource update at its Mulga Rock Project. The new global Mineral Resource has increased by 17% to 71.2Mt at 570ppm U<sub>3</sub>O<sub>8</sub> for 90.1Mlbs U<sub>3</sub>O<sub>8</sub> compared to the November 2016 estimate of 76.8Mlb U<sub>3</sub>O<sub>8</sub>.

On 31 July 2017, the Company announced the completion of a heavily oversubscribed placement from new institutional and sophisticated investors which raised \$6 million at \$0.14 per share before costs. The funds raised were primarily to enable completion of the DFS work programs for the Mulga Rock Project.

On 4 September 2017, the Company announced a major ore reserve update to 42.3Mlbs U<sub>3</sub>O<sub>8</sub> from 22.7Mt at 845ppm U<sub>3</sub>O<sub>8</sub>, a 36% increase in ore reserve metal since the last reserve update in November 2016, including a maiden proved ore reserve of 12.3Mlbs from 5.3Mt at 1,055ppm U<sub>3</sub>O<sub>8</sub>.

On 6 September 2017, the Company announced that it had received all results from testing of the Uranium Ore Concentrate product samples dispatched to the three international commercial converters, confirming the high quality product from the Mulga Rock Project.

#### MEETINGS OF DIRECTORS

The meetings of the Company's Board of Directors held during the year ended 30 June 2017, and the number of meetings attended by each director were:

Directors during the year ended 30 June 2017	Full meetings of directors		Remuneration Committee		Audit Committee	
	A	B	A	B	A	B
C. Edwardes	13	13	4	4	1	2
M. Young	13	13	*	*	*	*
J. Tapp	13	13	*	*	*	*
D. Cornell	13	13	4	4	2	2
A. Haslam	13	13	4	4	2	2
M. James	11	13	4	4	1	2

A = Number of meetings attended in person or electronic means.

B = Number of meetings held during the time that the director held office and for which they were entitled to participate.

\* = Not a member of the relevant committee.



## Directors' Report

for the Year ended 30 June 2017

### DIRECTORS' INTERESTS IN SHARES AND OPTIONS

Particulars of directors' interests and of persons connected with them in shares of the Group as at the reporting date are as follows:

Director	Number of shares	Number of options
C. Edwardes	857,142	-
M. Young	5,238,094	2,142,856
J. Tapp	3,571,427	2,142,856
D. Cornell	-	-
A. Haslam	-	-
M. James <sup>(a)</sup>	-	-

<sup>(a)</sup> Mr James is the nominated representative of Forrest Family Investments Pty Ltd, an investment entity within Andrew Forrest's Munderoo Group which currently holds 57,142,857 ordinary shares.

### SHARE OPTIONS

Options over ordinary shares of the Group as at the reporting date are as follows:

Date granted	Expiry date	Fair value per option at grant date	Exercise price	Number of options
17 December 2014	16 December 2019	\$0.31	\$0.80	1,428,572
17 March 2014	16 December 2018	\$0.35	\$1.54	8,714,281
17 March 2014	16 December 2018	\$0.35	\$0.70	8,714,283
14 June 2013	14 June 2018	\$0.098	\$0.35	2,857,142

No option holder has any right under the options to participate in any other share issue of the Group or of any other controlled entity. No options were exercised during the year ended 30 June 2017.

### ENVIRONMENTAL REGULATIONS AND PERFORMANCE

The Group has conducted exploration and evaluation activities on mineral tenements. The right to conduct these activities is granted subject to environmental conditions and requirements. The Group aims to ensure a high standard of environmental care is achieved, and as a minimum, to comply with relevant environmental regulations. There have been no known material breaches of any of the environmental conditions.

## Directors' Report

for the Year ended 30 June 2017

### REMUNERATION REPORT (AUDITED)

The Directors of the Group present the Remuneration Report of non-executive directors, executive directors and other key management personnel, prepared in accordance with the Corporation Act 2001 and the Corporation Regulations 2001.

The Remuneration Report is set out under the following main headings:

- A. Principles used to determine the nature and amount of remuneration
- B. Details of remuneration
- C. Service agreements
- D. Share-based compensation
- E. Additional information

#### **A. Principles used to determine the nature and amount of remuneration**

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. As an emerging project development company, remuneration levels are established based on industry standards rather than company performance. These remuneration levels are set to attract qualified and experienced people to pursue the Group's stated objectives. The Board, through the Remuneration Committee, takes advice on industry remuneration standards through consultation with external agents. During the 2016 and 2017 year no external agent were engaged by the company.

The Board has established a remuneration charter, administered by the Remuneration Committee, which provides oversight guidance on remuneration and incentive policies and practices and specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors.

The Board recognises that future performance will be dependent on the quality of its people. To achieve its financial and operating objectives, Vimy must be able to attract, retain and motivate highly capable people.

To this end, the Board and management have reviewed and agreed the appropriate people systems required at each level of company development. These will be implemented over time in order to support the continuing growth and change of the business.

#### Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed periodically by the Board through the Remuneration Committee. The Chairman does not attend any discussions relating to determination of her own remuneration. Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum fee pool currently stands at \$500,000 per annum. There are no retirement allowances for non-executive directors other than statutory superannuation contributions.

## Directors' Report

### for the Year ended 30 June 2017

#### Executive pay

The executive pay and reward framework has three components:

(i) *Base pay and benefits, including superannuation*

Base pay is structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

Employees are offered a competitive base pay that comprises the fixed component of pay and rewards. External remuneration consultants provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Base pay for senior executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

There are no guaranteed base pay increases included in any senior executives' contracts.

Superannuation contributions are made to employees' chosen superannuation funds in accordance with Australian regulatory requirements.

(ii) *Short-term performance incentives*

The Board, through the Remuneration Committee, is responsible for assessing short term incentives for key management personnel. Service agreements may establish short-term incentives against key performance indicators which are assessed by the Board through the Remuneration Committee.

(iii) *Long-term incentives*

Long-term incentives are provided to employees through the Vimy Employee Share Plan. See section D – Share-based compensation for further information.

#### Company performance

The Company is currently focused on exploration and evaluation of its projects and is not expected to generate profits during this development phase. Share price performance will occur as a result of the success in progressing project development, quality of the projects, management's performance and external factors.

#### Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the Board have regard to the following indices in respect of the current financial year and the previous four financial years:

Item	2017	2016	2015	2014 *	2013 *
Loss per share (cents)	(4.11)	(5.24)	(5.26)	(13.72)	(27.23)
Dividend (cents per share)	-	-	-	-	-
Net Loss	(11,500,157)	(11,957,825)	(10,725,302)	(8,298,813)	(15,337,969)
Share price (\$)	0.18	0.34	0.26	0.35	0.21

\* The figures for these years have been retrospectively changed to factor in the consolidation of share capital of the Company on a basis that every 7 shares were consolidated into 1 share.

## Directors' Report

for the Year ended 30 June 2017

### B. Details of remuneration

#### Amounts of remuneration

The key management personnel of the Group are the directors and specified executives. Details of the remuneration of the key management personnel of the Group for the years ended 30 June 2017 and 2016 are set out in the following tables.

		Short-term benefits		Post-employment benefits	Share-based payments	Total
		Cash salary and fees	Cash bonus <sup>(a)</sup>	Superannuation	Value of options / shares	
<b>Directors</b>						
<b>Non-executive</b>						
C. Edwardes	2017	90,000	-	8,550	67,513	166,063
Chairman	2016	90,000	-	8,550	146,212	244,762
D. Cornell	2017	40,000	-	3,800	-	43,800
	2016	40,000	-	3,800	-	43,800
A. Haslam	2017	43,800	-	-	-	43,800
from 1 April 2016	2016	10,950	-	-	-	10,950
M. James <sup>(b)</sup>	2017	43,800	-	-	-	43,800
from 1 April 2016	2016	10,950	-	-	-	10,950
A. Hood <sup>(b)</sup>	2017	-	-	-	-	-
Resigned 1 April 2016	2016	32,850	-	-	-	32,850
<b>Executive</b>						
M. Young	2017	425,000	179,775 <sup>(a)</sup>	25,000	302,953	932,728
CEO and MD	2016	425,000	-	25,000	233,391	683,391
J. Tapp	2017	325,000	103,100 <sup>(a)</sup>	25,000	107,768	560,868
	2016	325,000	-	25,000	233,391	583,391
Total directors	2017	967,600	282,875	62,350	478,234	1,791,059
	2016	934,750	-	62,350	612,994	1,610,094

<sup>(a)</sup> Cash bonus payments to M Young and J Tapp in 2017 relate to both the 2017 and 2016 years. No recognition of cash bonus payments were made in 2016 for M Young and J Tapp as no legal or constructive obligation existed as at 30 June 2016 for the entitlement. During 2017 the service agreements for M Young and J Tapp were amended to include a short term incentive entitlement, which has resulted in the recognition of both 2017 and 2016 cash bonus payments in the 2017 year.

<sup>(b)</sup> Payments for Mr James, Mr Hood were made to the Forrest Family Investments Pty Ltd (Peepingee Trust) whom they represent on the Board. Mr Hood commenced on 26 May 2015 and was replaced by Mr James on 1 April 2016.

## Directors' Report

for the Year ended 30 June 2017

		Short-term benefits		Post-employment benefits	Share-based payments	Total
		Cash salary and fees	Cash bonus <sup>(a)</sup>	Superannuation	Value of options / shares	
<b>Key management personnel</b>						
T. Chamberlain	2017	380,000	58,900	19,616	113,019	571,535
<i>Chief Operating Officer</i>	2016	278,933	49,400	13,012	136,975	478,320
<i>from 1 November 2015</i>						
R. Chamberlain	2017	300,000	45,000	28,500	120,508	494,008
<i>CFO and Company Secretary</i>	2016	125,150	15,000	11,875	9,626	161,651
<i>from 5 February 2016</i>						
S. McBride	2017	-	-	-	-	-
<i>CFO and Company Secretary</i>	2016	304,370	-	35,000	33,049	372,419
<i>Resigned 5 February 2016</i>						
Total key management personnel	2017	680,000	103,900	48,116	233,527	1,065,543
	2016	708,453	64,400	59,887	179,650	1,012,390

Annual short-term incentive bonus is a component of the service agreement. Award of incentive bonus is dependent upon the Group performance in safety, Company share price performance compared to a peer group, and specific individual project achievements.

For the 2017 year cash bonus payments, M Young received 78% of the maximum annual short-term incentive bonus (22% forfeited), J Tapp received 70% of the maximum annual short-term incentive bonus (30% forfeited), T Chamberlain received 77.5% of the maximum annual short-term incentive bonus (22.5% forfeited), and R Chamberlain received 75% of the maximum annual short-term incentive bonus (25% forfeited).

For the 2016 year cash bonus payments, M Young received 63% of the maximum annual short-term incentive bonus (37% forfeited), J Tapp received 82% of the maximum annual short-term incentive bonus (18% forfeited), T Chamberlain received 65% of the maximum annual short-term incentive bonus (35% forfeited), and R Chamberlain received 60% of the maximum annual short-term incentive bonus (40% forfeited).

## Directors' Report

for the Year ended 30 June 2017

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

	<b>Fixed remuneration</b>		<b>At risk – short term incentives</b>		<b>At risk – long term incentives</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>Directors</b>						
<b>Non-executive</b>						
C. Edwardes	59%	40%	-	-	41%	60%
D. Cornell	100%	100%	-	-	-	-
A. Haslam	100%	100%	-	-	-	-
M. James	100%	100%	-	-	-	-
A. Hood	-	100%	-	-	-	-
<b>Executive</b>						
M. Young	48%	66%	19%	-	33%	34%
J. Tapp	63%	60%	18%	-	19%	40%
<b>Key management personnel</b>						
T. Chamberlain	70%	61%	10%	10%	20%	29%
R. Chamberlain	67%	85%	9%	9%	24%	6%
S. McBride	-	91%	-	-	-	9%

### C. Service agreements

Remuneration and other terms of employment for certain key management are formalised in service agreements. Employees are eligible for long term incentive benefits under the Vimy Employee Share Plan.

#### *Mr M. Young, Chief Executive Officer and Managing Director*

- Base Remuneration - \$450,000 inclusive of superannuation.
- Short Term Incentive – Maximum annual award of 30% of base remuneration.
- Term of Agreement – The executive service agreement has no fixed completion term.
- Termination – The Company may terminate Mr Young's employment at any time with six months' written notice or the payment of six months' remuneration in lieu of notice. Mr Young must provide six months' written notice to terminate the agreement.
- The service agreement may be terminated by the Company at any time, without notice to the executive as a result of misconduct, wilful neglect, material breaches of his duties, the executive being charged with a criminal offence which brings the Company into serious disrepute, the executive becoming insolvent or becoming ineligible to hold office as a director.
- Change of Control - If there is a change of control of the Company, and there is a material diminution of the executive's duties or decision making authority which is not agreed with the executive, the executive will be entitled to twelve months base remuneration plus the equivalent of the full year short term incentive bonus. This change of control entitlement is inclusive of the applicable notice period.

## Directors' Report

### for the Year ended 30 June 2017

#### *Mr J. Tapp, Executive Director*

- Base Remuneration - \$350,000 inclusive of superannuation.
- Short Term Incentive – Maximum annual award of 20% of base remuneration.
- Term of Agreement – The executive service agreement has no fixed completion term.
- Termination – The Company may terminate Mr Tapp's employment at any time with six months' written notice or the payment of six months' remuneration in lieu of notice. Mr Tapp must provide six months' written notice to terminate the agreement.
- The service agreement may be terminated by the Company at any time, without notice to the executive as a result of misconduct, wilful neglect, material breaches of his duties, the executive being charged with a criminal offence which brings the Company into serious disrepute, the executive becoming insolvent or becoming ineligible to hold office as a director.
- Change of Control - If there is a change of control of the Company, and there is a material diminution of the executive's duties or decision making authority which is not agreed with the executive, the executive will be entitled to twelve months base remuneration plus the equivalent of the full year short term incentive bonus. This change of control entitlement is inclusive of the applicable notice period.

#### *Mr T. Chamberlain, Chief Operating Officer*

- Base Remuneration - \$380,000 plus superannuation.
- Short Term Incentive – Maximum annual award of 20% of base remuneration.
- Term of Agreement – The executive service agreement has no fixed completion term.
- Termination – The Company may terminate Mr T. Chamberlain's employment at any time with four months' written notice or the payment of four months' remuneration in lieu of notice. Mr T. Chamberlain must provide two months' written notice to terminate the agreement.
- The service agreement may be terminated by the Company at any time, without notice to the executive as a result of misconduct, wilful neglect, material breaches of his duties, the executive being charged with a criminal offence which brings the Company into serious disrepute, the executive becoming insolvent or becoming ineligible to hold office as a director.
- Change of Control - If there is a change of control of the Company, and there is a material diminution of the executive's duties or decision making authority which is not agreed with the executive, the executive will be entitled to twelve months base remuneration plus the equivalent of the full year short term incentive bonus. This change of control entitlement is inclusive of the applicable notice period.

#### *Mr R. Chamberlain, Chief Financial Officer and Company Secretary*

- Base Remuneration - \$300,000 plus superannuation.
- Short Term Incentive – Maximum annual award of 20% of annual base remuneration.
- Term of Agreement – The executive service agreement has no fixed completion term.
- Termination – The Company may terminate Mr R. Chamberlain's employment at any time with six months' written notice or the payment of six months' remuneration in lieu of notice. Mr R. Chamberlain must provide six months' written notice to terminate the agreement.
- The service agreement may be terminated by the Company at any time, without notice to the executive as a result of misconduct, wilful neglect, material breaches of his duties, the executive being charged with a criminal offence which brings the Company into serious disrepute, the executive becoming insolvent or becoming ineligible to hold office as a director.
- Change of Control - If there is a change of control of the Company, and there is a material diminution of the executive's duties or decision making authority which is not agreed with the executive, the executive will be entitled to twelve months base remuneration plus the equivalent of the full year short term incentive bonus. This change of control entitlement is inclusive of the applicable notice period.

## Directors' Report

### for the Year ended 30 June 2017

#### D. Share-based compensation

During the year the Company issued shares under the 2016 Vimy Employee Share Plan ('2016 Plan') to one key management personnel.

On 22 November 2016, the Company issued 1,666,667 ordinary shares to Mr Michael Young. These shares were purchased by the employee or their associate and funded by a limited recourse loan provided by the Company. These shares are subject to a 3 year service condition relating to satisfaction of key performance indicators for project approvals, finance, decision to mine, production, health, safety and environment, governance and continuity.

The exercise price of the equity instruments granted was \$0.245 per share, the fair value of the equity instruments granted was \$0.24 per share, and the total amount to be recognised as share based payments over the three-year service condition period was \$323,978. The expiry date of the issued shares is 22 November 2021.

The terms of the 2016 Plan are detailed below under 'Loans to Directors and Key Management Personnel'.

#### E. Additional Information

##### Shareholdings

The number of ordinary shares in the Company held during the year by each director and key management personnel, including their personally related entities or associates, are set out below.

	Balance at the start of the period	Granted as remuneration	Changes on appointment or resignation	Balance at the end of the period
<b>30 June 2017</b>				
<b>Directors</b>				
C. Edwardes	857,142	-	-	857,142
M. Young	3,571,427	1,666,667	-	5,238,094
J. Tapp	3,571,427	-	-	3,571,427
D. Cornell	-	-	-	-
A. Haslam	-	-	-	-
M. James <sup>(a)</sup>	-	-	-	-
	<b>7,999,996</b>	<b>1,666,667</b>	<b>-</b>	<b>9,666,663</b>
<b>Key management personnel</b>				
T. Chamberlain	1,142,857	-	-	1,142,857
R. Chamberlain	500,000	-	-	500,000
	<b>1,642,857</b>	<b>-</b>	<b>-</b>	<b>1,642,857</b>

<sup>(a)</sup> Mr James is the representative of Forrest Family Investments Pty Ltd (Peepingee Trust) which held 57,142,857 ordinary shares in the Company during the year ended 30 June 2017.



## Directors' Report

### for the Year ended 30 June 2017

#### Option holdings

The number of options over ordinary shares in the Company held during the reporting period by each director and key management personnel, including their personally related entities, are set out below.

	Balance at the start of the period	Granted as remuneration	Exercised	Changes on resignation	Balance at the end of the period	Vested and exercisable at 30 June 2017
<b>30 June 2017</b>						
<b>Directors</b>						
C. Edwardes	-	-	-	-	-	-
M. Young	2,142,856	-	-	-	2,142,856	2,142,856
J. Tapp	2,142,856	-	-	-	2,142,856	2,142,856
D. Cornell	-	-	-	-	-	-
A. Haslam	-	-	-	-	-	-
M. James <sup>(a)</sup>	-	-	-	-	-	-
	4,285,712	-	-	-	4,285,712	4,285,712
<b>Key management personnel</b>						
T. Chamberlain	-	-	-	-	-	-
R. Chamberlain	-	-	-	-	-	-
	-	-	-	-	-	-

<sup>(a)</sup> Mr James is the representative of Forrest Family Investments Pty Ltd (Peepingee Trust) which held 57,142,857 ordinary shares in the Company during the year ended 30 June 2017.

#### Loans to Directors and Key Management Personnel

During 2013, shareholders approved an employee share scheme for the Company. As a result the Company adopted the employee share plan to be known as the 2013 Vimy Employee Share Plan ('2013 Plan'), pursuant to which employees (including directors) of the Company can be invited to subscribe for shares using financial assistance provided by the Company.

During 2016, shareholders approved an employee share scheme for the Company. As a result the Company adopted the employee share plan to be known as the 2016 Vimy Employee Share Plan ('2016 Plan'), pursuant to which employees (including directors) of the Company can be invited to subscribe for shares using financial assistance provided by the Company.

The Plans provide a mechanism for the Company to invite employees (including the directors) to subscribe for shares in the Company and to apply for a loan from the Company to pay the subscription price for those shares ('Plan Shares'). The Company takes security over the Plan Shares acquired under the Plans until the limited recourse loan provided for the subscription price for those shares has been repaid in full ('Limited Recourse Loan').

## Directors' Report

### for the Year ended 30 June 2017

A summary of the terms of issue and the Limited Recourse Loan(s) provided is shown below.

	Grant Date	Number of shares acquired	Amount of the loan	Term of the loan
<b>Directors (or associate)</b>				
C. Edwardes	17/12/2014	857,142	\$357,500	up to 5 years
M. Young	22/11/2016	1,666,667	\$407,500	up to 5 years
M. Young	17/12/2014	714,285	\$298,000	up to 5 years
M. Young	14/6/2013	1,428,571	\$246,753	up to 5 years
J. Tapp	17/12/2014	714,285	\$298,000	up to 5 years
J. Tapp	14/6/2013	1,428,571	\$246,753	up to 5 years
<b>Key management personnel (or associate)</b>				
T. Chamberlain	20/11/2015	1,000,000	\$340,800	up to 5 years
T. Chamberlain	5/9/2014	142,857	\$69,200	up to 5 years
R. Chamberlain	3/06/2016	500,000	\$158,450	up to 5 years
S. McBride resigned 5 February 2016	5/9/2014	457,142	\$221,440	up to 5 years

#### *Share based payment*

As non-interest bearing limited recourse loans were provided to purchase Plan Shares in the Company and these loans are secured against the same Plan Shares, AASB 2 (share based payments) applies. On this basis, the loan amount is not recognised in the financial statements.

#### *Loan terms*

The key terms of each Limited Recourse Loan provided under the Plans are as follows:

- (i) the Limited Recourse Loan may only be applied towards the subscription price for the shares issued under the Plans;
- (ii) the Limited Recourse Loan will be interest free, provided that if the Limited Recourse Loan is not repaid by the repayment date set by the Board, the Limited Recourse Loan will incur interest at 9% per annum after that date (which will accrue on a daily basis and compound annually on the then outstanding loan balance);
- (iii) by signing and returning an application for a Limited Recourse Loan, the participants of the Plans (each a Participant):
  - acknowledges and agrees that the Plan Shares will not be transferred, encumbered, otherwise disposed of, or have a security interest granted over it, by or on behalf of the Participant until the Limited Recourse Loan is repaid in full to the Company; and
  - authorises the Company (at its election) either to take such action in the Participant's name or direct that Participant take such action in relation to the Plan Shares as the Company considers appropriate which may include but is not limited to the Company undertaking buy-back of the Plan Shares or selling the Plan Shares;
- (iv) the Limited Recourse Loan becomes repayable on the earliest of:
  - the date which is five years after the grant date of the Limited Recourse Loan ('Repayment Date');
  - one month after the Participant ceases for any reason to be employed by the Company; and
  - (by the legal personal representative of the Participant) six months after the Participant ceases to be an employee of the Company due to their death;

## Directors' Report

### for the Year ended 30 June 2017

- (v) notwithstanding paragraph (iv) above and subject to any voluntary escrow conditions entered into by the individual Participant, the Participant may repay all or part of the loan at any time before the Repayment Date; and
- (vi) on the repayment date the repayment obligation under the Limited Recourse Loan will be limited to the lesser of:
  - the outstanding balance of the Limited Recourse Loan; and
  - the market value of the Plan Shares on that date.

In addition, where the Participant has elected for the Plan Shares to be provided to the Company in full satisfaction of the Limited Recourse Loan, the Company must accept the Plan Shares as full settlement of the repayment obligation under the Limited Recourse Loan.

#### *Rights attaching to Plan Shares*

The Plan Shares will rank equally with all other shares on issue in the capital of the Company. Holders of Plan Shares issued under the Plans will be entitled to exercise all voting rights attaching to the Shares in accordance with the Constitution. In addition, holders of Plan Shares issued under the Plans will be entitled to participate in dividends declared and paid by the Company in accordance with the Constitution.

#### *Sale of Plan Shares*

Where the Participant has been granted a Limited Recourse Loan to purchase the Plan Shares; and subject to voluntary escrow, those Plan Shares may only be sold by a Participant when the Limited Recourse Loan has been repaid proportionately to the number of Plan Shares to be sold. Otherwise any dealing by the Participant in the Plan Shares is prohibited without the prior written consent of the Company.

If the Limited Recourse Loan becomes due and payable and the Participant has not repaid the amount of the Limited Recourse Loan in full within one month of the due date, then the Participant will forfeit their interest in the Plan Shares as full consideration for the repayment of the outstanding loan balance. The Company may either (at its election) take such action in the Participant's name or direct that Participant take such action in relation to the Plan Shares as the Company considers appropriate, which may include but is not limited to the Company undertaking buy-back of the Plan Shares or selling the Plan Shares.

#### **Other transactions with director and key management personnel related entities**

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Mr Haslam is a director of Hasbar Pty Ltd. Hasbar has provided mining consulting services on the Mulga Rock Project for which it was paid at commercial rates. The amount unpaid at 30 June 2017 was \$nil (2016: \$7,600).		
Mining Consulting Services	-	7,600

**End of audited remuneration report.**

## Directors' Report

### for the Year ended 30 June 2017

#### Auditor

Grant Thornton Audit Pty Ltd continues in office in accordance with section 327 of the *Corporations Act 2001*.

#### NON-AUDIT SERVICES

During the period, the following fees were paid or payable for services provided by the auditor of the Parent entity, its related practices and non-related audit firms:

	Consolidated	
	Year ended 30 June 2017 \$	Year ended 30 June 2016 \$
<b>Assurance services</b>		
<b>1. Audit services</b>		
Grant Thornton Audit Pty Ltd:		
Audit of financial reports and other audit work under the <i>Corporations Act 2001</i>	34,871	35,665
<b>2. Non-audit services</b>		
Advisory fees	-	-
<b>Total remuneration for assurance services</b>	<b>34,871</b>	<b>35,665</b>

#### AUDITORS' INDEMNITIES AND INSURANCE

The Company does not indemnify its auditors for liability to another person's or the Company that may arise out of the conduct of the Audit.

#### AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on the page following this Directors' Report.

#### OFFICERS' INDEMNITIES AND INSURANCE

The Company has agreed to indemnify former and current directors and officers of the Company against all liabilities to another person and the Company that may arise from their position as directors and officers of the Company and its controlled entities, except where the liability arises out of conduct involving a wilful breach of duty. The agreement stipulates that the Company will meet the full amount of such liabilities including costs and expenses.

The Company has also agreed to pay a premium in respect of a contract insuring directors and officers of the Company. That contract of insurance prohibits the Company disclosing the nature of the liability insured against and the amount of the premium paid. The liabilities insured include legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

## Directors' Report

for the Year ended 30 June 2017

### **PROCEEDINGS ON BEHALF OF THE COMPANY**

No person has applied to the court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in or on behalf of the Company with leave of the court under section 237 of the *Corporations Act 2001*.

### **ROUNDING OF AMOUNTS**

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with the Class Order to the nearest dollar.

This Directors' Report, incorporating the Remuneration Report, is made in accordance with a resolution of the directors.



**Michael Young**  
**Chief Executive Officer and Managing Director**

Dated 21 September 2017

Level 1  
10 Kings Park Road  
West Perth WA 6005

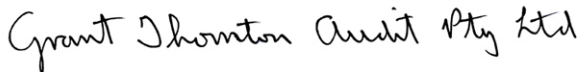
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## Auditor's Independence Declaration To the Directors of Vimy Resources Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Vimy Resources Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



Patrick Warr  
Partner - Audit & Assurance

Perth, 21 September 2017

Grant Thornton Audit Pty Ltd ACN 130 913 594  
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## Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2017

	Note	Consolidated	
		2017 \$	2016 \$
Other Income	6	7,724,364	11,380,804
Exploration and evaluation expenditure		(13,597,184)	(18,497,411)
Corporate and administration expense		(3,809,237)	(3,732,340)
Financing expense		(913,419)	(194,223)
Share based payments expense	7	(904,681)	(914,655)
<b>Loss before income tax</b>		(11,500,157)	(11,957,825)
Income tax expense		-	-
<b>Loss attributable to members of the Company</b>		(11,500,157)	(11,957,825)
Other comprehensive income, net of tax		-	-
<b>Total comprehensive loss attributable to members of the Company</b>		(11,500,157)	(11,957,825)
Loss per share from continuing operations attributable to the ordinary equity holder of the Company:		<b>Cents per share</b>	<b>Cents per share</b>
Basic and diluted loss per share	4	(4.11)	(5.24)

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

## Statement of Financial Position

as at 30 June 2017

	Note	Consolidated	
		2017 \$	2016 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	9	5,081,972	4,572,609
Trade and other receivables	10	2,363,665	386,488
Prepayments	11	82,813	267,631
<b>Total Current Assets</b>		<b>7,528,450</b>	<b>5,226,728</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	10	190,506	190,506
Plant and equipment	12	299,265	430,755
<b>Total Non-Current Assets</b>		<b>489,771</b>	<b>621,261</b>
<b>TOTAL ASSETS</b>		<b>8,018,221</b>	<b>5,847,989</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	2,403,709	2,736,083
Provisions	14	377,390	697,488
Loans and borrowings	15	-	7,500,000
Other financial liabilities	16	22,237	-
<b>Total Current Liabilities</b>		<b>2,803,336</b>	<b>10,933,571</b>
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables	13	-	112,183
Provisions	14	587,037	79,870
Other financial liabilities	16	-	20,416
<b>Total Non-Current Liabilities</b>		<b>587,037</b>	<b>212,469</b>
<b>TOTAL LIABILITIES</b>		<b>3,390,373</b>	<b>11,146,040</b>
<b>NET (LIABILITIES) / ASSETS</b>		<b>4,627,848</b>	<b>(5,298,051)</b>
<b>EQUITY</b>			
Contributed equity	17	88,248,678	67,727,303
Employee option plan reserve	18	1,419,026	1,316,153
Employee share plan reserve	18	2,729,089	1,927,281
Accumulated losses	20	(87,768,945)	(76,268,788)
<b>TOTAL (DEFICIT) / EQUITY</b>		<b>4,627,848</b>	<b>(5,298,051)</b>

*The above statement of financial position should be read in conjunction with the accompanying notes*



## Statement of Changes in Equity

for the year ended 30 June 2017

	Contributed equity \$	Accumulated losses \$	Option reserve \$	Share reserve \$	Total \$
<b>CONSOLIDATED</b>					
<b>Balance at 1 July 2015</b>	67,727,303	(64,310,963)	1,093,362	1,235,417	5,745,119
Loss attributable to members of the Company	-	(11,957,825)	-	-	(11,957,825)
Share based payments expense	-	-	222,791	691,864	914,655
<b>Balance at 30 June 2016</b>	67,727,303	(76,268,788)	1,316,153	1,927,281	(5,298,051)
<b>Balance at 1 July 2016</b>	67,727,303	(76,268,788)	1,316,153	1,927,281	(5,298,051)
Issue of ordinary shares net of issue costs	20,521,375	-	-	-	20,521,375
Loss attributable to members of the Company	-	(11,500,157)	-	-	(11,500,157)
Share based payments expense	-	-	102,873	801,808	904,681
<b>Balance at 30 June 2017</b>	88,248,678	(87,768,945)	1,419,026	2,729,089	4,627,848

*The above statement of changes in equity should be read in conjunction with the accompanying notes*

## Statement of Cash Flows

For the year ended 30 June 2017

		Consolidated	
Note	2017 \$	2016 \$	
<b>Cash Flows from Operating Activities</b>			
	197,958	152,596	
	(17,107,671)	(20,178,549)	
	3,973,698	1,215,702	
	(34,965)	-	
	<b>Net cash used in Operating Activities</b>	<b>Net cash used in Operating Activities</b>	
24	(12,970,980)	(18,810,251)	
<b>Cash Flows from Investing Activities</b>			
	-	10,000,000	
	(81,536)	(372,391)	
	12,737	-	
	-	(190,506)	
	<b>Net cash from / (used in) Investing Activities</b>	<b>Net cash from / (used in) Investing Activities</b>	
	(68,799)	9,437,103	
<b>Cash Flows from Financing Activities</b>			
	6,419,897	-	
	(370,755)	-	
	7,500,000	7,500,000	
	<b>Net cash provided by Financing Activities</b>	<b>Net cash provided by Financing Activities</b>	
	13,549,142	7,500,000	
	<b>Net (decrease) / increase in cash and cash equivalents held</b>	<b>Net (decrease) / increase in cash and cash equivalents held</b>	
	509,363	(1,873,148)	
	Cash and cash equivalents at the beginning of the financial year	Cash and cash equivalents at the beginning of the financial year	
	4,572,609	6,445,757	
	Cash and cash equivalents at the end of the financial year	Cash and cash equivalents at the end of the financial year	
9	5,081,972	4,572,609	

*The above statement of cash flows should be read in conjunction with the accompanying notes*

# Notes to the Financial Statements

30 June 2017

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# Notes to the Financial Statements

30 June 2017

## REPORTING ENTITY

Vimy Resources Limited ('the Company') is a company incorporated and domiciled in Australia. The address of the Company's registered office and principal place of business is Ground Floor, 10 Richardson Street, West Perth, WA, 6005, Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2017 comprise the Company and its subsidiaries, together referred to as the ('Group'). The Group is a for-profit entity and primarily involved in uranium project exploration and evaluation.

## 1. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

(i) Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes formula. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

(ii) Rehabilitation provision

Significant estimates and assumptions are made in determining the provision for rehabilitation of the mine as there are numerous factors that will affect the ultimate liability payable.

These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to inflation rates, and changes in discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided.

(iii) Fair value of financial derivative instruments

The Group assesses the fair value of its derivative instruments in accordance with its accounting policies. When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using various valuation techniques, such as Black-Scholes valuation models and discounted cash flow models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. These judgements include consideration of inputs such as market price volatility and foreign exchange volatility. Changes in these assumptions could affect the reported fair value of financial instruments.

(iv) Income taxes

The Group is subject to income taxes in Australia. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. Sufficient tax losses exist to offset any deferred tax liabilities. The Group's ability to access existing tax losses is dependent on it demonstrating achievement of either of two income tax defined tests, being the continuity of ownership test or the same business test.

(v) Impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. The directors considered the impairment of the investments in subsidiaries and loans receivable from subsidiaries based on their estimate of the fair value less costs to sell off the underlying mineral tenements. The inter-company loans have no interest or repayment terms and are effectively investments in controlled entities and are reflected at cost.

# Notes to the Financial Statements

30 June 2017

## 2. SEGMENT INFORMATION

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision maker) in assessing performance and determining the allocation of resources.

The Group operates one business segment: Exploration and Evaluation. The activities undertaken by this segment relate to the Mulga Rock Project. This activity does not generate any sales revenue.

	Exploration	
	2017	2016
	\$	\$
<b>Result</b>		
Segment contribution	(13,584,457)	(8,497,411)
<b>Reconciliation to Consolidated Loss</b>		
Segment contribution	(13,584,457)	(8,497,411)
Corporate and administration expense	(3,809,237)	(3,732,340)
Share based payments expense	(904,681)	(914,655)
Finance expense	(913,419)	(194,223)
Gain on share issue	1,365,153	-
R&D Tax Incentive Grant income	6,150,723	1,215,702
Interest received	195,761	165,102
Loss from continuing operations	(11,500,157)	(11,957,825)
Total Assets		
<b>Segment assets</b>	357,411	630,395
Reconciliation to Group Total Assets		
<b>Segment assets</b>	357,411	630,395
Corporate and administration assets	7,660,810	5,217,594
Total assets	8,018,221	5,847,989

## 3. FINANCIAL RISK MANAGEMENT

The Group's financial position is not complex. Its activities may expose it to a variety of financial risks in the future such as market risk (including fair value interest rate risk), credit risk, and liquidity risk. The Group's overall financial risk management focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out under an approved framework covering a risk management policy and internal compliance and control by management. The Board identifies, evaluates and approves measures to address financial risks.

## Notes to the Financial Statements

30 June 2017

The Group holds the following financial instruments:

	Consolidated	
	2017 \$	2016 \$
<b>Financial assets</b>		
Cash and cash equivalents	5,081,972	4,572,609
Trade and other receivables – current	21,904	32,204
Trade and other receivables – non-current	190,506	190,506
	<u>5,294,382</u>	<u>4,795,319</u>
<b>Financial liabilities</b>		
Trade and other payables – current	2,282,159	2,604,953
Loans and borrowings – current	-	7,500,000
Trade and other payables – non-current	-	112,183
Other financial liabilities – current	22,237	-
Other financial liabilities – non-current	-	20,416
	<u>2,304,396</u>	<u>10,237,552</u>

### (a) Market risk

#### *Cash flow and fair value interest rate risk*

The Group's main interest rate risk arises from cash deposits. Deposits at variable rates expose the Group to cash flow interest rate risk. Deposits at fixed rates expose the Group to fair value interest rate risk. During 2017 and 2016, the Group's deposits at variable rates were denominated in Australian dollars.

As at the reporting date, the Group had the following variable rate deposits and there were no interest rate swap contracts outstanding:

	2017		2016	
	Weighted average interest rate	Balance \$	Weighted average interest rate	Balance \$
Short-term deposits		4,500,000		3,750,000
Cash at bank		<u>581,972</u>		<u>822,609</u>
Net exposure to cash flow interest rate risk	1.96%	5,081,972	2.53%	4,572,609

The Group analyses its interest rate exposure on each occasion a deposit term expires. The Group aims to maximise interest returns from available funds and at the same time retain operating flexibility through adequate access to funds. During 2017 and 2016 if interest rates had been 10% higher or lower than the prevailing rates realised, with all other variables held constant, there would be an immaterial change in post-tax loss for the year. Equity would not have been impacted.

### (b) Credit risk

The Group has no significant concentrations of credit risk. Cash transactions are limited to high credit quality financial institutions.

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures on outstanding receivables and committed transactions. For banks and financial institutions, the Group will only hold deposits with A or better rated banks or financial institutions. All funds are currently banked with the Australian and New Zealand Banking Group Limited. Receivables are generally limited to Goods and Services Tax refunds or Research and Development Tax

## Notes to the Financial Statements

30 June 2017

Incentive grant income from the Australian Taxation Office. Events leading to other receivables are reviewed on a case by case basis and if there is no independent rating, management assesses the credit quality of the transaction party, taking into account its financial position, past experience and other factors.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised at the beginning of this note. All receivables at 30 June 2017 were received within two months.

### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group will aim at maintaining flexibility in funding by accessing appropriate committed credit lines available from different counterparties where appropriate and possible. Surplus funds when available are generally only invested in high credit quality financial institutions in highly liquid markets.

#### *Maturities of financial liabilities*

As at 30 June 2017, the Group's financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	<b>Current</b>		<b>Non-current</b>	
	<b>Within Six Months</b> \$	<b>Six - Twelve Months</b> \$	<b>One - Five Years</b> \$	<b>Later than Five Years</b> \$
<b>30 June 2017</b>				
Trade and other payables	1,559,222	1,044,841	-	-
Other financial liabilities	-	22,237	-	-
<b>Total</b>	<b>1,559,222</b>	<b>1,067,078</b>	<b>-</b>	<b>-</b>

This compares to the maturity of the Group's non-derivative financial liabilities in the previous reporting periods as follows:

<b>30 June 2016</b>				
Trade and other payables	2,688,288	166,667	913,109	-
Loans and borrowings	-	7,500,000	-	-
Other financial liabilities	-	-	20,416	-
<b>Total</b>	<b>2,688,288</b>	<b>7,666,667</b>	<b>933,525</b>	<b>-</b>

### (d) Capital management

The Group's capital management objective is to ensure adequate funding is obtained to enable it to progress its exploration and evaluation activities, while retaining sufficient cash reserves to ensure the Group continues as a going concern. As a project development company, funds for activities are generally sourced from equity markets, asset sales, or from borrowing facilities. The Group has utilised equity raisings and borrowings to maintain adequate funding. The Board monitors cash resources against expenditure forecasts associated with the Company's stated growth strategies and development plans to assess financial requirements.

# Notes to the Financial Statements

30 June 2017

## (e) Fair value estimation

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability

The following table shows the Levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 30 June 2017 and 30 June 2016:

<b>30 June 2017</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial liabilities</b>				
Other financial liabilities	-	(22,237)	-	(22,237)
Total financial liabilities	-	(22,237)	-	(22,237)
Net fair value	-	(22,237)	-	(22,237)

<b>30 June 2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial liabilities</b>				
Other financial liabilities	-	(20,416)	-	(20,416)
Total financial liabilities	-	(20,416)	-	(20,416)
Net fair value	-	(20,416)	-	(20,416)

There were no transfers between Level 1 and Level 2 in 2017 or 2016.

### Value techniques used to derive Level 2 fair values

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

The fair value of the embedded derivatives associated with the RCF VI Bridge Finance facility are valued using a Black-Scholes option pricing model that takes into account the exercise price, term of the facilities, non-tradeable nature of the facilities, the share price at drawdown date and expected share price volatility of the underlying share, the expected dividend yield, and the risk-free rate for the term of the facility.



## Notes to the Financial Statements

30 June 2017

The table below summarises the model inputs for the embedded derivatives as at 30 June 2017 and 30 June 2016:

	<i>2017</i> <i>Embedded Derivative</i> <i>Bridge Finance facility</i>	<i>2016</i> <i>Embedded Derivative</i> <i>Bridge Finance facility</i>
Dividend yield	0%	0%
Expected volatility of Company's shares	101%	101%
Risk-free rate	1.75%	1.57%
Term remaining (years)	0.75	1.75
Conversion price (cents)	30	30
Underlying security spot price at valuation date (cents)	18	34
Valuation date	30 June 2017	30 June 2016
Black-Scholes valuation per share	\$0.0342	\$0.182

#### 4. EARNINGS PER SHARE

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
Basic and diluted loss per share (cents per share)	(4.11) cents	(5.24) cents
Loss after tax used in the calculation of basic and diluted EPS	\$(11,500,157)	\$(11,957,825)
Weighted average number of shares outstanding during the year used in calculations of loss per share	#279,447,019	#229,761,367

There are 21,714,274 (2016: 21,849,988) potential ordinary shares that have not been included in the dilutive EPS calculation because they are anti-dilutive.

#### 5. DIRECTORS AND KEY MANAGEMENT PERSONNEL DISCLOSURE

##### (a) Key management personnel

In addition to the Directors the following persons had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the year:

<b>Name</b>	<b>Position</b>	<b>Employer</b>
T. Chamberlain	Chief Operating Officer	Vimy Resources Limited
R. Chamberlain	Chief Financial Officer and Company Secretary	Vimy Resources Limited

## Notes to the Financial Statements

30 June 2017

### (b) Key management personnel compensation

	Consolidated	
	2017 \$	2016 \$
Short-term employee benefits	2,034,375	1,707,603
Post-employment benefits	110,466	122,237
Share-based payments	711,761	792,644
	<u>2,856,602</u>	<u>2,622,484</u>

In accordance with AASB124 remuneration disclosures related to key management personnel are included in the Remuneration Report in the Directors' Report.

### (c) Loans to Director and Key Management Personnel

During 2013, shareholders approved a new employee share scheme for the Company. As a result, the Company adopted the employee share plan to be known as the 2013 Vimy Employee Share Plan ('2013 Plan'), pursuant to which certain employees (including directors) of the Company can be invited to subscribe for shares using financial assistance provided by the Company.

During 2016, shareholders approved a new employee share scheme for the Company. As a result, the Company adopted the employee share plan to be known as the 2016 Vimy Employee Share Plan ('2016 Plan'), pursuant to which certain employees (including directors) of the Company can be invited to subscribe for shares using financial assistance provided by the Company.

The Plans provide a mechanism for the Company to invite employees (including the directors) to subscribe for shares in the Company and to apply for a loan from the Company to pay the subscription price for those shares ('Plan Shares'). The Company takes security over the Shares acquired under the Plans until the limited recourse loan provided for the subscription price for those shares is repaid in full ('Limited Recourse Loan').

Subsequent to shareholder approval of the Plans and separate shareholder approval to issue shares to directors, a summary of the terms of issue and the Limited Recourse Loan provided is shown below.

	Grant Date	Number of shares acquired	Amount of the loan	Term of the loan
<b>Director (or associate)</b>				
C. Edwardes	17/12/2014	857,142	\$357,500	up to 5 years
M. Young	22/11/2016	1,666,667	\$407,500	up to 5 years
M. Young	17/12/2014	714,285	\$298,000	up to 5 years
M. Young	14/6/2013	1,428,571	\$246,753	up to 5 years
J. Tapp	17/12/2014	714,285	\$298,000	up to 5 years
J. Tapp	14/6/2013	1,428,571	\$246,753	up to 5 years
<b>Key management personnel (or associate)</b>				
S. McBride – <i>resigned February 2016</i>	5/9/2014	457,142	\$221,440	up to 5 years
T. Chamberlain	5/9/2014	142,857	\$69,200	up to 5 years
T. Chamberlain	20/11/2015	1,000,000	\$340,800	up to 5 years
R. Chamberlain	3/6/2016	500,000	\$158,450	up to 5 years

## Notes to the Financial Statements

30 June 2017

### *Share based payment*

As non-interest bearing limited recourse loans were provided to purchase Plan Shares in the Company and these loans are secured against the same Plan Shares, AASB 2 (share based payments) applies. On this basis, the loan amount is not recognised in the financial statements.

### *Loan terms*

The key terms of each Limited Recourse Loan provided under the Plans are as follows:

- (i) the Limited Recourse Loan may only be applied towards the subscription price for the shares issued under the Plans;
- (ii) the Limited Recourse Loan will be interest free, provided that if the Limited Recourse Loan is not repaid by the repayment date set by the Board, the Limited Recourse Loan will incur interest at 9% per annum after that date (which will accrue on a daily basis and compound annually on the then outstanding loan balance);
- (iii) by signing and returning an application for a Limited Recourse Loan, the participants of the Plans (each a Participant):
  - acknowledges and agrees that the Plan Shares will not be transferred, encumbered, otherwise disposed of, or have a security interest granted over it, by or on behalf of the Participant until the Limited Recourse Loan is repaid in full to the Company; and
  - authorises the Company (at its election) either to take such action in the Participant's name or direct that Participant take such action in relation to the Plan Shares as the Company considers appropriate which may include but is not limited to the Company undertaking buy-back of the Plan Shares or selling the Plan Shares;
- (iv) the Limited Recourse Loan becomes repayable on the earliest of:
  - the date which is five years after the grant date of the Limited Recourse Loan ('Repayment Date');
  - one month after the Participant ceases for any reason to be employed by the Company; and
  - (by the legal personal representative of the Participant) six months after the Participant ceases to be an employee of the Company due to their death;
- (v) notwithstanding paragraph (iv) above and subject to any voluntary escrow conditions entered into by the individual participant, the Participant may repay all or part of the loan at any time before the Repayment Date; and
- (vi) the Limited Recourse Loan will be limited recourse such that on the repayment date the repayment obligation under the Limited Recourse Loan will be limited to the lesser of:
  - the outstanding balance of the Limited Recourse Loan; and
  - the market value of the Plan Shares on that date.

In addition, where the Participant has elected for the Plan Shares to be provided to the Company in full satisfaction of the Limited Recourse Loan, the Company must accept the Plan Shares as full settlement of the repayment obligation under the Limited Recourse Loan.

### *Rights attaching to Plan Shares*

The Plan Shares will rank equally with all other shares on issue in the capital of the Company. Holders of Plan Shares issued under the Plan will be entitled to exercise all voting rights attaching to the Shares in accordance with the Constitution. In addition, holders of Plan Shares issued under the Plan will be entitled to participate in dividends declared and paid by the Company in accordance with the Constitution.

## Notes to the Financial Statements

30 June 2017

### *Sale of Plan Shares*

Where the Participant has been granted a Limited Recourse Loan to purchase the Plan Shares; and subject to voluntary escrow those Plan Shares may only be sold by a Participant when the Limited Recourse Loan has been repaid proportionately to the number of Plan Shares to be sold. Otherwise any dealing by the Participant in the Plan Shares is prohibited without the prior written consent of the Company.

If the Limited Recourse Loan becomes due and payable and the Participant has not repaid the amount of the Limited Recourse Loan in full within one month of the due date, then the Participant will forfeit their interest in the Plan Shares as full consideration for the repayment of the outstanding loan balance. The Company may either (at its election) take such action in the Participant's name or direct that Participant take such action in relation to the Plan Shares as the Company considers appropriate, which may include but is not limited to the Company undertaking buy-back of the Plan Shares or selling the Plan Shares.

### **(d) Other transactions with director and key management personnel related entities**

	Consolidated	
	2017 \$	2016 \$
Mr Haslam is a director of Hasbar Pty Ltd. Hasbar Pty Ltd has been providing mining consulting services to the company for which it was paid at commercial rates. There was \$nil unpaid at 30 June 2017 (2016: \$2,000).		
Mining Consulting Services	-	7,600

## **6. OTHER INCOME**

	Consolidated	
	2017 \$	2016 \$
Interest received	195,761	165,102
R&D tax incentive grant income <sup>(a)</sup>	6,150,723	1,215,702
Sale of royalty <sup>(b)</sup>	-	10,000,000
Gain on share issue <sup>(c)</sup>	1,346,153	-
Other income	31,727	-
	<b>7,724,364</b>	<b>11,380,804</b>

(a) The research and development tax incentive grant income for the 2017 financial year relates to both the 2017 and 2016 income tax years, and for the 2016 financial year the grant income related to the 2015 income tax year.

(b) On 17 August 2015, the Company announced a legally binding agreement with Resource Capital Fund VI L.P. ("RCF VI") for the provision of a funding package which included a \$10 million payment in return for a 1.15% royalty on future production from the Mulga Rock Project. The Company's accounting policy is to expense exploration and evaluation expenditure as incurred.

(c) The gain on share issue relates to shares issued to convert debt to equity (refer to Note 17).

## Notes to the Financial Statements

30 June 2017

### 7. LOSS FOR THE YEAR

The loss from ordinary activities before income tax has been determined after:

	Consolidated	
	2017	2016
	\$	\$
<b>(a) Expenses</b>		
Depreciation expense	222,927	184,589
Operating leases costs	334,279	287,576
Audit and review fees	34,871	35,665
	592,077	507,830
<b>(b) Employee benefits expense</b>		
Wages, salaries and directors' fees	4,428,272	4,080,190
Defined contribution superannuation expense	288,608	296,171
Share based payments expense (refer Note 19)	904,681	914,655
Other employee benefits	31,231	45,724
	5,652,792	5,336,740
<b>(c) Embedded derivative</b>		
Fair value movement on embedded derivative (refer Note 16)	1,821	20,416
	1,821	20,416

### 8. INCOME TAX BENEFIT

#### (a) Income tax recognised

No income tax is payable by the Group as it recorded losses for income tax purposes for the year.

## Notes to the Financial Statements

30 June 2017

### (b) Reconciliation of effective tax rate

	Consolidated	
	2017 \$	2016 \$
Loss after income tax	(11,500,157)	(11,957,825)
Income tax expense	-	-
Loss before income tax	(11,500,157)	(11,957,825)
Income tax using the Company's domestic tax rate of 30 percent (2016: 30 percent)	(3,450,047)	(3,587,347)
Non-deductible expenses and non-assessable income	4,964	3,373
Equity based remuneration	271,404	274,189
Research and development grant incentive income	(1,845,217)	(364,711)
Research and development expenditure	1,501,397	-
Mining royalty payment	-	(15,833)
Commercial debt forgiveness	(409,546)	-
Reduction of tax losses	409,546	-
Capital raising costs taken to equity	(103,199)	-
Movement in deferred tax assets not brought to account as future income tax benefits	969,878	2,896,438
Under recognition in prior year of deferred tax assets not brought to account as future income tax benefits	2,650,820	793,891
	-	-

### (c) Unrecognised deferred tax assets and liabilities

*Deferred tax assets and liabilities are attributable to the following:*

	Consolidated	
	2017 \$	2016 \$
Property, plant and equipment	27,327	(6,802)
Receivables	-	(1,476)
Accrued income	(5,817)	(4,526)
Exploration tenements	1,739,650	1,739,650
Employee provisions	137,077	105,334
S40-880 costs	177,647	158,328
Other costs	128,880	36,888
Loans and borrowings	224,412	74,169
Rehabilitation provision	159,129	135,438
Tax losses	19,018,840	18,400,268
Net tax assets	<b>21,607,145</b>	<b>20,637,271</b>
Unrecognised tax assets	<b>(21,607,145)</b>	<b>(20,637,271)</b>
	-	-

## Notes to the Financial Statements

30 June 2017

On 1 July 2007, Vimy Resources Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidation group under the Tax Consolidation Regime. Each entity in the Group will continue to recognise its own current and deferred tax liabilities, except for any deferred tax assets resulting from unused tax losses and tax credits, which are immediately assumed by the Parent entity. The current tax liability of each Group entity will then subsequently be assumed by the Parent entity. The tax consolidated group entered into a tax sharing agreement whereby each company in the Group contributes to the income tax payable in proportion to their contribution to profit before tax of the tax consolidated group.

### 9. CASH AND CASH EQUIVALENTS

	Consolidated	
	2017 \$	2016 \$
Cash at bank and in hand	581,972	822,609
Short-term deposits	4,500,000	3,750,000
	<u>5,081,972</u>	<u>4,572,609</u>

- (a) The above figures are shown as cash and cash equivalents at the end of the financial period in the statement of cash flows.
- (b) Cash at bank and on hand includes interest-bearing amounts. The weighted average rate applicable to the Group's balance at 30 June 2017 was 1.96% (2016: 2.53%).
- (c) Included within cash and equivalents disclosed above at 30 June 2017 is \$1.0 million in restricted cash (2016: \$1.0 million) in the form of a minimum working capital amount under the terms of the RCF VI Bridge Facility Agreement (refer Note 15).

### 10. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2017 \$	2016 \$
<b>Current</b>		
Other receivables	21,904	32,204
R&D Tax Incentive Grant receivable	2,177,025	-
Goods and services tax receivable	164,736	354,284
	<u>2,363,665</u>	<u>386,488</u>
<b>Non-Current</b>		
Security deposit <sup>(a)</sup>	190,506	190,506
	<u>190,506</u>	<u>190,506</u>

- (a) The security deposit for \$190,506 (2016: \$190,506) is cash security required for a bank guarantee related to the office lease at 10 Richardson Street, West Perth.

## Notes to the Financial Statements

30 June 2017

### 11. PREPAYMENT

	Consolidated	
	2017 \$	2016 \$
Deposits for tenement applications	78,995	245,000
Other prepayments	3,818	22,631
	<u>82,813</u>	<u>267,631</u>

### 12. PLANT AND EQUIPMENT

	Consolidated	
	2017 \$	2016 \$
<b>Office equipment</b>		
Cost	332,714	280,911
Accumulated depreciation	(300,335)	(235,552)
Total office equipment	<u>32,379</u>	<u>45,359</u>
<b>Exploration equipment</b>		
Cost	1,424,387	1,370,843
Accumulated depreciation	(1,157,501)	(985,447)
Total exploration equipment	<u>266,886</u>	<u>385,396</u>
<b>Total office and exploration equipment</b>	<u>299,265</u>	<u>430,755</u>

Movements in the carrying amounts of each class of assets at the beginning and end of the current financial period is as set out below:

<b>Office equipment</b>		
Balance at the beginning of year	45,359	29,288
Additions	16,156	51,803
Depreciation expense	(29,136)	(35,732)
Carrying amount at the end of the year	<u>32,379</u>	<u>45,359</u>
<b>Exploration equipment</b>		
Balance at the beginning of year	385,396	213,666
Additions	75,280	320,587
Depreciation expense	(193,790)	(148,857)
Carrying amount at the end of the year	<u>266,886</u>	<u>385,396</u>
<b>Total carrying amount at the end of the year</b>	<u>299,265</u>	<u>430,755</u>



## Notes to the Financial Statements

30 June 2017

### 13. TRADE AND OTHER PAYABLES

	Consolidated	
	2017 \$	2016 \$
<b>Current</b>		
Trade payables and accruals	1,677,905	2,654,043
Interest payable <sup>(i)</sup>	725,804	82,040
	2,403,709	2,736,083
<b>Non-Current</b>		
Interest payable <sup>(i)</sup>	-	112,183
	-	112,183

(i) Relates to interest payable on the RCF VI Bridge Facility Agreement, refer to Note 15 for details.

### 14. PROVISIONS

#### CURRENT

##### Employee entitlement: Annual Leave

Opening balance	246,028	151,447
Employee entitlements provided for	250,907	248,357
Employee entitlements used	(194,303)	(153,776)
Closing balance	302,632	246,028

The current provision relates to annual leave for employees of the Group. The provision is expected to be used over the forthcoming twelve months.

##### Employee entitlement: Long Service Leave

Opening balance	-	-
Employee entitlements provided for	37,697	-
Reclassification from non-current	37,061	-
Closing balance	74,758	-

##### Rehabilitation

Opening balance	451,460	-
Rehabilitation provided for	-	451,460
Reclassification to non-current	(451,460)	-
Closing balance	-	451,460

The Group recognised a liability for rehabilitation during 2016 relating to completion of geotechnical test pits designed to provide information inputs into the Definitive Feasibility Study for the Mulga Rock Project. During 2017 the Company received approval for a 2 year extension to complete the rehabilitation work on the geotechnical test pits from 31 March 2017 to 31 March 2019.

<b>Total current provision</b>	377,390	697,488
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# Notes to the Financial Statements

30 June 2017

	<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>NON-CURRENT</b>		
<b>Employee entitlement: Long Service Leave</b>		
Opening balance	79,870	99,913
Employee entitlements provided for / foregone	13,799	(20,043)
Reclassification to current	(37,061)	-
	<hr/>	<hr/>
Closing balance	56,608	79,870
<b>Rehabilitation</b>		
Opening balance	-	-
Reclassification from current	451,460	-
Rehabilitation provided for	78,969	-
	<hr/>	<hr/>
Closing balance	530,429	-
<p>The Group recognised a liability for rehabilitation during 2016 relating to completion of geotechnical test pits designed to provide information inputs into the Definitive Feasibility Study for the Mulga Rock Project. During 2017 the Company received approval for a 2 year extension to complete the rehabilitation work on the geotechnical test pits from 31 March 2017 to 31 March 2019.</p>		
	<hr/>	<hr/>
<b>Total non-current provision</b>	587,037	79,870

## 15. LOANS AND BORROWINGS

RCF VI Bridge Facility Agreement	-	7,500,000
	<hr/>	<hr/>
<b>Total Loans and Borrowings</b>	-	7,500,000

### RCF VI Bridge Facility Agreement:

The RCF VI Bridge Facility was part of a \$30 million funding package from Resource Capital Fund VI. The funding package comprised a \$5 million placement to RCF VI undertaken in May 2015, a \$10 million payment received in September 2015 in return for a 1.15% royalty, and a \$15 million unsecured Bridge Facility.

The Company had drawdown \$7.5 million of the facility as at 30 June 2016. The Company completed drawdown of the remaining facility of \$7.5 million on 15 August 2016. On 23 November 2016 the Company issued 19,230,769 fully paid ordinary shares for an agreed value of \$0.26/share to repay \$5 million of the facility. On 24 January 2017 the Company announced shareholders had approved the conversion of the remaining \$10 million of the facility into 38,461,539 fully paid ordinary shares for an agreed value of \$0.26/share to repay the facility before its maturity on 31 March 2017.

Interest on the facility is calculated at a rate of 15% per annum, with 4% payable quarterly and 11% deferred for payment until 31 March 2018. However, the deferred interest amounts at 31 March 2018 do not become payable if, up to 31 March 2018 all the following circumstances have occurred:

- RCF VI is granted a participation opportunity on all equity issues,
- Vimy completes the project financing for the Mulga Rock Project,
- There is no event of default, and
- Vimy had repaid all loans.

## Notes to the Financial Statements

### 30 June 2017

Included within the facility terms and conditions are:

- a conversion price option for RCF VI to convert deferred interest payable into shares at a fixed price. At 30 June 2017, the fair value of this embedded derivative was \$22,237 (2016: \$20,416) refer Note 16, and
- A requirement to maintain \$1.0 million in restricted cash in the form of a minimum working capital amount, refer Note 9(c).

#### 16. OTHER FINANCIAL LIABILITIES

	Consolidated	
	2017 \$	2016 \$
<b>Current</b>		
Embedded derivatives <sup>(i)</sup>	22,237	-
<b>Total</b>	22,237	-
<b>Non-Current</b>		
Embedded derivatives <sup>(i)</sup>	-	20,416
<b>Total</b>	-	20,416

(i) Relates to an embedded derivative in the RCF VI Bridge Facility Agreement, refer to Note 15 for details.

#### 17. CONTRIBUTED EQUITY

316,885,800 (2016: 229,761,367) fully paid ordinary shares

	Consolidated	
	Number	\$
<b>Ordinary shares</b>		
<b>At 1 July 2015</b>	227,732,795	67,727,303
20 November 2015 Employee share plan issue	1,000,000	-
25 November 2015 Buy-back of shares	(271,428)	-
3 June 2016 Employee share plan issue	1,300,000	-
<b>Balance at 30 June 2016</b>	229,761,367	67,727,303

## Notes to the Financial Statements

30 June 2017

	<b>Consolidated</b>	
	Number	\$
<b>At 1 July 2016</b>	229,761,367	67,727,303
5 July 2016 Share placement @ 30 cents per share <sup>(iv)</sup>	213,937	64,181
29 August 2016 Share placement @ 31 cents per share <sup>(iii)</sup>	281,776	87,350
31 August 2016 Share buy back	(100,000)	-
30 September 2016 Share placement @ 26 cents per share	24,093,844	6,264,400
3 October 2016 Share placement @ 24.50 cents per share <sup>(iii)</sup>	284,315	69,657
4 October 2016 Share placement @ 25 cents per share <sup>(iv)</sup>	417,253	104,313
1 November 2016 Share placement @ 24 cents per share <sup>(iii)</sup>	383,398	92,015
4 November 2016 Share purchase plan @ 26 cents per share	398,066	103,497
22 November 2016 Employee share plan grant	1,666,667	-
23 November 2016 Debt conversion share issue @ 24 cents/share <sup>(i)</sup>	19,230,769	4,615,385
1 December 2016 Share placement @ 26 cents per share <sup>(iii)</sup>	955,464	248,421
3 January 2017 Share placement @ 24 cents per share <sup>(iv)</sup>	532,072	127,697
24 January 2017 Debt conversion share issue @ 23.50 cents/share <sup>(ii)</sup>	38,461,539	9,038,462
30 January 2017 Share placement @ 23.50 cents per share <sup>(iv)</sup>	105,333	24,753
2 February 2017 Share placement @ 26 cents per share	200,000	52,000
Share issue costs	-	(370,756)
<b>Balance at 30 June 2017</b>	<b>316,885,800</b>	<b>88,248,678</b>

(i) In accordance with a Subscription Agreement with RCF VI, the Company issued 19,230,769 shares for an agreed value of \$0.26 per share to repay \$5 million of the RCF VI Bridge Facility on 23 November 2016. As the Company share price on this day was \$0.24 per share, the shares issued have been valued using the lower number, and as a consequence a gain on share issue of \$384,615 has been recognised in other income (refer to Note 6).

(ii) In accordance with a Subscription Agreement with RCF VI, the Company issued 38,461,539 shares for an agreed value of \$0.26 per share to repay \$10 million of the RCF VI Bridge Facility on 24 January 2017 after obtaining shareholder approval. As the Company share price on this day was \$0.235 per share, the shares issued have been valued using the lower number, and as a consequence a gain on share issue of \$961,538 has been recognised in other income (refer to Note 6).

(iii) Exploration and evaluation expenses settled in shares.

(iv) Financing expenses settled in shares.

The shares have no par value.

### Fully paid ordinary shares

Ordinary shares participate in dividends and the proceeds on winding up of the Parent entity in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

# Notes to the Financial Statements

## 30 June 2017

### 18. EMPLOYEE SHARE AND OPTION RESERVES

#### *Employee Share Option Reserves*

	Consolidated	
	2017 \$	2016 \$
Reserves	1,419,026	1,316,153
Reserves comprise the following:		
<b>Employee Share Option Reserve</b>		
Balance as at start of financial year	1,316,153	1,093,362
1,428,570 options vesting <sup>(a)</sup>	102,873	222,791
Balance as at end of the financial year	1,419,026	1,316,153

<sup>(a)</sup> On 16 December 2014, the Company granted 714,285 options each to Messrs Young and Tapp which vest two years and expire on 16 December 2019. Each option is exercisable at \$0.80 per ordinary share. The Black Scholes valuation expense will be proportionately allocated over the vesting period.

#### *Employee Share Plan Reserves*

The share plan reserve records items recognised as expenses on the valuation of employee shares.

	Consolidated	
	2017 \$	2016 \$
Reserves	2,729,089	1,927,281
Reserves comprise the following:		
<b>Employee Share Plan Reserve</b>		
Balance as at start of financial year	1,927,281	1,235,417
2,285,712 shares issued and vested <sup>(a)</sup>	180,284	390,434
13,500,000 shares issued and vested <sup>(b)</sup>	-	139,427
1,000,000 shares issued and vesting <sup>(c)</sup>	113,019	136,975
1,300,000 shares issued and vesting <sup>(d)</sup>	313,319	25,028
1,666,667 shares issues and vesting <sup>(e)</sup>	195,186	
Balance as at end of the financial year	2,729,089	1,927,281

(a) On 18 December 2014, a total of 2,285,712 ordinary shares were issued to Directors, Messrs Young and Tapp and The Hon. Cheryl Edwardes and have been funded by a non-interest bearing, limited recourse loan from the Company. These shares are subject to vesting period of two years which expires on 17 December 2016. The Black Scholes valuation expense will be proportionately allocated over the vesting period.

(b) On the 5 September 2014 a total of 13,500,000 shares were issued to staff and have been funded by a non-interest bearing, limited recourse loan from the Company. The shares are subject to a vesting period of one year and expire on 4 September 2019. The Black Scholes valuation expense has been proportionally allocated over the vesting period.

(c) On the 20 November 2015 a total of 1,000,000 shares were issued to Mr T Chamberlain and have been funded by a non-interest bearing, limited recourse loan from the Company. The shares are subject to a vesting period that ends upon completion of the Definitive Feasibility Study for the Mulga Rock Project to the absolute satisfaction of the Remuneration Committee, and expire on 20 November 2020. The Black Scholes valuation expense will be proportionally allocated over the vesting period.

## Notes to the Financial Statements

30 June 2017

- (d) On the 3 June 2016 a total of 1,300,000 shares were issued to employees and have been funded by a non-interest bearing, limited recourse loan from the Company. The shares are subject to a vesting period of one year and expire on 3 June 2021. The Black Scholes valuation expense will be proportionally allocated over the vesting period.
- (e) On the 22 November 2016 a total of 1,666,667 shares were issued to Mr M Young after shareholder approval was received and have been funded by a non-interest bearing, limited recourse loan from the Company. The shares are subject to a variety of vesting conditions over a three year period, and expire on 22 November 2021. The Black Scholes valuation expense will be proportionally allocated over the vesting period.

As non-interest bearing limited recourse loans were provided to purchase Plan shares in the Company and these loans are secured against the same Plan shares, AASB 2 (share based payments) applies. On this basis, the loan amount is not recognised in the financial statements and instead an amount is expensed as a share based payment.

### 19. SHARE BASED PAYMENTS

#### (a) Employee share option plan

The Company had an employee share option plan, which was also available to directors (the issue of securities to directors requires shareholder approval), called the Vimy Resources Limited Employee Share Option Plan ("Plan"). This Plan was replaced by the Vimy Employee Share Plan on 14 June 2013, however, some options remain outstanding under the prior employee option plan. No options were issued during the year.

Set out below is a summary of options granted to employees under the Vimy Resources Limited Employee Option Plan:

Grant date	Expiry date	Number Balance at start of year	Number Granted during year	Number Exercised during year	Number Forfeited during year	Number Balance at end of year	Number Exercisable at end of year
Various	Various	4,421,429	-	-	(135,717)	4,285,712	4,285,712
Weighted average exercise price						\$0.50	\$0.50
Weighted average remaining contractual life						1.46yrs	1.46yrs

#### (b) Employee share plans

On 14 June 2013, the Company established an employee share plan, which is also available to directors (the issue of securities to directors requires shareholder approval). The plan is called the 2013 Vimy Employee Share Plan.

On 18 November 2016, the Company established an employee share plan, which is also available to directors (the issue of securities to directors requires shareholder approval). The plan is called the 2016 Vimy Employee Share Plan.

A summary of the main terms and conditions of the Vimy Employee Share Plans can be found at Note 5.

## Notes to the Financial Statements

30 June 2017

Set out below is a summary of shares granted to employees under the Plans:

Issue date	Number Balance at start of year	Number Issued during year	Number Forfeited during year	Number Balance at end of year
14 June 2013	2,857,142	-	-	2,857,142
5 September 2014	1,657,138	-	(100,000)	1,557,138
17 December 2014	2,285,712	-	-	2,285,712
Issue date	Number Balance at start of year	Number Issued during year	Number Forfeited during year	Number Balance at end of year
20 November 2015	1,000,000	-	-	1,000,000
3 June 2016	1,300,000	-	-	1,300,000
22 November 2016	-	1,666,667	-	1,666,667

On 20 November 2015, the Company issued 1,000,000 shares to Mr T Chamberlain under its employee share plan. The input variables used in the Black Scholes option pricing model are as follows:

Issue date:	20 November 2015
Share price at the date of grant:	\$0.31
Exercise price:	\$0.341
Expected volatility:	115%
Latest loan repayment date:	5 years
Risk free interest rate (based on government bonds):	2.85%
Fair value of the equity instruments granted:	\$0.25
Total amount to be recognised as share based payments over a one year escrow period	\$249,994

On 3 June 2016, the Company issued 1,300,000 shares to employees under its employee share plan. The input variables used in the Black Scholes option pricing model are as follows:

Issue date:	3 June 2016
Share price at the date of grant:	\$0.32
Exercise price:	\$0.317
Expected volatility:	115%
Latest loan repayment date:	5 years
Risk free interest rate (based on government bonds):	2.22%
Fair value of the equity instruments granted:	\$0.26
Total amount to be recognised as share based payments over a one year escrow period	\$338,348

## Notes to the Financial Statements

30 June 2017

On 22 November 2016, the Company issued 1,666,667 shares to Mr M Young under its employee share plan. The input variables used in the Black Scholes option pricing model are as follows:

Issue date:	22 November 2016
Share price at the date of grant:	\$0.24
Exercise price:	\$0.245
Expected volatility:	115%
Latest loan repayment date:	5 years
Risk free interest rate (based on government bonds):	2.11%
Fair value of the equity instruments granted:	\$0.24
Total amount to be recognised as share based payments over the three year escrow period	\$323,978

### Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the year as part of employee benefit expense were as follows:

	Consolidated	
	2017 \$	2016 \$
Share based payments expense	904,681	914,655

## 20. ACCUMULATED LOSSES

	Consolidated	
	2017 \$	2016 \$
Accumulated losses at the beginning of the financial year	(76,268,788)	(64,310,963)
Net loss attributable to members of the Company	(11,500,157)	(11,957,825)
Accumulated losses at the end of the financial year	(87,768,945)	(76,268,788)

## 21. EXPENDITURE COMMITMENTS

	Consolidated	
	2017 \$	2016 \$
<b>(a) Operating lease commitments</b>		
Non-cancellable operating leases contracted for but not capitalised in the financial statements relating to office space		
Payable - minimum lease payments		
- not later than 12 months	248,757	241,512
- between 12 months and 5 years	83,732	332,489
	332,489	574,001

On 1 November 2015 the Company entered into a new office lease for the ground Floor, 10 Richardson Street, West Perth, Western Australia for three years. A cash backed guarantee bond has been established for \$190,506 in relation to the new lease, refer to Note 10.



# Notes to the Financial Statements

30 June 2017

	Consolidated	
	2017 \$	2016 \$
<b>(b) Expenditure commitments contracted for:</b>		
<b>Exploration tenements</b>		
In order to maintain current rights of tenure to exploration tenements, the Group is required to meet the minimum expenditure requirements. These obligations are not provided for in the financial statements:		
- not later than 12 months	1,723,700	1,984,017
- between 12 months and 5 years	6,840,800	5,214,000
	8,564,500	7,198,017

## 22. CONTROLLED ENTITIES

	Country of incorporation	Percentage owned	
		2017	2016
<i>Parent entity:</i>			
Vimy Resources Limited	Australia		
<i>Subsidiaries of Vimy Resources Limited:</i>			
Narnoo Mining Pty Ltd	Australia	100%	100%
Velo Resources Pty Ltd (previously Camuco Pty Ltd)	Australia	100%	100%
Gunbarrel Energy and Minerals Australia Pty Ltd	Australia	100%	100%

## 23. REMUNERATION OF AUDITORS

	Consolidated	
	2017 \$	2016 \$
During the period the following fees were paid or payable for services provided by the auditor of the Parent entity, its related practices and non-related audit firms:		
<b>Assurance services</b>		
Audit services		
Grant Thornton Audit Pty Ltd:		
- audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	34,871	35,665
<b>Non audit services</b>		
- Advisory fees	-	-
Total remuneration	34,871	35,665

# Notes to the Financial Statements

30 June 2017

## 24. CASH FLOW INFORMATION

	Consolidated	
	2017 \$	2016 \$
<b>(a) Reconciliation of Loss after tax to net cash outflow from Operating Activities</b>		
Loss after income tax	(11,500,157)	(11,957,825)
Adjustments for:		
Depreciation expense	222,927	184,589
Share based payments expense	904,681	914,655
Fair value adjustment to embedded derivative	1,891	20,416
Gain on issue of shares	(1,346,154)	-
Exploration and evaluation expenses settled in shares	474,735	
Financing expenses settled in shares	320,945	
Proceeds from sale of royalty	-	(10,000,000)
	<u>(10,921,132)</u>	<u>(20,838,165)</u>
Changes in operating assets and liabilities:		
(Increase) / Decrease in trade and other receivables	(1,977,177)	(182,694)
(Increase) / Decrease in prepayments	184,817	(191,963)
Increase / (Decrease) in trade and other payables	(444,557)	1,876,573
Increase / (Decrease) in provisions	187,069	525,998
Net cash outflow from operating activities	<u>(12,970,980)</u>	<u>(18,810,251)</u>
<b>(b) Non-cash financing and investing activities</b>		
Conversion of debt into equity	15,000,000	-

## 25. CONTINGENT LIABILITIES AND ASSETS

### Contingent Liability - Royalty

On 17 August 2015, the Company announced a legally binding agreement with Resource Capital Fund VI L.P. ("RCF VI") for the provision of the final \$25 million of the \$30 million funding package announced on 20 May 2015. The funding package comprises a \$10 million payment in return for a 1.15% royalty on future production from the Mulga Rock Project and a \$15 million unsecured bridging loan.

On 3 September 2015, the Company received the royalty payment of \$10 million from RCF VI. Narnoo Mining Pty Ltd ('Narnoo'), wholly owned subsidiary of Vimy, has agreed to pay a royalty to RCF VI of 1.15% on the gross proceeds received by Narnoo from selling mineral products extracted and recovered from the tenements that make up the Mulga Rock Project.

As is customary for a royalty arrangement, the Company has granted security to RCF VI for the royalty obligations, in the form of a mortgage over the mining tenements.

# Notes to the Financial Statements

## 30 June 2017

### 26. PARENT ENTITY INFORMATION

	Parent Entity	
	2017 \$	2016 \$
Information relating to Vimy Resources Limited:		
Current assets	7,313,288	5,226,728
Total assets	7,536,173	5,847,989
Current liabilities	1,752,737	10,004,486
Total liabilities	1,831,582	10,216,956
Total net (liabilities) / assets	5,704,591	(4,368,967)
Issued capital	88,248,678	67,727,303
Accumulated losses	(86,692,202)	(75,339,704)
Employee share plan reserve	2,729,088	1,927,281
Employee options plan reserve	1,419,026	1,316,153
Total (deficit) / equity	5,704,591	(4,368,967)
Loss of the parent entity	(11,352,499)	(11,426,530)
Total comprehensive loss of the parent entity	(11,352,499)	(11,426,530)

#### Guarantees of the Parent:

On 1 July 2007, Vimy Resources Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidation group under the Tax Consolidation Regime. Each entity in the Group will continue to recognise its own current and deferred tax liabilities, except for any deferred tax assets resulting from unused tax losses and tax credits, which are immediately assumed by the Parent entity. The current tax liability of each Group entity will then subsequently be assumed by the Parent entity. The tax consolidated group entered into a tax sharing agreement whereby each company in the Group contributes to the income tax payable in proportion to their contribution to profit before tax of the tax consolidated group.

	Parent Entity	
	2017 \$	2016 \$
<b>Commitments and contingent liabilities of the Parent</b>		
<b>Expenditure commitments</b>		
Non-cancellable operating leases contracted for but not capitalised in the financial statements relating to office space		
Payable - minimum lease payments		
- not later than 12 months	248,757	241,512
- between 12 months and 5 years	83,732	332,489
	332,489	574,001

# Notes to the Financial Statements

30 June 2017

## 27. EVENTS OCCURRING AFTER REPORTING DATE

Since 30 June 2017 the following significant subsequent events have occurred:

On 12 July 2017, the Company announced the results from a Mineral Resource update at its Mulga Rock Project. The new global Mineral Resource has increased by 17% to 71.2Mt at 570ppm U<sub>3</sub>O<sub>8</sub> for 90.1Mlbs U<sub>3</sub>O<sub>8</sub> compared to the November 2016 estimate of 76.8Mlb U<sub>3</sub>O<sub>8</sub>.

On 31 July 2017, the Company announced the completion of a heavily oversubscribed placement from new institutional and sophisticated investors which raised \$6 million at \$0.14 per share before costs. The funds raised were primarily to enable completion of the DFS work programs for the Mulga Rock Project.

On 4 September 2017, the Company announced a major ore reserve update to 42.3Mlbs U<sub>3</sub>O<sub>8</sub> from 22.7Mt at 845ppm U<sub>3</sub>O<sub>8</sub>, a 36% increase in ore reserve metal since the last reserve update in November 2016, including a maiden proved ore reserve of 12.3Mlbs from 5.3Mt at 1,055ppm U<sub>3</sub>O<sub>8</sub>.

On 6 September 2017, the Company announced that it had received all results from testing of the Uranium Ore Concentrate product samples dispatched to the three international commercial converters, confirming the high quality product from the Mulga Rock Project.

## 28. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in other notes above. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the group consisting of Vimy Resources Limited and its subsidiaries.

### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. Vimy Resources Limited is a for-profit entity for the purpose of preparing the financial statements.

#### *Compliance with IFRS*

The consolidated financial statements of Vimy Resources Limited group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### *Historical cost convention*

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and liabilities (including derivative instruments) at fair value.

#### *Critical accounting estimates*

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 1.

#### *Functional and presentation currency*

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and are rounded to the nearest dollar. Where necessary prior year balances can be reallocated to compare with the current year.

# Notes to the Financial Statements

30 June 2017

## *New and amended standards adopted by the Group*

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2016:

- AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle. AASB 2015-1 introduced annual improvements that resulted in changes to various standards.
- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101. AASB 2015-2 clarifies existing presentation and disclosure requirements.

The adoption of the above new standards and amendments to standards had no impact on the amounts recognised and disclosures in Vimy's financial statements.

## *New standards and interpretations not yet adopted*

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods. These standards and interpretations have not been early adopted. The Group's assessment of the impact of these new standards and interpretations is set out below.

- AASB 9 *Financial Instruments* (effective for annual reporting periods beginning on or after 1 January 2018). AASB 9 addresses the clarification, measurement and de-recognition of financial assets and financial liabilities and introduces new rules for hedge accounting. As Vimy is a project development company focussed on exploration and evaluation and has no complex financial assets or financial liabilities, Vimy has determined that AASB 9 will have no material impact on the way the Group accounts for or discloses its financial instruments.
- AASB 15 *Revenue from Contracts with Customers* (effective for annual reporting periods beginning on or after 1 January 2018). AASB 15 introduces new framework for accounting for revenue and will replace AASB 118 *Revenue* and AASB 111 *Construction Contracts*. The new standard is based on the principle that revenue is recognised when control over goods and services transfers to a customer, therefore the notion of control replaces the existing notion of risks and rewards. As Vimy is a project development company focussed on exploration and evaluation, Vimy has determined that there will be no material impact of the new standard on the Group's financial statements.
- AASB 16 *Leases* (effective for annual reporting periods beginning on or after 1 January 2019). AASB 16 introduces new framework for accounting for leases and will replace AASB 117 *Leases*. The new standard will primarily affect the accounting by lessees and will result in the recognition of almost all leases on the Statement of Financial Position. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for almost all lease contracts. Vimy expects that AASB 16 will result in an increase in assets and liabilities as fewer leases will be expensed as payments are made. It is also expected that depreciation expense will increase as well as cash flow from operating activities as these lease payments will be recorded as financing outflows in the cash flow statement. As the main lease Vimy has relates to rental of a small amount of office space for a period of three years, it is not expected that AASB 16 will have a material impact on the Group's financial statements.

## **(b) Going Concern**

The Group incurred a net loss of \$11,500,157 during the year ended 30 June 2017. The Group's net cash used in operating activities was \$12,970,980 for the year ended 30 June 2017.

At 30 June 2017, a low value of net assets is reflected in the Statement of Financial Position of \$4,627,848, as a consequence of the Group's accounting policy to expense exploration and evaluation expenditure as incurred. Current assets exceed current liabilities by \$4,725,114.

The Group's ability to continue as a going concern and to capitalise on its exploration and evaluation activities depends on being able to obtain additional funding through equity, debt or hybrid financing, joint ventures, production off-take arrangements, R&D Tax Incentive receipts or other means. These circumstances create material uncertainties as to the ability of the Group to continue as a going concern.

# Notes to the Financial Statements

30 June 2017

In considering these circumstances, the directors have taken into account the \$6 million placement to new institutions and sophisticated investors on 31 July 2017, R&D Tax Incentive receipts expected from lodging the 2017 Group income tax return, the Group's demonstrated track record in raising equity, and the previous funding support provided by existing shareholders and indication that they would continue to support the Group.

In the unlikely event that additional funding is not able to be obtained, the directors would actively curtail both project and corporate expenditure in light of the Group's actual funding and indebtedness.

In view of all the foregoing, the directors are of the view that they have a reasonable expectation that the Group will have adequate resources to continue to operate for at least the next twelve months. For these reasons, they continue to adopt the going concern basis in preparing the financial report.

If the Group is unable to continue as a going concern, it may be required to realise its assets and/or settle its liabilities other than in the ordinary course of business and at amounts different from those stated in the financial report.

## **(c) Principles of consolidation**

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2017. Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

## **(d) Segments**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors.

## **(e) Revenue and income recognition**

Revenue and income are recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue and income can be reliably measured. The following specific recognition criteria must also be met before revenue and income is recognised:

### *Interest revenue*

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate.

### *Sale of Royalty*

The sale of a royalty right is recognised when the royalty has been transferred out of the control of the group.

### *R&D Tax Incentive grant income*

Any grant received for eligible research and development tax incentive income is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income as a consequence of the accounting policy to expense exploration and evaluation costs as incurred.

## **(f) Income tax**

The income tax expense for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses.

# Notes to the Financial Statements

30 June 2017

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

## **(g) Leases**

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term.

## **(h) Impairment of assets**

At each reporting date, the entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

## **(i) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and deposits held at call with financial institutions, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

## **(j) Trade and other receivables**

Trade receivables are recognised and carried at original invoice amount less a provision for impairment.

## **(k) Financial instruments**

### *(i) Non-derivative financial assets*

#### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables.

### *(ii) Non-derivative financial liabilities*

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

# Notes to the Financial Statements

30 June 2017

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Other financial liabilities comprise loans, borrowings, trade and other payables.

*(iii) Derivative financial liabilities*

Derivative financial instruments are recorded at fair value on the Statement of Financial Position and classified by contract maturity. Derivative instruments are classified as either hedges of the fair value of recognised assets or liabilities or of firm commitments (fair value hedges), hedges of highly probably forecast transactions (cash flow hedges), or non-hedge derivatives. The changes in the fair value of any non-hedge derivatives are recognised immediately in the Consolidated Statement of Profit and Loss and Other Comprehensive Income.

**(l) Plant and equipment**

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Plant and equipment – 2 to 15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

**(m) Trade and other payables**

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

**(n) Loans and borrowings**

Loans and borrowings are initially recognised at fair value, net of transaction cost incurred. Loans and borrowings are subsequently measured at amortised costs. Loans and borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired.

**(o) Provisions**

Provisions for legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as an expense.

**(p) Rehabilitation and site restoration**

The Group is required to rehabilitate mine sites, to the extent that any environmental disturbance has occurred, to a condition acceptable to the relevant authorities. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as an expense.



# Notes to the Financial Statements

30 June 2017

## **(q) Employee benefits**

### *Employee entitlement*

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave. Liabilities arising in respect of wages and salaries, annual leave and long service leave and any other benefits expected to be settled wholly within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on high quality corporate bonds, which have terms to maturity approximating the terms of the related liabilities, are used.

### *Share-based payments*

The company provides staff with Employee Share Plans, whereby eligible participants are granted shares in the company funded by a limited recourse loan company. The limited recourse loans are recorded within equity and not as a receivable or financial asset to be recovered by the Company. Share-based compensation benefits may be provided to employees and directors via both the 2013 and 2016 Vimy Employee Share Plans.

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes formula.

## **(r) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

## **(s) Exploration, evaluation and development expenditure**

Exploration and evaluation expenditure is expensed in the year it is incurred.

Exploration and evaluation expenditure is allocated separately to specific areas of interest. Each area of interest is limited to a size related to a known or probable mineral resource capable of supporting a mining operation. Such expenditure comprises direct exploration and evaluation costs incurred, together with an appropriate portion of directly related overhead expenditure.

When a decision to proceed to development is made for an area of interest, all costs subsequently incurred to develop a mine prior to the start of mining operations are capitalised and carried at cost. These costs include expenditure incurred to develop new ore bodies within the area of interest, to define further mineralisation in the area of interest, to expand the capacity of a mine and to maintain production.

## Directors' Declaration

30 June 2017

1. In the opinion of the directors of Vimy Resources Limited:
  - (a) the consolidated financial statements and notes of Vimy Resources Limited are in accordance with the *Corporations Act 2001*, including:
    - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and
    - ii. complying with Accounting Standards, the Corporations Regulations 2001, and other mandatory professional reporting requirements.
  - (b) there are reasonable grounds to believe that Vimy Resources Limited will be able to pay its debts as and when they become due and payable; and
2. The directors have been given the declarations by the chief executive officer and chief financial officer required by Section 295A of the *Corporations Act 2001*.
3. The consolidated financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors:



**Michael Young**  
**Chief Executive Officer and Managing Director**

Dated 21 September 2017

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## Independent Auditor's Report to the Members of Vimy Resources Limited

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Vimy Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- a Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
- b Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><b>Recognition of R&amp;D tax incentive (Note 4)</b></p> <p>Under the research and development (R&amp;D) tax incentive scheme, the Company receives a 43.5% refundable tax offset (2016: 45%) of eligible expenditure if its turnover is less than \$20 million per annum, provided it is not controlled by income tax exempt entities. An R&amp;D plan is filed with AusIndustry in the following financial year and, based on this filing, the Group receives the incentive in cash. Management performed a detailed review of the Group's total R&amp;D expenditure to estimate the refundable tax offset receivable under the R&amp;D tax incentive legislation.</p> <p>This area is a key audit matter due to the size of the accrual and because there is a degree of judgement and interpretation of the R&amp;D tax legislation required by management to assess the eligibility of the R&amp;D expenditure under the scheme.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• comparing the nature of the R&amp;D expenditure included in the current year estimate to the prior year claim;</li> <li>• utilising an internal R&amp;D tax specialist to review the expenditure methodology employed by management for consistency with the R&amp;D tax offset rules;</li> <li>• considering the nature of the expenditure against the eligibility criteria of the R&amp;D tax incentive scheme to form a view about whether the expenses included in the estimate were likely to meet the eligibility criteria;</li> <li>• comparing the eligible expenditure used in the receivable calculation to the expenditure recorded in the general ledger;</li> <li>• inspecting copies of relevant correspondence with AusIndustry and the ATO related to historic claims; and</li> <li>• assessing the adequacy of the Group's related disclosures within the financial report.</li> </ul>

### Information Other than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Directors' for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### **Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf). This description forms part of our auditor's report.

### **Report on the Remuneration Report**


#### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included in pages 8-17 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Vimy Resources Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

#### **Responsibilities**

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



P W Warr  
Partner - Audit & Assurance

Perth, 21 September 2017