



Half Year Financial Report

For the half year ended 31 December 2017

Vimy Resources Limited ACN 120 178 949

Vimy Resources Limited

ACN 120 178 949

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The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by Vimy Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The interim financial report has been prepared for the consolidated entity consisting of Vimy Resources Limited and its subsidiaries. The report covers the half year ended 31 December 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 interim financial report was authorised for issue by the directors on 28 February 2018.

Directors' Report

For the Half Year Ended 31 December 2017

Your directors present their report on the consolidated entity consisting of Vimy Resources Limited ('Vimy' or 'Company') and the entities it controlled at the end of, and during, the half year ended 31 December 2017.

DIRECTORS

The names and details of directors who held office during the half year ended 31 December 2017 and up to the date of this report (unless otherwise stated), are:

The Hon. Cheryl Edwardes AM, Non-Executive Chairman

Michael (Mike) Young, Managing Director and Chief Executive Officer

Julian Tapp, Executive Director

David Cornell, Non-Executive Director

Malcolm James, Non-Executive Director

Andrew Haslam, Non-Executive Director

Dr Vanessa Guthrie, Non-Executive Director (appointed 6 October 2017)

REVIEW OF OPERATIONS

Vimy Resources Limited is a resource development company, with its main asset being the Mulga Rock Project, Australia's largest and most advanced uranium project, located 240 kilometres north east of Kalgoorlie in Western Australia.

During the six months to 31 December 2017, the Company continued to progress completion of the Definitive Feasibility Study for the Mulga Rock Project achieving the following significant milestones:

- On 12 July 2017, the Company announced the results from a significant mineral resource update at its Mulga Rock Project. The new global mineral resource has increased by 17% to 71.2Mt at 570ppm U₃O₈ for 90.1Mlbs U₃O₈ compared to the November 2016 estimate of 76.8Mlb U₃O₈.
- On 31 July 2017, the Company announced the completion of a heavily oversubscribed placement to 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 Definitive Feasibility Study work programs for the Mulga Rock Project.
- On 4 September 2017, the Company announced a major ore reserve update to 42.3Mlbs U₃O₈ from 22.7Mt at 845ppm U₃O₈, 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 U₃O₈.
- 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.
- On 6 October 2017, Dr Vanessa Guthrie was appointed as a Non-Executive Director, representing Resource Capital Fund VI L.P.

Financial

The operating loss for the period was \$4,758,117 (2016: \$7,786,911) and the net assets of the Consolidated Entity as at 31 December 2017 was \$5,565,818 (at 30 June 2017: \$4,627,848). The cash balance at 31 December 2017 was \$7,280,577.

DIVIDENDS

No dividends were recommended or paid during the six months to 31 December 2017 (\$ Nil: 31 December 2016).

Directors' Report

For the Half Year Ended 31 December 2017

MATTERS SUBSEQUENT TO THE END OF THE YEAR

Since 31 December 2017 the following significant subsequent event occurred:

On 30 January 2018 the Company released the Mulga Rock project definitive feasibility study, which confirmed the project as a world class uranium project, with robust financials and simple, low cost mining process.

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 Page 5.

ROUNDING OF AMOUNTS

The company is of a kind referred to in ASIC Corporations Instrument 2016/191 and therefore the amounts contained in this report and in the interim financial statements have been rounded to the nearest dollar.

This report is made in accordance with a resolution of the directors.



Mike Young
Managing Director and Chief Executive Officer

Dated 28 February 2018



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Vimy Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2017 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Derek Meates
Partner
Perth
28 February 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half Year Ended 31 December 2017

	Notes	Consolidated	
		Half year ended 31 December 2017 \$	Half year ended 31 December 2016 \$
Other Income	3	161,749	4,474,291
Exploration and evaluation expenditure		(3,001,249)	(9,114,384)
Corporate and administration expense		(1,641,482)	(1,884,319)
Financing expense		(213,242)	(649,005)
Share based payment expense		(63,893)	(613,494)
Loss before income tax		(4,758,117)	(7,786,911)
Income tax expense		-	-
Loss attributable to members of the Company		(4,758,117)	(7,786,911)
Other comprehensive income, net of tax		-	-
Total comprehensive loss attributable to members of the Company		(4,758,117)	(7,786,911)
Loss per share from continuing operations attributable to the members of the Company:		Cents per share	Cents per share
Basic and diluted loss per share	4	(1.35)	(3.15)

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

Consolidated Statement of Financial Position

As at 31 December 2017

		Consolidated	
		As at 31 December 2017 \$	As at 30 June 2017 \$
Notes			
CURRENT ASSETS			
	Cash and cash equivalents	7,280,577	5,081,972
	Trade and other receivables	334,561	2,363,665
	Prepayments	114,726	82,813
	Total Current Assets	7,729,864	7,528,450
NON-CURRENT ASSETS			
	Trade and other receivables	-	190,506
	Plant and equipment	234,794	299,265
	Total Non-Current Assets	234,794	489,771
	TOTAL ASSETS	7,964,658	8,018,221
CURRENT LIABILITIES			
	Trade and other payables	1,238,436	2,403,709
	Provisions	416,333	377,390
	Other financial liabilities	4,541	22,237
	Total Current Liabilities	1,659,310	2,803,336
NON-CURRENT LIABILITIES			
	Provisions	739,530	587,037
	Total Non-Current Liabilities	739,530	587,037
	TOTAL LIABILITIES	2,398,840	3,390,373
	NET ASSETS	5,565,818	4,627,848
EQUITY			
	Contributed equity	93,880,872	88,248,678
	Other reserves	4,212,008	4,148,115
	Accumulated losses	(92,527,062)	(87,768,945)
	TOTAL EQUITY	5,565,818	4,627,848

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

Consolidated Statement of Changes in Equity

For the Half Year ended 31 December 2017

Notes	Contributed equity \$	Accumulated losses \$	Other reserves \$	Total \$
CONSOLIDATED				
Balance at 1 July 2016	67,727,303	(76,268,788)	3,243,434	(5,298,051)
Issue of ordinary shares, net of issue costs	11,297,193	-	-	11,297,193
Share based payment expense	-	-	613,494	613,494
Loss attributable to members of the Company	-	(7,786,911)	-	(7,786,911)
Balance at 31 December 2016	79,024,496	(84,055,699)	3,856,928	(1,174,275)
Balance at 1 July 2017	88,248,678	(87,768,945)	4,148,115	4,627,848
Issue of ordinary shares, net of issue costs	9 5,632,194	-	-	5,632,194
Share based payment expense	-	-	63,893	63,893
Loss attributable to members of the Company	-	(4,758,117)	-	(4,758,117)
Balance at 31 December 2017	93,880,872	(92,527,062)	4,212,008	5,565,818

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

Consolidated Statement of Cash Flows

For the Half Year ended 31 December 2017

	Consolidated	
	Half year ended 31 December 2017 \$	Half year ended 31 December 2016 \$
Note		
Cash Flows from Operating Activities		
Interest received	63,889	70,998
Payments to other suppliers and employees	(5,688,593)	(9,948,250)
Research and development tax incentive grant income	2,250,621	-
Interest paid	(2,860)	-
Net cash used in Operating Activities	(3,376,943)	(9,877,252)
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(56,646)	(62,933)
Net cash generated by/(used in) Investing Activities	(56,646)	(62,933)
Cash Flows from Financing Activities		
Proceeds from issue of ordinary shares, net of issue costs	6,020,000	6,367,897
Share issue costs	(387,806)	(330,872)
Proceeds from loan facilities	-	7,500,000
Net cash from Financing Activities	5,632,194	13,537,025
Net Increase in cash held	2,198,605	3,596,840
Cash at the beginning of the financial period	5,081,972	4,572,609
Cash at the end of the financial period	5 7,280,577	8,169,449

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

Notes to the Financial Statements

31 December 2017

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Notes to the Financial Statements

31 December 2017

1. Basis of preparation

This general purpose financial report for the interim half-year reporting period ended 31 December 2017 has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by Vimy Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

The Interim financial report has been approved and authorised for issue by the Board of Directors on 28 February 2018.

Going Concern

The Company incurred a net loss of \$4,758,117 during the half-year ended 31 December 2017. The cash and cash equivalents held as at 31 December 2017 was \$7,280,577. Current assets exceed current liabilities by \$6,070,554 as at 31 December 2017. The Company's net cash used in operating activities for the half year ended 31 December 2017 was \$3,376,943.

The Company's ability to continue as a going concern and to advance the Mulga Rock project and 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 or other means. This creates a material uncertainty as to the ability of the Company to continue as a going concern.

In considering these circumstances the directors have taken into account the Company's demonstrated track record in raising equity and debt, and in the event that additional funding is not able to be obtained, the directors would actively curtail both project and corporate expenditure.

For these reasons the directors continue to adopt the going concern basis in preparing the interim financial report.

If the Company 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 interim financial report.

Notes to the Financial Statements

31 December 2017

2. Segment reporting

The Company operates one business segment: Exploration and Evaluation. The activities undertaken by the Exploration and Evaluation segment includes exploration on tenements in Western Australia and evaluation activities at the Mulga Rock Project. This activity does not generate any sales revenue.

The Company 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.

	Half year ended 31 December 2017 \$	Half year ended 31 December 2016 \$
Segment Result		
Segment (contribution)	(3,001,249)	(9,114,384)
Reconciliation to Consolidated Loss		
Segment contribution	(3,001,249)	(9,114,384)
Corporate and administration expense	(1,641,482)	(1,884,319)
Share based payments expense	(63,893)	(613,494)
Financing expense	(213,242)	(649,005)
Research and development tax incentive grant income	73,596	3,973,697
Gain on share issue	-	399,353
Interest income	88,153	101,241
Loss from continuing operations	(4,758,117)	(7,786,911)
	31 December 2017 \$	30 June 2017 \$
Total assets		
Segment assets	351,768	357,411
Reconciliation to Consolidated Total Assets		
Segment assets	351,768	357,411
Corporate and administration assets	7,612,890	7,660,810
Total assets	7,964,658	8,018,221

Notes to the Financial Statements

31 December 2017

2. Segment reporting continued

	31 December 2017 \$	30 June 2017 \$
Total liabilities		
Segment liabilities	842,592	1,557,655
Reconciliation to Consolidated Total Liabilities		
Segment liabilities	842,592	1,557,655
Corporate and administration liabilities	1,556,248	1,832,718
Total liabilities	2,398,840	3,390,373

3. Other Income

	Half year ended 31 December 2017 \$	Half year ended 31 December 2016 \$
Interest income	88,153	101,241
Gain on share issue	-	399,353
Research and development tax incentive grant income	73,596	3,973,697
	161,749	4,474,291

4. Loss per share

	Half year ended 31 December 2017 \$	Half year ended 31 December 2016 \$
Loss used in the calculation of basic EPS	(4,758,117)	(7,786,911)
Basic and diluted loss per share (cents per share)	(1.35)	(3.15)
Weighted average number of shares outstanding during the year used in calculations of basic loss per share	351,940,148	247,465,949

5. Cash and cash equivalents

	31 December 2017 \$	30 June 2017 \$
Cash at bank and on hand	530,577	581,972
Short-term deposits	6,750,000	4,500,000
	7,280,577	5,081,972

Notes to the Financial Statements

31 December 2017

6. Trade and other receivables

	31 December 2017 \$	30 June 2017 \$
Research and development tax incentive grant receivable	-	2,177,025
Goods and services tax receivable	105,900	164,736
Security deposit ⁽¹⁾	190,506	-
Other receivables	38,155	21,904
	<u>334,561</u>	<u>2,363,665</u>

⁽¹⁾ The security deposit is cash security required for a bank guarantee relating to the office lease at 10 Richardson Street, West Perth which expires on 1 November 2018.

7. Trade and other payables

	31 December 2017 \$	30 June 2017 \$
Current		
Trade payables and accruals	300,903	1,677,905
Interest payable ⁽ⁱ⁾	937,533	725,804
	<u>1,238,436</u>	<u>2,403,709</u>

⁽ⁱ⁾ Interest payable relates to the Resource Capital Fund VI L.P. ('RCF') Bridge Facility Agreement which was part of a larger RCF funding package received by Vimy in 2015. The Company made drawdowns under this loan facility in April 2016 and August 2016, but completed repayments in November 2016 and January 2017, which resulted in the loan facility being fully repaid.

Interest on the facility contained a deferred interest component of 11% payable on the 31 March 2018. The deferred interest amount does 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.

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 31 December 2017, the fair value of this embedded derivative was \$4,541.
- A requirement to maintain \$1.0 million in restricted cash in the form of a minimum working capital amount.

Notes to the Financial Statements

31 December 2017

8. Provisions

	31 December 2017 \$	30 June 2017 \$
Current		
Provision for annual leave	322,143	302,632
Provision for long service leave	94,190	74,758
	<u>416,333</u>	<u>377,390</u>
Non-Current		
Provision for long service leave	73,448	56,608
Provision for rehabilitation ⁽ⁱ⁾	666,082	530,429
	<u>739,530</u>	<u>587,037</u>

⁽ⁱ⁾ The Company has recognised a liability for rehabilitation relating to the Mulga Rock geotechnical test pits, airstrip, roads and camp. The rehabilitation work for the geotechnical test pits is required to be completed by March 2019.

9. Contributed equity

	Number	\$
Ordinary shares		
Balance at 30 June 2017	316,885,800	88,248,678
4 August 2017 Share placement @ \$0.14 per share	43,000,000	6,020,000
Share issue costs	-	(387,806)
Balance at 31 December 2017	<u>359,885,800</u>	<u>93,880,872</u>

10. Contingent liabilities

Royalty

On 3 September 2015, the Company received a royalty payment of \$10 million from RCF. Narnoo Mining Pty Ltd ('Narnoo'), a wholly owned subsidiary of Vimy, has agreed to pay a royalty to RCF 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 for the royalty obligations, in the form of a mortgage over the mining tenements.

11. Events occurring after reporting date

Since 31 December 2017 the following significant subsequent event occurred:

On 30 January 2018 the Company released the Mulga Rock project definitive feasibility study, which confirmed the project as world class uranium project, with robust financials and simple, low cost mining process.

Directors' Declaration

In the directors' opinion:

- (a) the consolidated financial statements and notes of Vimy Resources Limited are in accordance with the *Corporations Act 2001* including:
 - (i) complying with Accounting Standard AASB 134 *Interim Financial Reporting*; and
 - (ii) giving a true and fair view of its financial position as at 31 December 2017 and its performance for the half year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Mike Young
Managing Director and Chief Executive Officer

28 February 2018



Independent Auditor's Review Report

To the shareholders of Vimy Resources Limited

Report on the Half-year Financial Report

Conclusion

We have reviewed the accompanying **Half-year Financial Report** of Vimy Resources Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of Vimy Resources Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2017 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Half-year Financial Report** comprises:

- Consolidated statement of financial position as at 31 December 2017
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date
- Notes 1 to 11 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Group** comprises Vimy Resources Limited (the Company) and the entities it controlled at the Half year's end or from time to time during the Half-year.

Material uncertainty related to going concern – emphasis of matter

We draw attention to Note 1, "Going Concern" in the Half-year Financial Report. The conditions disclosed in Note 1, indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the Half-year Financial Report. Our conclusion is not modified in respect of this matter.

Other matter

The consolidated half year financial report of the Group as at and for the half year ended 31 December 2016, was audited by another auditor who expressed an unmodified opinion with an emphasis of matter for material uncertainty related to going concern on those statements on 21 February 2017.

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- for such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Vimy Resources Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a Half-year Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



KPMG



Derek Meates
Partner
Perth
28 February 2018