

NEW PURCHASE FOR THE TIMELESS URANIUM FUND

January 13, 2016

AUD 0.345

Vimy Resources

Shs Vimy Resources Ltd (ASX)

Symbol

VMY


ISIN

AU000000VMY4

Industry

Non-ferrous metals

Independent Consensus (source FactSet)

Rating:  **Strong buy** (05.01.2016)

No. of rating brokers: **3**

PEG (E): -

Last changes in EPS forecasts: -



Company Profile

Vimy Resources Limited (ASX: VMY) is a Perth-based resource development company. Vimy's primary focus is the development of the Mulga Rock Project, located about 240km northeast of Kalgoorlie in Western Australia.

Mulga Rock is Australia's third largest undeveloped uranium resource.



The Mulga Rock Project is located 240km ENE of Kalgoorlie in the Great Victoria Desert of Western Australia.

The Pre-feasibility Study, released to the ASX on 17 November 2015, **indicates that the Mulga Rock Project will produce 1,360 tonnes per annum of uranium oxide for 17 years.**

MULGA ROCK URANIUM RESOURCES TABLE					
Deposit	Resource Classification	Cut-off Grade (ppm U ₃ O ₈)	Tonnes (Mt)	U ₃ O ₈ (ppm)	U ₃ O ₈ (Mlb)
MULGA ROCK EAST					
Princess	Indicated	150	1.3	690	1.9
	Inferred	150	2.5	380	2.1
Ambassador	Indicated	150	13.2	750	21.7
	Inferred	150	16.1	460	16.3
Sub-total			33.1	580	42.0
MULGA ROCK WEST					
Emperor	Inferred	150	28.4	450	28.1
Shogun	Inferred	150	4.1	550	4.9
Sub-total			32.5	460	33.0
Total Resource			65.6	520	75.0

● ● Mulga Rock Uranium Project, Western Australia

The second largest uranium deposit in Western Australia

- Large, low-cost, long life asset
- 59.7 Mt @ 550ppm U_3O_8 for 73 Mlb (32,800t) U_3O_8 *
- Clear cut geology, mining and metallurgy
- 16 year LOM with estimated total production 47 Mlb U_3O_8
- PFS identifies upside on Resource, costs, and LOM

Targeting first production 2018

- Pre-feasibility Study to be completed Q3 2015 with Feasibility Study to commence September 2015
- Investment decision and commencement of earthworks anticipated in 2H 2016
- State and Federal Government support for uranium mining and export including China and India

Mulga Rock Uranium Project



- Remote, arid location with no local inhabitants + 200km to nearest town
- Deposits covered by granted Mining Leases
- Access is via the Tropicana Mine Road – AngloGold Ashanti

Recent achievements

Successful Mulga Rock Scoping Study

- Supports Vimy's view that the MRUP is Australia's best undeveloped uranium project
- Indicates that the project is economic at current long-term contract prices for uranium
- Simple mining process, production growth potential, resource growth potential

Key Financials – see appendix for details

Capex	A\$332m plus A\$46m pre-strip
C1 cost (first 7 years)	US\$25/lb U_3O_8 *
C1 cost (LoM)	US\$29/lb U_3O_8 *
Average annual EBITDA	A\$161m at US\$75/lb U_3O_8 price
NPV (10% DCF)	A\$764m **
IRR	39% **
Payback from start of production	2.6 years

Financing – Resource Capital Fund

- A\$30 million funding package agreed with Resource Capital Fund VI
- Intended to fund Vimy through to project financing of Mulga Rock Uranium Project
- Initial A\$5 million via share placement for Mulga Rock Pre-Feasibility Study with in-principle terms agreed for additional funding of \$25 million – subject to remaining DD and FIRB

VIMY
resources



ASX Announcement

2 December 2015

Mulga Rock Project - Definitive Feasibility Study Advances

Vimy Resources Limited ("**Vimy**" **ASX: VMY**) is pleased to provide the following operational update on the Mulga Rock Project Definitive Feasibility Study (**DFS**).

The following activities have been achieved or are underway:

- **DFS in-fill drilling program at Ambassador, Shogun and Emperor nearing completion;**
- **Open cut test pits at Ambassador East and West underway;**
- **DFS metallurgical test work continuing;**
- **Public Environmental Review (PER) document to be released for public comment shortly.**

Managing Director Mike Young said, *"With the release of the positive Pre-feasibility Study results earlier this month, the Vimy team continue to power forward with the Mulga Rock Project. The DFS in-fill drilling program and test pits are well advanced and will provide the foundation for the DFS Ore Reserve Statement and final mine design, which are critical components for project financing. The current work seeks to demonstrate the project can use simple low cost strip mining and allow the project to be developed with a high level of confidence."*

DFS Infill Drill Program

The DFS in-fill drilling program at Ambassador, Shogun and Emperor commenced at Mulga Rock Project (MRP) on 1 September 2015. The program consists of 523 aircore drill holes and 91 diamond holes. Figure 1 shows the completed drill collars for the Ambassador deposit along with the PFS optimised pit shell overlayed. Figure 2 shows Shogun and Emperor PFS pit shells and the DFS drill collars of holes currently being completed. The program is 75% complete and it is expected that the drill rigs will demobilise in late December 2015.

The aim of the program is to increase the Resource classification for Ambassador and Shogun to Indicated or better status, which is expected to allow greater than 10 years of Ore Reserves to be established.

The DFS drilling also includes a diamond twin program to further quantify the uranium disequilibrium correction factor at Shogun and Emperor and will establish the base metal content as well. In April 2015, Vimy released a significant upgrade to the Mineral Resource Estimate for Ambassador, which resulted in a 30% increase of the average uranium grade due almost entirely to an increase in uranium disequilibrium factor. The drilling presently underway at Shogun and Emperor will quantify the uranium disequilibrium for these two deposits and the results are expected to show a similar increase to Ambassador owing to the similar geological settings and uranium mineralisation forming processes at the two deposits. An updated Mineral Resource Estimate will be prepared for Ambassador, Emperor and Shogun and will be released in Q2 CY2016.

Separate to the DFS in-fill drill program, a maiden Ore Reserve for Princess and Ambassador is being prepared and will be released within the next 6-8 weeks. This Ore Reserve statement does not include the results from the above DFS in-fill drill program.

Arguments in favour of the purchase

- The second largest uranium deposit in **Western Australia**
- 59.7 Mt @ 550ppm U₃O₈ for 73 Mlb (32,800t) U₃O₈
- Clear cut geology, mining and metallurgy
- 16 year LOM with estimated total production 47 Mlb U₃O₈
- PFS identifies upside on Resources, costs, and LOM
- Pre-feasibility completed in Q3, 2015
- **Investment decision and commencement of earthwork anticipated in 2H 2016**
- State and Federal Government support for uranium mining
- Export to China and India and others

- **Risk vs return:** Strong support by mining analysts with **3 STRONG BUYS**
- The new purchase fits well into the segment of the 30% of the assets that the Fund may invest in stocks issued by listed junior uranium exploration and development companies on the way to production
- Payback from start of production in 2.6 years
- Adds to diversification