



Vimy Resources (ASX: VMY)

Vimy aims for uranium supply reliability

If you ask Vimy Resources (ASX: VMY) managing director Mike Young a question about uranium, you would be well-advised to have a good amount of time on your hands to hear the answer.

YOUNG DOESN'T HOLD BACK WHEN discussing uranium, a commodity he has admired for a long time, from when he was a student in his home country of Canada, and even through his stint as MD of iron ore producer BC Iron.

"Uranium is a very high density energy source and is the source of energy for the future," Young told The Resources Roadhouse.

"It is a low CO₂ source of energy and according to the International Panel on Climate Change, it is one of the lowest cost producers of base load power."

Vimy Resources' flagship project is the 100 per cent-owned Mulga Rock uranium project (MRP), located in the Great Victoria Desert, east of Kalgoorlie in Western Australia.

Vimy recently announced a maiden Ore Reserve for MRP comprising 15.2 million tonnes at 660 parts per million triuranium oxide (U₃O₈) for a Total Metal content of 22.1 million pounds (10,000 tonnes) of U₃O₈.

The Ore Reserve is part of a Total Resource Estimate of 65.6 tonnes at 520ppm U₃O₈ for 75 million pounds of U₃O₈ across two distinct mining deposits, Mulga Rock East and Mulga Rock West (approximately 20 kilometres apart) comprising of four Resources – Ambassador, Princess, Emperor and Shogun.

It is the second-largest uranium deposit in Western Australia on the Department of Mines and Petroleum's uranium table, sitting just behind Cameco's Yeelirrie deposit, near Wiluna.

"The world is looking for a way to offset CO₂ emissions," Young said.

"We are mining a cleaner tomorrow, with our aim to become a reliable and respected uranium producer.

"I always make sure I highlight the word reliable when I say that, because the countries of Europe are looking for a reliable supply of uranium.

"If they have a power plant fuelled by uranium they do not want to run

out of supply, they want to keep it running."

Young's bullish outlook for uranium has support from another Canadian, Raymond James researcher David Sadowski.

In a recent note, Sadowski, "anticipates uranium will be in a state of structural over-supply for the next five years, moving into shortfall during 2020E, as supply growth is insufficient to keep pace with demand."

"Production from new, large mines will be needed; accordingly, we are debuting our dynamic incentive price model for new primary supply, which further supports our long-term/ equilibrium uranium price forecast of US\$70 per pound U₃O₈."

Having completed a successful PFS on the project, Vimy is presently well-advanced into a Definitive Feasibility Study, which is anticipated to be completed by the first quarter of 2017.

The PFS identified the MRP to be 17-year operation, with the maiden Ore Reserve underpinning an initial



six years of production producing three million pounds of U_3O_8 annually.

Operating cash costs were calculated at around US\$30 per pound U_3O_8 , with total costs, including capital, at US\$50 per pound.

Current spot prices for uranium are said to be around the US\$30 per pound mark, however, Young considers the published spot price to be irrelevant.

“Over six per cent of the world’s uranium is sold to utilities through the spot market, the rest is sold through arbitrators taking small allotments and selling them to the mid-term market,” Young said.

“That price runs from the US\$28 spot price through to a US\$40 mid-term price.

“We know utilities are paying more than that – they are paying anywhere between US\$45 to US\$75 dollars – our job is to get a contract for those higher numbers.”

One important aspect to emerge from the PFS was for every US\$5 per pound the uranium price goes up, the company’s net present value (NPV) increases by approximately US\$150 million.

At US\$70 per pound, the company earns an NPV of around US\$550 million.

As part of the DFS, Vimy gained mining approval from the Department of Minerals and Petroleum (DMP) to excavate two geotechnical investigation trenches (test pits) at the Mulga Rock East deposit – Ambassador West and Ambassador East – in October 2015.

“Mining costs make up the bulk of overall operating costs,” Young said.

“So a key reason for the location of the test pits was to reach an understanding of the cost drivers involved for removal of the overburden.

“The test pits allowed us to assess the hydrology, geology and rheology of the overburden material, particularly hard bands of calcrete and silcrete.

“The excavation of each pit was taken into the mineralised zone, in

order to provide optimum exposure of the ore zones as well as bulk sample for the metallurgical pilot plant.”

Vimy compared the assay results from the test pit bulk ore samples to the estimated Resource from its most recently conducted estimation to record a 53 per cent change to the better of contained U_3O_8 .

The company considered the results to be very encouraging, but cautioned that the test pits comprise a relatively small part of its current overall Resource model.

The data returned from Ambassador West and East proved to be consistent with data from the Shogun (Mulga Rock West Mining Centre) test pit, which was excavated by Japanese company PNC Exploration Australia Pty Ltd in the 1980s.

The assessment of the material excavated in the test pits confirms what the company had recorded from its recent drilling - that very high grade uranium occurs immediately below the reduction-oxidation boundary.

What was surprising, however, was the nature of the mineralisation in the test pits, which was above Vimy’s expectations.

“We have taken plenty of encouragement from the test pit results to plan further drilling work to glean additional data to enhance our Resource estimation parameters,” Young said.

“The early indications from the latest results tell us the ore zones we have encountered are slightly thinner, but they do have higher grades and more contained metal than we have been able to identify by drilling alone.

“A program of close-spaced drilling will provide more precision and hopefully lead to an upgraded resource estimate, and ore reserve, with increased contained metal.”

Vimy has carried out metallurgical piloting on two 15 tonne bulk ore samples from the Eastern and Western Ambassador pits, respectively

representing Years 2 and 7 of the mine schedule.

The program is being performed in four stages:

- *Stage 1* Ore beneficiation circuit;
- *Stage 2* Uranium leaching, resin-in-pulp and uranium elution;
- *Stage 3* Uranium precipitation; and
- *Stage 4* Base metal recovery and product precipitation.

All equipment has been laid out in the pilot plant facility and is currently being water commissioned.

“The associated metallurgical testwork we have completed has continued to confirm the nature of the mineralisation and suitability of the flow-sheet design from the PFS, which means the existing resource models we have built are entirely appropriate for the DFS work currently being undertaken,” Young said.

The MRP passed another crucial stage when the 12-week Public Environmental Review (PER) period for public submissions ended on 8 March 2016.

Vimy submitted suitable responses on 27 April 2016 to the comments provided by the Office of the Environmental Protection Authority.

“The PER process is on track and we expect the EPA will submit its final recommendation to the Minister and publish its report in August 2016,” Young said.

“Following that, the State Minister’s decision is anticipated in October 2016.”

The Short Story

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