

# FINANCIAL EVALUATION

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Pickering nuclear plant, Ontario Canada

## Highlights

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The project NPV<sub>8</sub> is A\$530M at an assumed long-term uranium contract price of US\$60/lb U<sub>3</sub>O<sub>8</sub>, with an IRR of 25% and project payback period of 3.1 years after commencement of production.

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For every US\$5/lb increase in the uranium price, the project NPV<sub>8</sub> increases by A\$172M.

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The all-in capital breakeven uranium price for the project is US\$44.58/lb U<sub>3</sub>O<sub>8</sub>.

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The project generates an average A\$134M per annum free cash flow (EBITDA) after royalties.

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### PROJECT ECONOMIC ANALYSIS

Project financial analysis is based on a '100% equity' basis and the cost of capital is ignored. All results are inclusive of a 5% Western Australian royalty and a 1.15% RCF VI royalty entitlement as announced to the ASX on 17 August 2015. Results are on a pre-tax basis in A\$, unless stated otherwise. Financial modelling is inclusive of all capital items including mining fleet, mining pre-strip, process plant, project infrastructure and LOM sustaining capital.

A project financial model has been developed with a valuation date of 1 January 2018, coinciding with an expected decision to commence development in the second half of 2018. An 8% discount rate has been used for the project economic analysis.

Table 14.1 shows the variance in NPV<sub>8</sub>, IRR and project payback period for the different uranium contract prices. The project NPV<sub>8</sub> is A\$530M at an assumed long-term uranium contract price of US\$60/lb U<sub>3</sub>O<sub>8</sub>, with an IRR of 25% and project payback period of 3.1 years after commencement of production.

The all-in capital breakeven uranium price for the project is US\$44.58/lb U<sub>3</sub>O<sub>8</sub> using a discount rate of 8%. The project generates on average A\$134M per annum free cash flow (EBITDA) after royalties.

Ore haulage at Ambassador



Table 14.1: Financial return at different uranium prices

Item	Unit	Uranium Price (US\$/lb U <sub>3</sub> O <sub>8</sub> )				
		US\$44.58/lb	US\$55/lb	US\$60/lb	US\$65/lb	US\$70/lb
NPV <sub>8</sub> (inc. royalties, pre-tax)	A\$M	0	358	<b>530</b>	702	874
IRR	%	8.0	20.4	<b>25.3</b>	29.8	34.1
Payback	Years	5.6	3.7	<b>3.1</b>	2.6	2.2

Figure 14.1 shows the impact of capital and operating costs, production and uranium price on the project economics, within +/-10% accuracy of the DFS. Uranium price has the greatest impact on the project economics with every US\$5/lb increase in the uranium contract price resulting in the NPV<sub>8</sub> increasing by A\$172M.

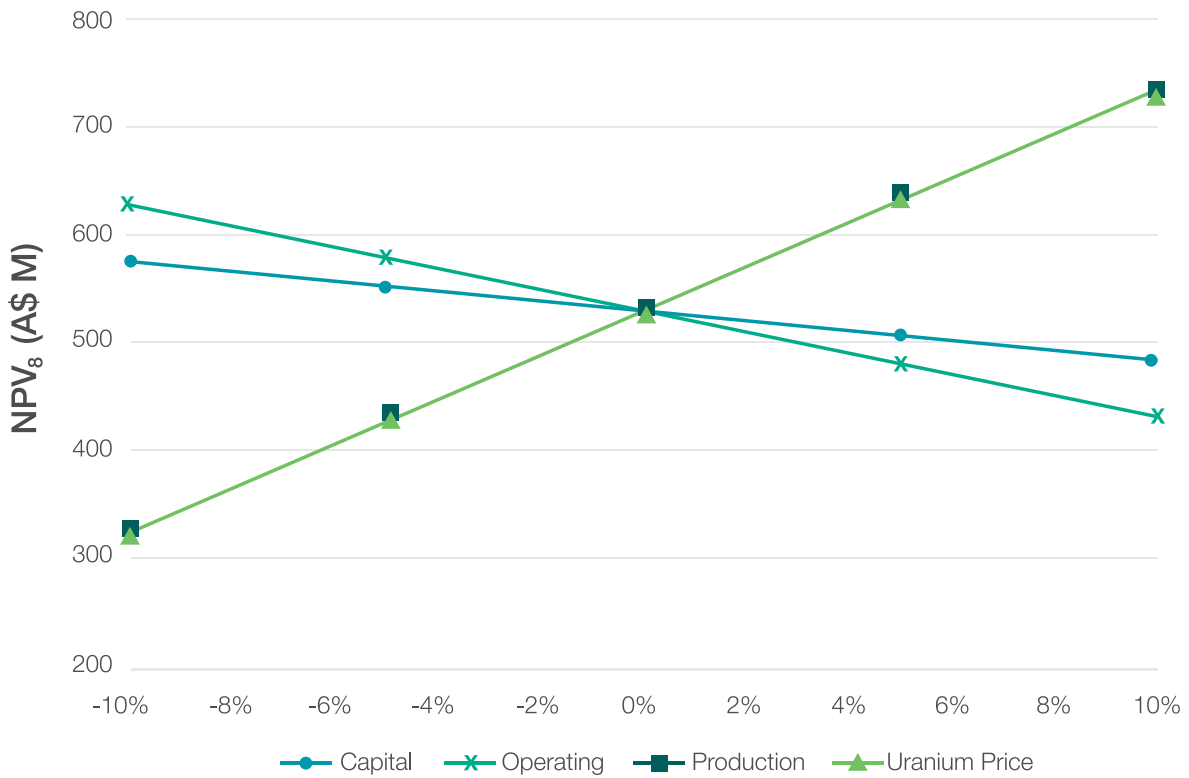


Figure 14.1: Project Sensitivity Analysis at US\$60/lb

## EXCHANGE RATE

The project financials are dependent on the AUD:USD exchange rate due to uranium sales predominantly being in US dollars. Vimy has assumed a flat exchange rate over LOM of A\$1.00:US\$0.70. Figure 14.2 shows the impact of the AUD:USD exchange rate on the NPV<sub>8</sub> and IRR assuming a fixed uranium price of US\$60/lb U<sub>3</sub>O<sub>8</sub>.

Diesel and sulphur are the two main operating cost items that are exposed to changes in exchange rate. These have been included in the exchange rate analysis shown in Figure 14.2. For every A\$0.02 decrease in the AUD:USD exchange rate it has an approximate A\$48M improvement in the project NPV<sub>8</sub>.

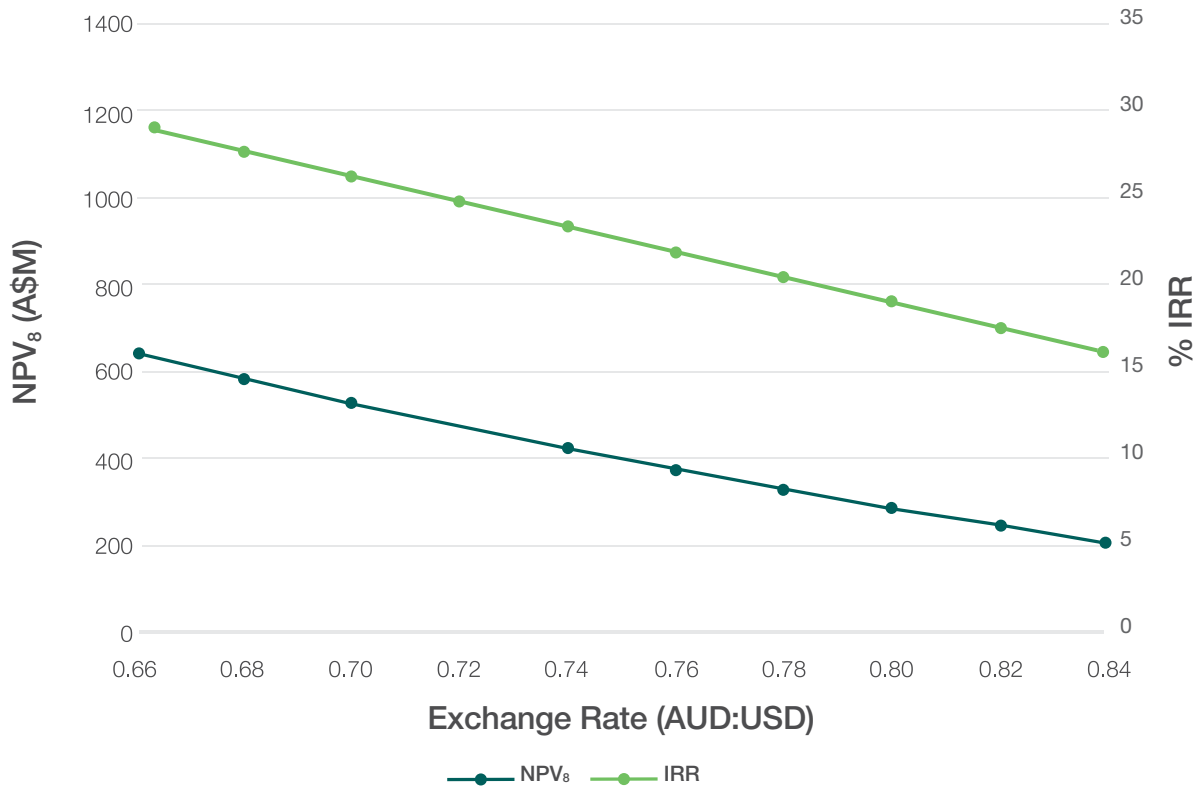


Figure 14.2: Impact of Exchange Rate on MRP Project Economics



## COMPARISON DFS AND PFS

The NPV<sub>8</sub> for the DFS has improved by approximately A\$140M when compared to the PFS using the same uranium price (US\$60/lb) and exchange rate (A\$1.00:US\$0.70). This improvement is primarily attributable to the following items:

- » Higher mineral resource uranium grade;
- » Lower uranium price pit shells selected for the DFS;
- » Inclusion of a sulphuric acid plant in the processing facility;

- » Higher uranium production during initial ramp-up period due to higher grade ore being sourced; and
- » Nameplate uranium production increased from 3.0 to 3.5Mlbs U<sub>3</sub>O<sub>8</sub> per annum.

Figure 14.3 shows a comparison of the project economics between the DFS and PFS over a range of uranium prices. The graph shows the MRP is highly leveraged to an upside in the uranium price.

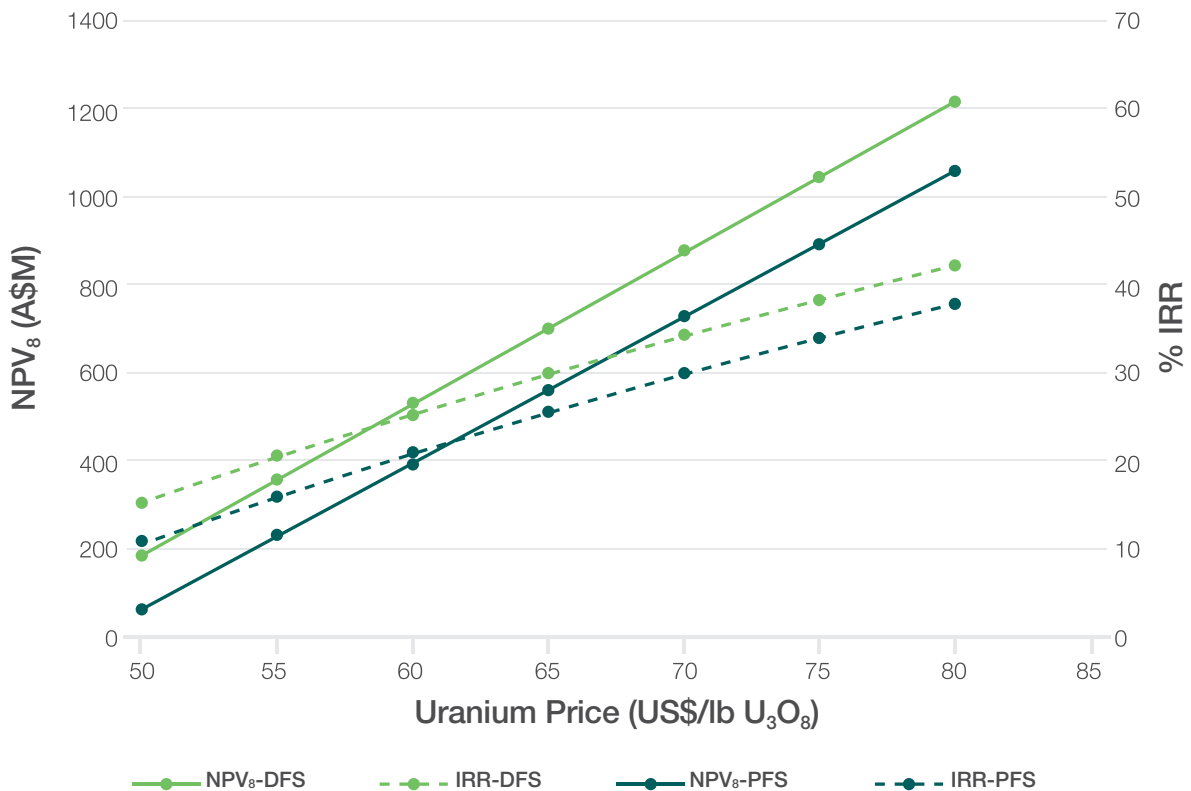


Figure 14.3: Comparison of Project NPV<sub>8</sub> and IRR for DFS and PFS

Piacentini commencing ambassador East test pit

## COMPLIANCE STATEMENT

The information in this report is extracted from ASX announcement entitled 'Significant Resource Update – Mulga Rock Cracks 90Mlbs' released on 12 July 2017 and available to download from [asx.com.au](http://asx.com.au) ASX:VMY. The Company is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

The information in this report is extracted from ASX announcement entitled 'Major Ore Reserve Update – Moving to the go line' released on 4 September 2017 and available to download from [asx.com.au](http://asx.com.au) ASX:VMY. The Company is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

## FORWARD-LOOKING STATEMENT

This report may contain some references to forecasts, estimates, assumptions and other forward-looking statements. Although Vimy believes that its expectations, estimates and forecast outcomes are based on reasonable assumptions, it can give no assurance that they will be achieved. They may be affected by a variety of variables and changes in underlying assumptions that are subject to risk factors associated with the nature of the business, which could cause actual results to differ materially from those expressed herein.

Lead Consultant

