



Quarterly Activities Report

September 2018



Highlights

- **Completion of Alligator River Project acquisition makes Vimy the legal holder of the largest granted exploration tenement package in a world-class uranium province**
- **Drilling commenced at Angularli and Such Wow – targeting high-angle shear deposits in the Alligator River Uranium Province which historically have high uranium grades**
- **Angularli Deposit Scoping Study underway**

CEO Commentary

Uranium Market

I am currently on my way to the Nuclear Energy Institute conference in Boston and then on to New York for investor visits. As I've said before, the nuclear conferences are where all the action happens in this industry and our discussions with nuclear utilities will be around two major themes: offtake contracts, and Vimy's activities at the Alligator River Project in the 2018 field season. I'm looking forward to engaging in discussions in a market that is more upbeat than I've seen in a long time.

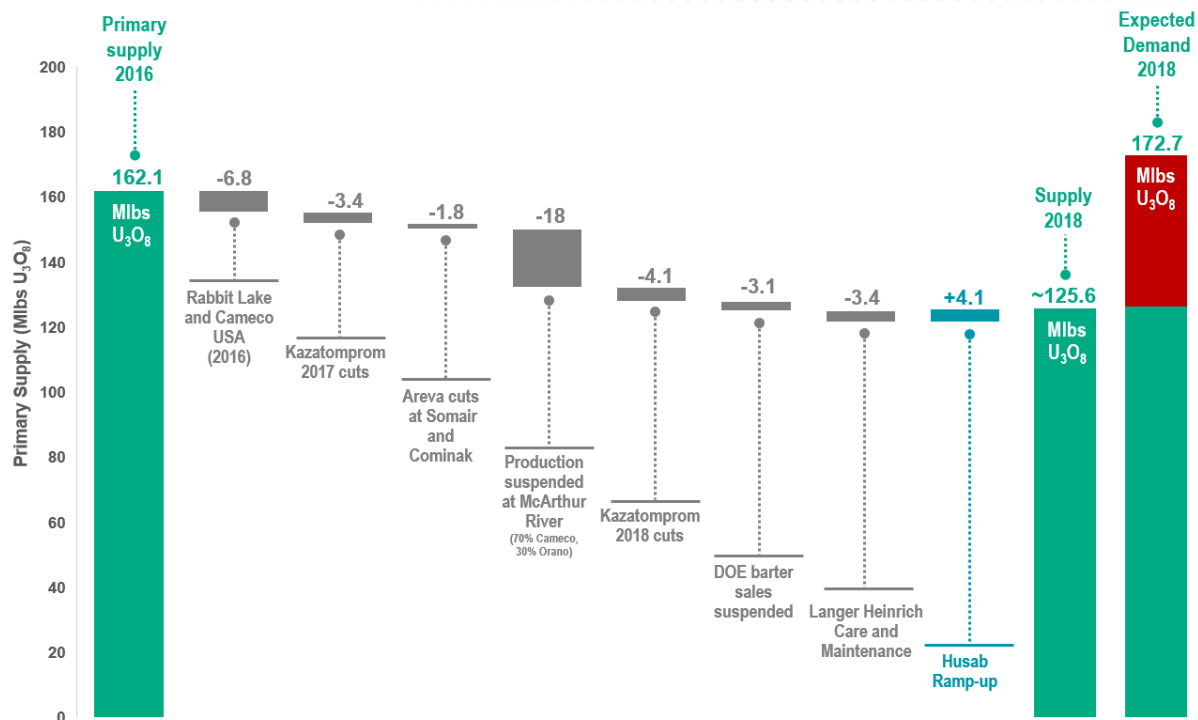
Many investors are understandably fatigued by the many "false dawns" to the long-predicted uranium renaissance and I understand the reluctance to accept that we are now in different times. But we are, and the uranium supply landscape has fundamentally changed.

There are three major drivers to the uranium market improvement:

- The indefinite closure of Cameco Corporation's McArthur River operations,
- The entry into the market of physical uranium investment vehicles,
- Further output reductions by Kazatomprom (KAP) and the partial listing of KAP on the London Stock Exchange.

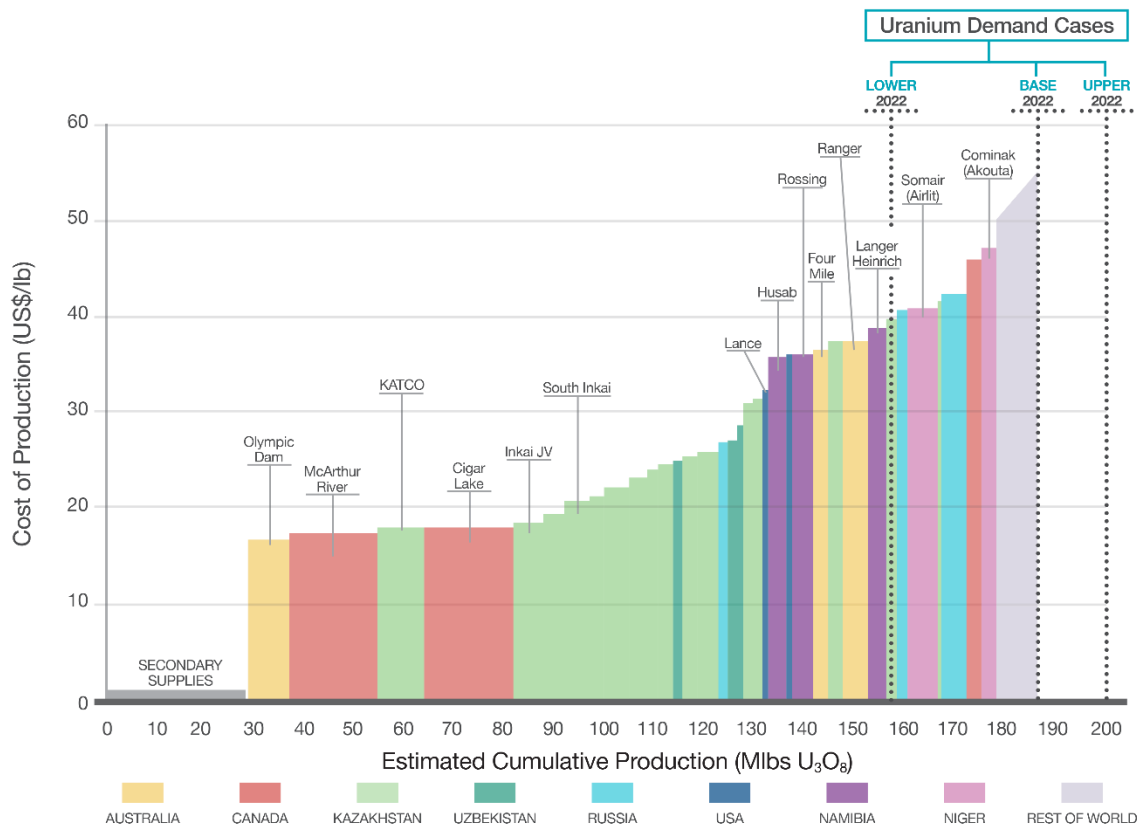
As can be seen in Figure 1, approximately 36.5Mlbs of U_3O_8 has been removed from the supply side since 2016; the McArthur River closure alone removed 18Mlbs. The expected demand in 2018 is 173Mlbs which will result in an immediate shortage of 47Mlbs. This gap can be managed by utilities in the short-term through stockpile management at the utility level, and secondary supplies on the sell side. However, this is not sustainable and at current production levels, the market is heading towards a structural deficit.

Cameco's actions show that even one of the lowest-cost primary producers on the cost curve (Figure 2) cannot operate at today's "spot" prices. Importantly, the existing higher cost producers are currently protected by long-term contracts which are finite.



Source: WNA, company reports, Vimy estimates

Figure 1: Global Uranium Supply and Demand – 2016 to 2018



Source: Company Data + Analysts' Views + Vimy Calculations, US Energy Information Administration | 2016 U Marketing Annual Report

Figure 2: Estimated 2017 "All-In Sustaining Cost" of Global Uranium Production showing Vimy's Demand Cases



Typically, utilities run two to three year stockpiles necessitated by security of supply and the long lag time of the nuclear fuel cycle. However, as can be seen in Figure 3 below we are heading towards a new procurement cycle to fill a big gap from 2022 onwards. Vimy's entire strategy and its activities have been geared towards this gap and we're ready.

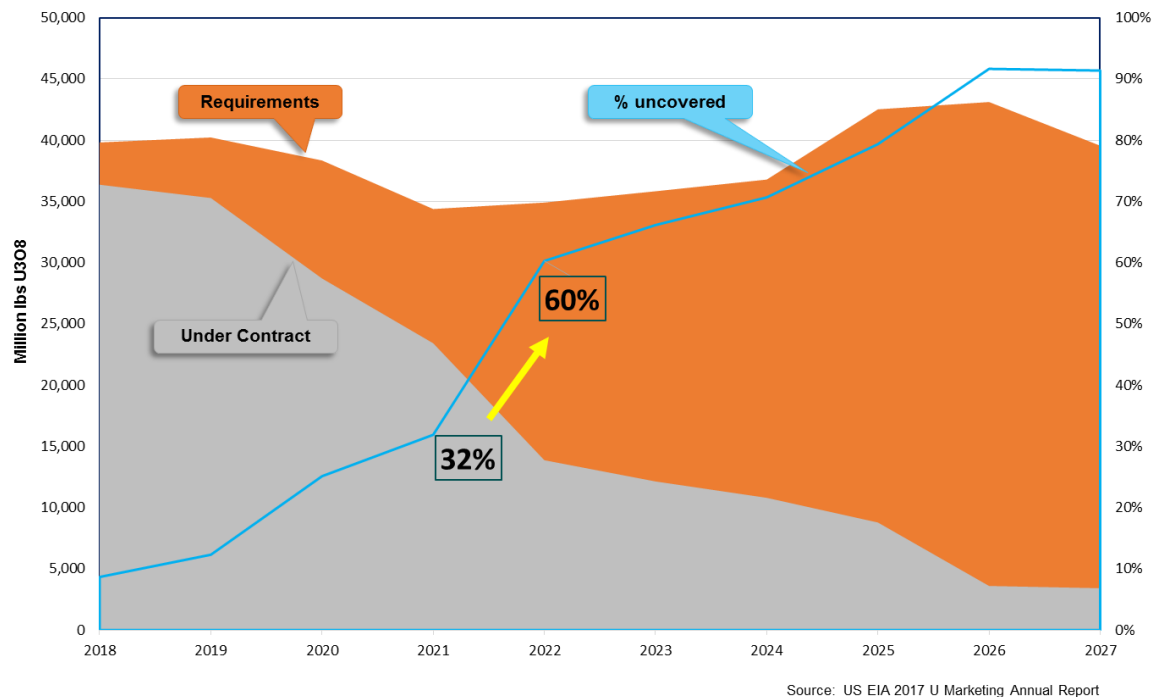


Figure 3: US Uranium Contract Dynamics

A new development in the uranium market is the entry of financial groups into physical uranium and equity markets. These include: Yellow Cake PLC, Tribeca Investment Partners, and Uranium Trading Corporation (UTC). Yellow Cake, which listed in July 2018, has purchased 8.4Mlbs of U₃O₈ from the spot market and has options with KAP to purchase more over the coming years. As this company is valued and traded on its Net Asset Value, the uranium it buys is effectively sequestered. Further to that, UTC only announced their IPO in early October 2018 and plan to buy and hold physical uranium. The scale and timing of these developments is important to investor sentiment.

After many deferrals, KAP has announced plans to float a 25% stake under an initial public offering (IPO). The IPO registration documents provide some much-needed transparency on their true all-in-sustaining-costs, which has put paid to the myth that Kazakh production is extremely low. It's low, but it's not sub-\$15/lb as the commonly-held misconception would have it.

The spot market is experiencing the most activity it has seen in many years. Following the closure of its McArthur River operations, Cameco has moved from being a primary producer to fulfilling its contracts by trading in the spot market. The increased buying over the past several months by Cameco and other producers and utilities has absorbed much of the glut of material held by traders. Therefore, further procurement by Cameco and utilities should result in continued upward pressure on the spot and ultimately long-term price.

Finally, Kazatomprom has announced further cutbacks to planned production both now and into the future, dropping to 21,600t U₃O₈ for 2018. Their IPO document states "*Kazatomprom has transitioned to a market-centric production and sales strategy shifting away from a focus on volume, to a focus on value.*" If this sounds familiar, think Rio Tinto's and BHP's paradigm shifts after the iron ore price crash in November 2013.



All of these important market activities are taking place against continued grid connections of new nuclear power plants in the UAE, Slovakia, Russia, and China; so far in 2018, eleven units comprising 12,131 MW have been connected to the grid and are either in commercial operation or testing. Two more reactors comprising 2,000 MW will be grid connected by the end of the year. Things are moving at an accelerated pace; blink and you'll miss it.

What does all of this mean for Vimy? New mines are needed within the next two to five years. But as the market has not incentivised these new developments, very few companies have had the ability or intestinal fortitude to be 'mine ready'. And Vimy will be ready within the required permitting, licensing, contracting and construction window.

Field Activities

Against that context, a word on our field activities during the Quarter. At the Alligator River Project, we undertook a small reverse circulation program at the Angularli and Such Wow prospects. None of the drilling was intended to expand the known resource at Angularli but was designed to test the other prospective structures in the area. We also drilled on prospective structures at Such Wow and conducted soil sampling, radiometric sampling, radon emanation testwork, a passive seismic survey and geological mapping.

The drilling has been very encouraging. As previously announced (ASX release 13 August 2018), the mineralisation model we are targeting is steeply dipping, high-grade veins that occur within a broad alteration halo. The mineralised zones are actually surprisingly small. For example, the Angularli deposit hosts 25.9Mlbs of U_3O_8 (as per ASX release of 20 March 2018), or about 50% of the metal contained at our Mulga Rock Ambassador and Princess deposits, but in a zone 5% the size. However, mineralisation at the Alligator River Project is surrounded by a broad alteration zone that is 10 to 20 times the size of the ore-bearing zones, extending mostly in the sandstone cover sequence. It truly is like looking for a needle in a haystack; so in greenfields exploration in this region, the important thing is to first find the 'haystack' and follow that up by zeroing in on the 'needle'.

So it is with pleasure that I can say we've located some very prospective 'haystacks' with both mapping and drilling during our shortened field season and on a very small budget. The geologists are very excited about these targets as am I, being a geologist. These targets will be followed up by drilling in the 2019 field season after the Top End wet season.

More detailed releases will be provided shortly once our geologists have collated the data and results. Furthermore, the Angularli Scoping Study is providing very positive results, which will also be announced during the December 2018 quarter.

Mulga Rock remains our flagship project and all our activities are focussed on obtaining offtake contracts and financing as well as continuing the secondary permitting process for construction and production (i.e. Works Approval, Project Management Plan, and Mine Closure Plan amongst others). Despite the misinformation of some environmentalist groups, Vimy has the right to, and every intention of, progressing these permits and will be 'mine ready' when successful contracts and financing results in the Final Investment Decision which we are targeting for 2H19.

Vimy recognises the importance of maintaining fiscal discipline in times of low investor sentiment and downward pressure on our share price. We are taking significant steps to reduce overheads including having our executive staff move to part-time, moving to smaller premises, and the really difficult task of letting some of our long-term field staff go. This has been a very difficult decision particularly given that we are not taking our foot off the pedal in the development of the Mulga Rock Project.



Completion of Alligator River Project Acquisition

On 16 July Vimy announced the completion of the legal transfer of the tenements from Cameco Corporation via Cameco Australia Pty Ltd (Cameco) for the Alligator River Project in Arnhem Land, Northern Territory.

Vimy now holds the largest granted tenement package in the Alligator River Uranium Province, which is considered one of the top three uranium exploration districts in the world, alongside the Athabasca Basin in Canada, and the Chu-Sarysu and Syrdarya Basins in Kazakhstan. The Alligator River Uranium Province has a proven exploration track record with over 750Mlbs U₃O₈ in mineral resources (current and mined) and has produced a total of 312Mlbs of uranium over the past 65 years. It includes the world-class deposits of Ranger, Jabiluka, and Nabarlek.

Vimy's acquisition comprises three separate tenement packages covering a total area of 3,865km² (King River-Wellington Range project 1,675km², Algodo-Beatrice project 500km², and Mt Gilruth project 1,690km²).

Commencement of Drilling at Angularli and Such Wow

On 13 August, Vimy commenced a reverse circulation (RC) exploration drilling program at Angularli and Such Wow (Figure 4). The drilling program concluded on 15 October, with a total of sixteen holes completed (out of a potential 29 sites approved under the 2018 Mining Management Plan) for 4,284m. Ten of those holes were completed at the Angularli prospect for 2,868m and six holes at the Such Wow prospect for 1,416m. Drilling data is currently being collated with the details expected to be released shortly. Results from various surface sampling and mapping programs will also be announced in due course.

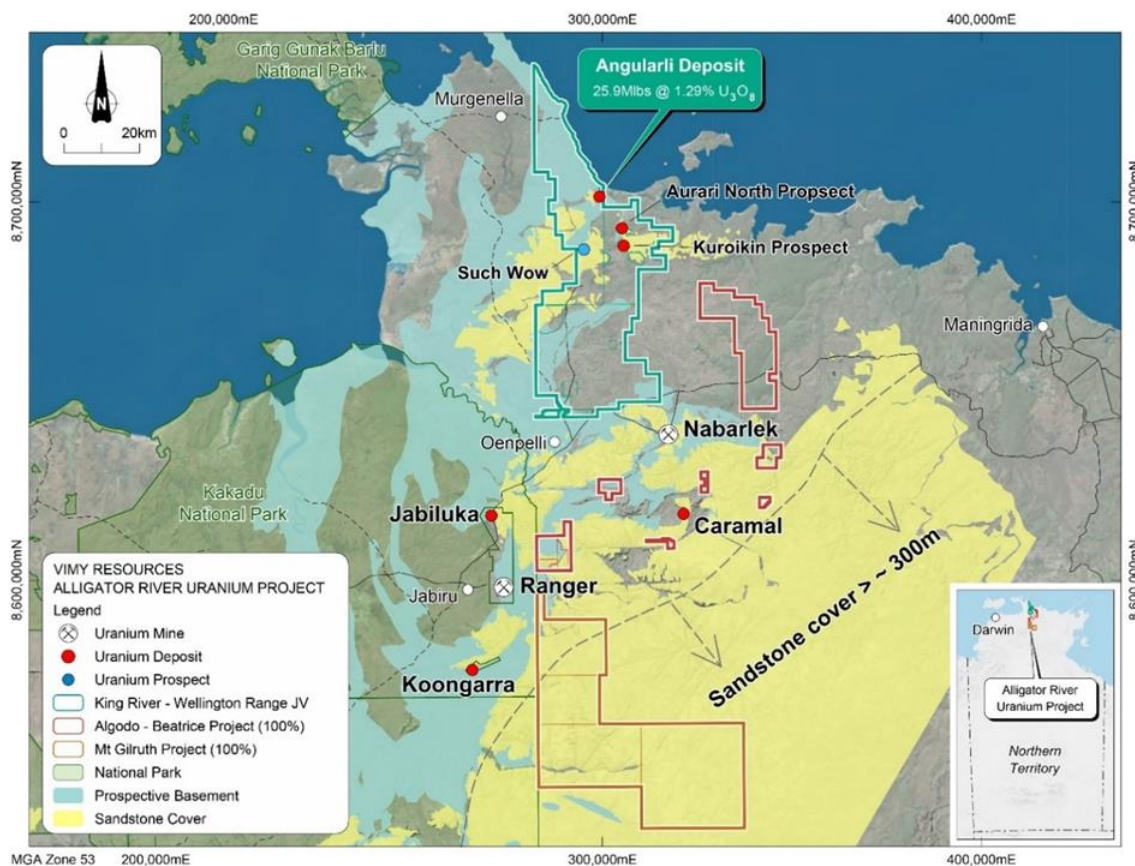


Figure 4: Prospective Basement (Cahill Formation and Nourlangie Schist) within the Alligator River Uranium Province



Both these prospects are in the King River-Wellington Range tenement blocks and are the subject of a Joint Venture with Rio Tinto Exploration Pty Limited ('Rio Tinto'), a wholly owned subsidiary of Rio Tinto Ltd, with current JV interests of Vimy 75%:Rio Tinto 25%.

The first drill program commenced at Angularli and focused on extending areas of known mineralisation at, both along strike of, and parallel to, the current resource, which stands at 0.91Mt @ 1.29% U₃O₈ for 25.9 Mlbs (Vimy 75%) (as per ASX release of 20 March 2018).

This drilling program was principally targeting an interpreted southeast extension of the Angularli main structure, which has been defined by surface mapping of sandstone outcrop and geophysical survey data. A second target, interpreted as a parallel structure, occurs 500m to the west where previous drilling has identified a large alteration zone along the structures.

Figure 5 shows the locations of the proposed drill holes in relation to the Angularli Resource. Figure 6 shows a cross section of Angularli and the area being targeted at Angularli West.

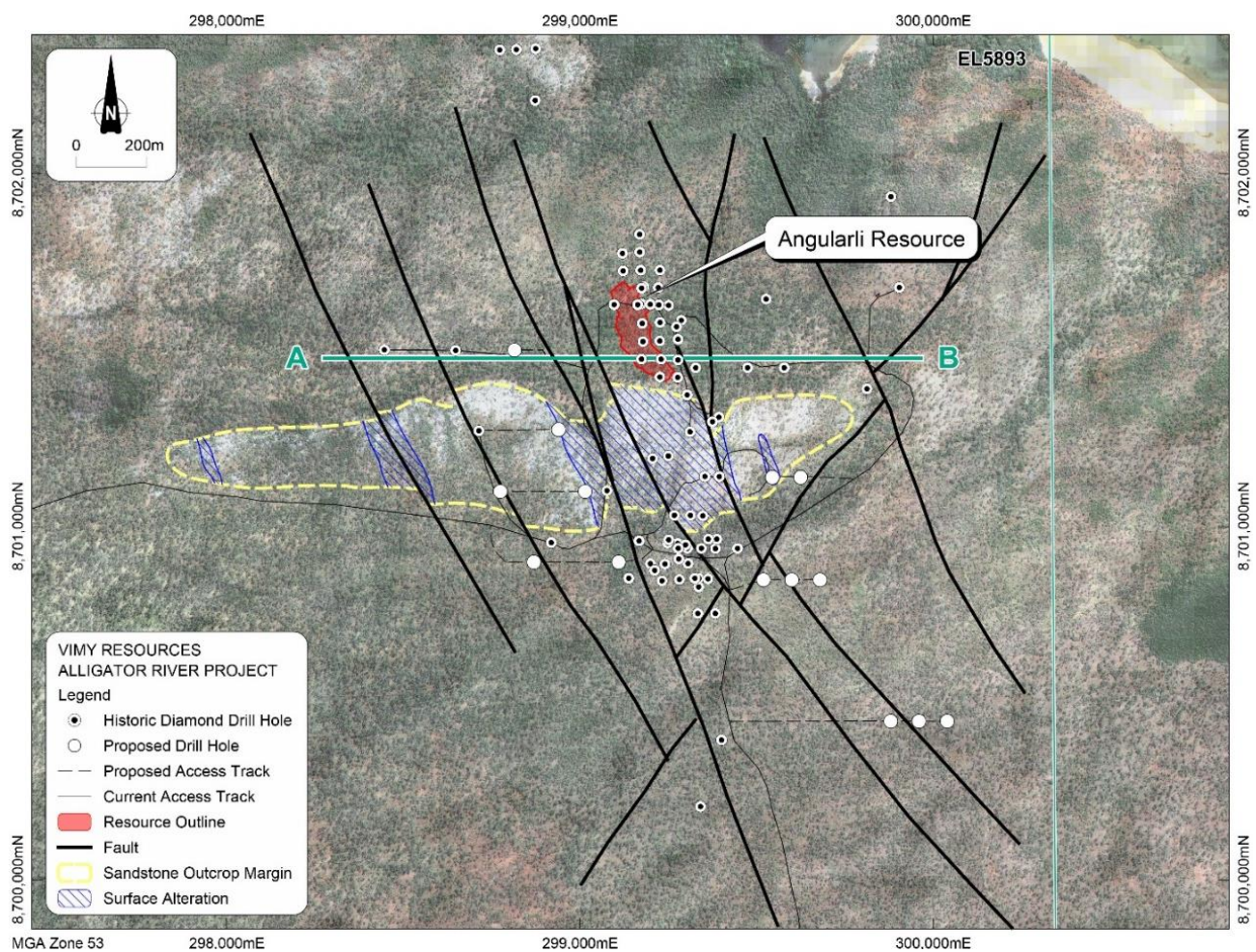


Figure 5: Angularli Drill Collar Map

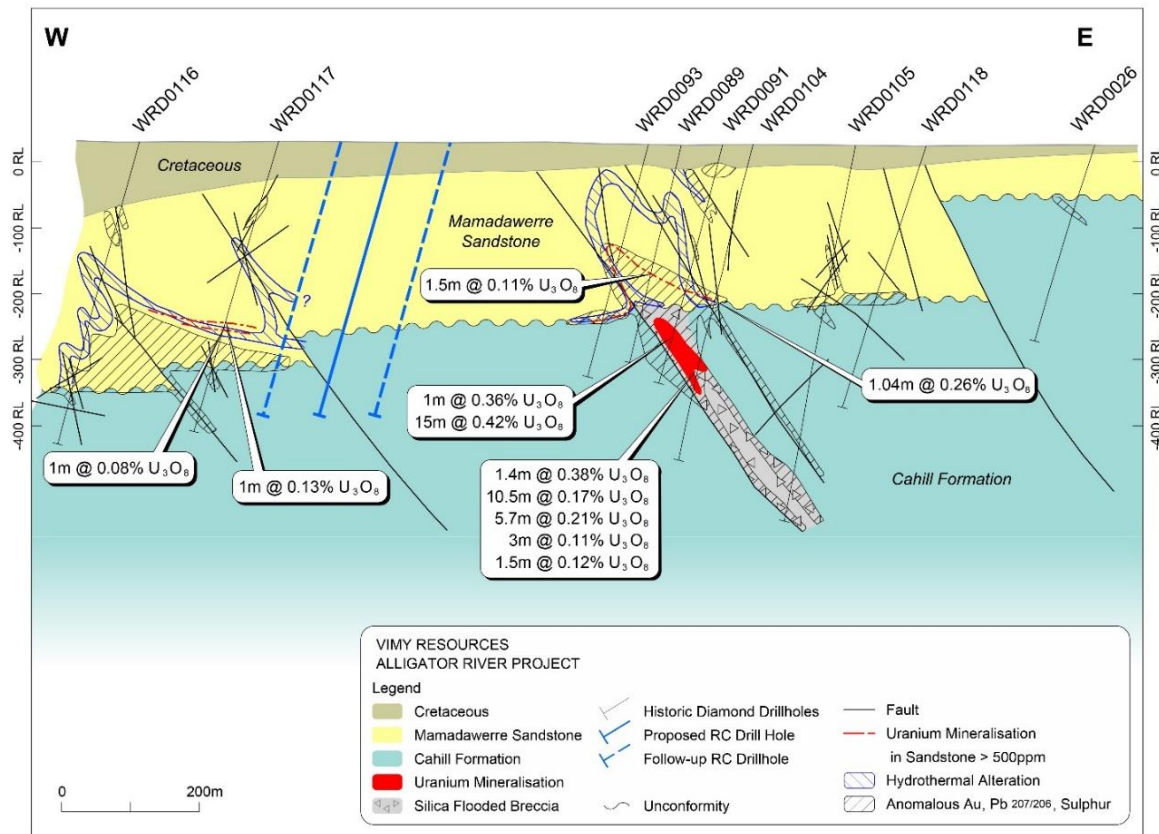


Figure 6: Angularli Cross Section

The second drill program was at Such Wow, 15km south-southwest of Angularli. This prospect had not been drilled previously, however it is highly prospective for 'Angularli-like' deposits based on Vimy's assessment of surface sampling, and mapping of geology, alteration, and structures.

Such Wow has undergone extensive surface mapping and geophysical interpretation (see Figure 7). There is a 5km long structural corridor with uranium anomalism identified along the main fault structure. Surface alteration and bleaching of the sandstone is evident at surface, showing similar characteristics to those observed at the Angularli deposit, but on a larger scale.

The location of proposed drill holes is shown in Figure 7 and an interpreted cross section in Figure 8. The program was aimed at confirming that the alteration extends at depth and the system contains uranium mineralisation.

Other field work undertaken included surface geochemical sampling, geological mapping, rock-chip sampling, surface radon emanation testwork and passive seismic data collection. Part of this program was carried out across the Angularli area to provide baseline data for other future surveys and permitting purposes.

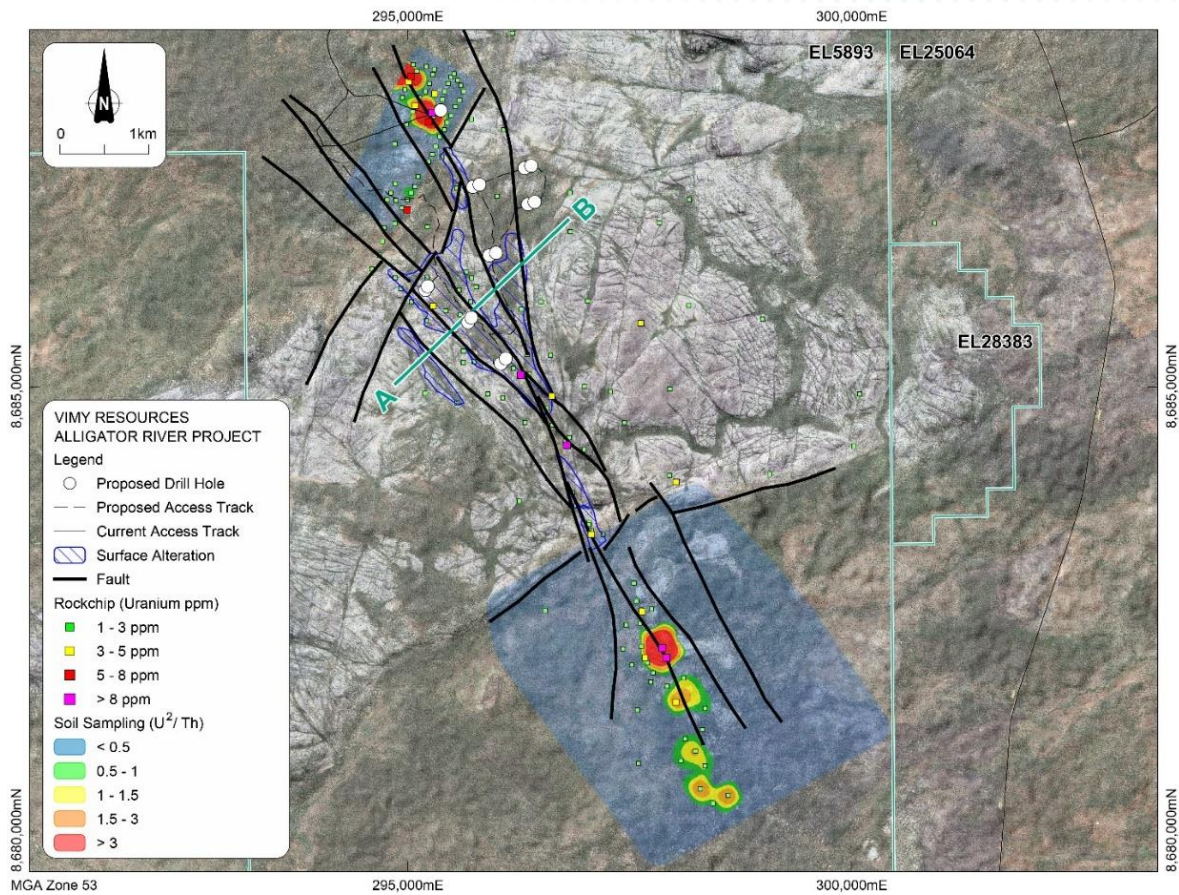


Figure 7: Surface Mapping and Proposed Drill Collar Locations

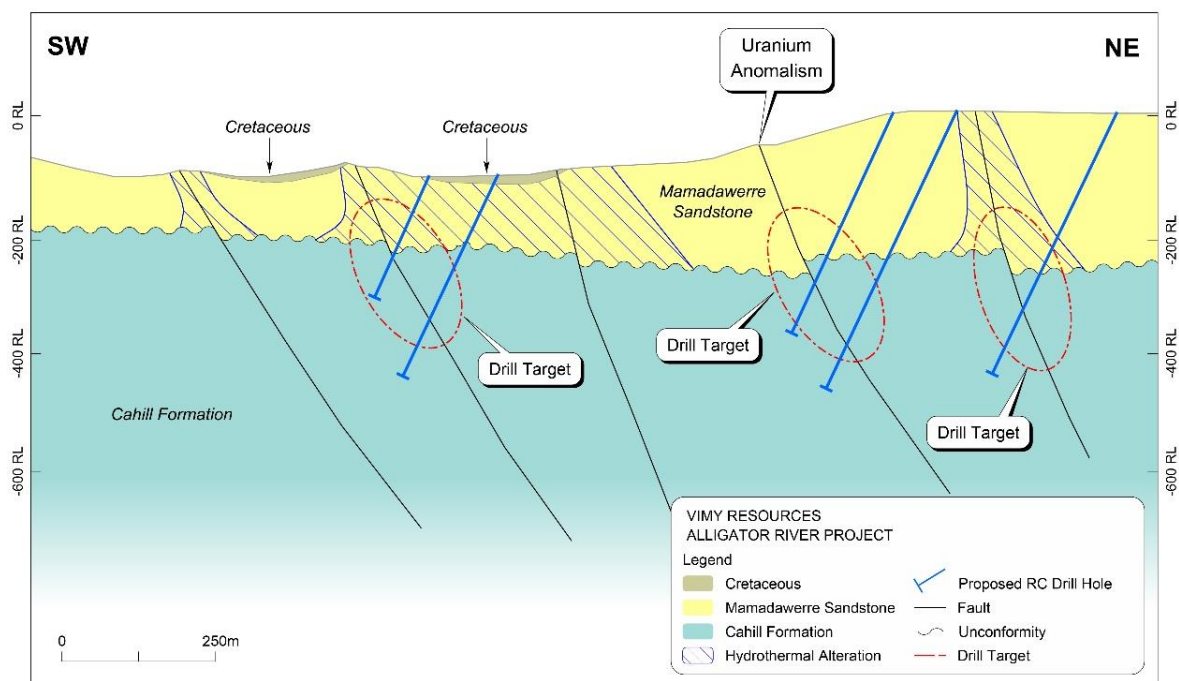


Figure 8: Such Wow Cross Section

Angularli Scoping Study Underway

During the September 2018 Quarter Vimy awarded Wood PLC the Engineering Scoping Study for the Angularli Deposit (75% Vimy). The Study is expected to be completed in the December 2018 Quarter and will provide a +/-35% capital and operating estimate.

Angularli has an Inferred Mineral Resource estimate of 0.91Mt @ 1.29% U_3O_8 for 25.9 Mlbs (Vimy 75%) (ASX release of 20 March 2018). This Mineral Resource is the basis for the Study and results from 2018 field season drilling at Angularli will not be incorporated into the Study (the drilling program did not test the Angularli resource).

Mine Development

Mining Plus completed the mine design and initial capital and operating estimates for the Angularli deposit earlier this year. Mining costs are currently being finalised along with stope sequencing and diluted mineral inventory expected from the underground operation (see Figure 9).

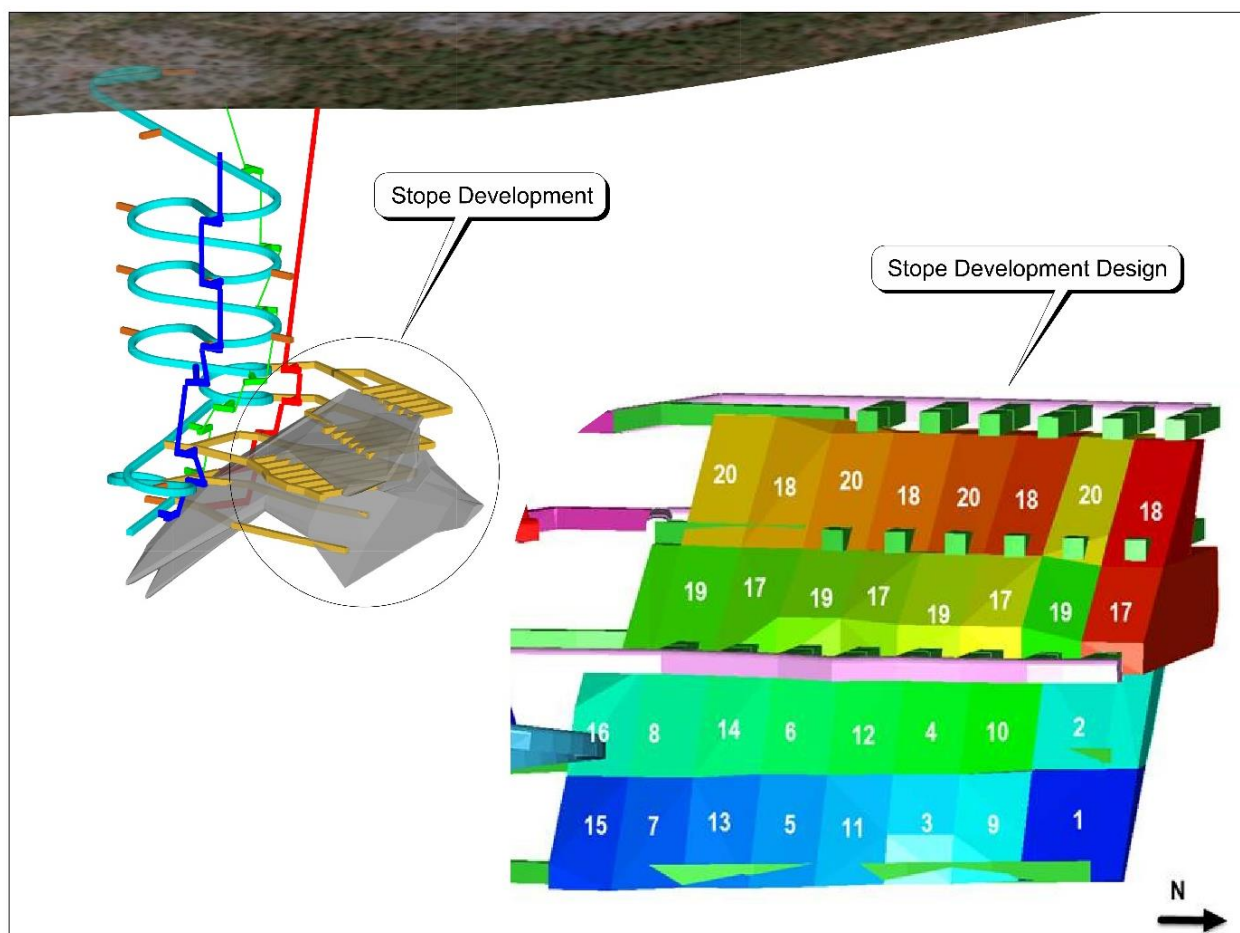


Figure 9: Angularli mine design and stope sequencing



The current conceptual mine development approach for Angularli to be used as a basis for the Study is similar in approach to the historical Nabarlek mine, located 65km from Angularli. The Nabarlek uranium mine operated successfully between 1980 and 1988, and produced 24Mlbs U_3O_8 from 550,000 tonnes of ore at an average grade of 1.84% U_3O_8 . It has since been successfully decommissioned and the site fully rehabilitated.

Metallurgical

As detailed in Vimy's release on 3 September 2018, preliminary metallurgical testwork was undertaken to assess the likely leaching parameters and potential process flowsheets for the Angularli resource.

A metallurgical composite sample has been generated using seven diamond drill holes across the Angularli resource. The core was blended to achieve a uranium grade of around 0.8 % U_3O_8 , which would be indicative of the expected diluted run-of-mine (ROM) uranium grade being delivered to the process plant. Table 1 provides the head assay of the metallurgical composite sample generated for the testwork program.

Table 1: Head assay of metallurgical composite sample

Composition (%w/w)												
Al	C _{Total}	Ca	Fe	K	Mg	Mn	Na	S	Si	Ti	V	U_3O_8
4.02	0.03	0.06	1.31	1.5	0.29	0.015	0.03	1.05	38.9	0.16	0.008	0.74

The Angularli ore is very clean with minimal deleterious elements or reagent-consuming gangue minerals present. Mineralogy analysis shows that uranium is predominantly present as uraninite, UO_2 and coffinite, $U(SiO_4)_{1-x}(OH)_{4x}$. The main gangue minerals are quartz and muscovite with minor amounts of smectite, pyrite and feldspar. Due to the inert gangue minerals present within the host rock and the relatively high uranium grade, it is considered that there is good potential for the direct precipitation process to be technically feasible.

It is believed the ore is amenable to ore sorting and this will be examined at a later date to further increase the uranium head grade and reduce the size of the processing plant.

ANSTO Minerals has performed a number of acid leach tests to confirm the uranium leach extraction and reagent consumptions to be used for the Study. Test results have shown an average uranium extraction of 98.5% was achieved. At the current optimum leach conditions, a sulphuric acid consumption of 14kg/t ore was achieved with an oxidant demand of 1.4 kg/t (100% hydrogen peroxide equivalent).

Process Flowsheets

Two metallurgical flowsheets are being evaluated as part of the Study – acid leach / solvent extraction and acid leach / direct precipitation.

Figure 10 shows the block flowsheets for both process options being considered for the Project. Due to the high uranium grade, any plant will be small with a very small footprint and so is expected to have a low capital cost.

Both flowsheet options have identical front ends consisting of crushing, milling, acid leach and counter-current decantation (CCD) circuits. Uranium drying and packaging plant, tailings paste plant and water treatment are also essentially the same for both flowsheets. The only difference between the two flowsheets lies in the uranium recovery circuits.

The first flowsheet uses conventional solvent extraction to recover uranium from the leach solution and then precipitates uranium as uranyl peroxide ($UO_4 \cdot xH_2O$). The second flowsheet directly precipitates uranium from the leach solution after iron and other minor impurities are removed. The second flowsheet is expected to have a lower capital cost but is dependent on the levels of impurities present in the ore.

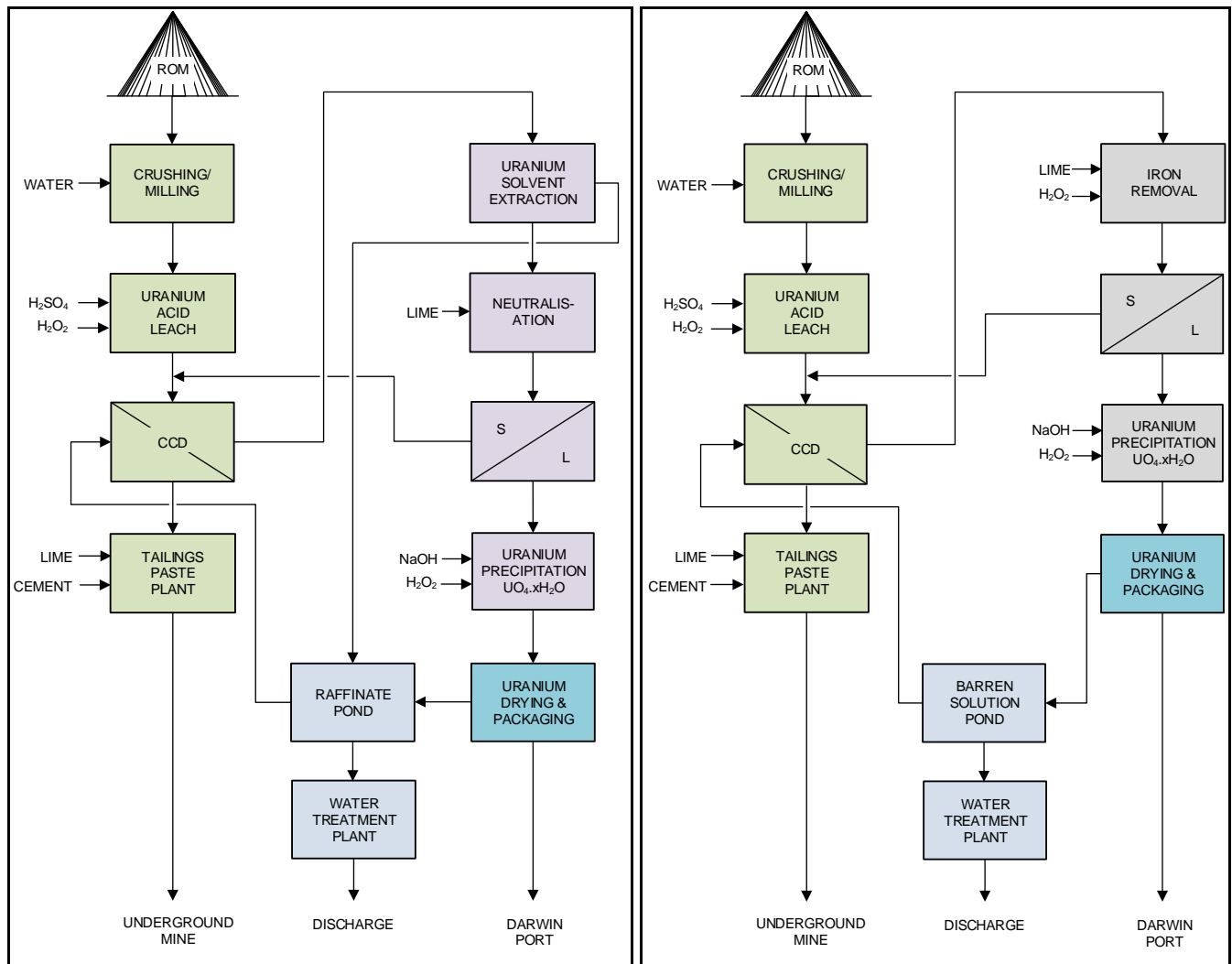


Figure 10: Angularli Process Flowsheets - Solvent Extraction Route (left) and Direct Precipitation Route (right)



Tenements

Tenement details for both the Mulga Rock and Alligator River Projects are shown in Table 2. The surrendered tenements relate to the Mulga Rock Project where the DFS released in January 2018 provided an improved project definition, and as a consequence the project tenure has been rationalised. Legal transfer of the Alligator River Project tenements occurred on 17 July 2018.

Table 2: Mulga Rock and Alligator River Project tenement details as at 30 September 2018

Tenement	Nature of Interest	Interest at Beginning of Quarter	Interest at End of Quarter
MULGA ROCK PROJECT (Mt Margaret Mineral Field)			
M39/1104	Granted	100%	100%
M39/1105	Granted	100%	100%
E38/3203	Granted	0%	100%
E39/876	Granted	100%	100%
E39/877	Granted	100%	100%
E39/1148	Granted	100%	100%
E39/1149	Granted	100%	100%
E39/1150	Granted	100%	100%
E39/1551	Granted	100%	0%
E39/1683	Granted	100%	0%
E39/1902	Granted	100%	0%
E39/1953	Granted	100%	0%
L39/193	Granted	100%	100%
L39/219	Granted	100%	100%
L39/239	Granted	100%	100%
L39/240	Granted	100%	100%
L39/241	Granted	100%	100%
L39/242	Granted	100%	100%
L39/243	Granted	100%	100%
L39/251	Granted	0%	100%
L39/252	Granted	100%	100%
L39/253	Granted	100%	100%
L39/254	Granted	100%	100%
P39/5844	Granted	100%	100%
P39/5853	Granted	100%	100%
ALLIGATOR RIVER PROJECT			
EL24017	Acquired	0%	75%
EL25064	Acquired	0%	75%
EL25065	Acquired	0%	75%
EL27059	Acquired	0%	75%
EL5893	Acquired	0%	75%



Corporate

The Company has implemented the following changes to Board fees and executive team contracts during the September 2018 Quarter:

Board Fees

Non-Executive Director Board fees were reduced by 10% from 1 July 2018.

Executive Team Contracts

Effective 1 July 2018, modifications were made to executive contracts (for Mike Young, Managing Director and CEO; Julian Tapp, Executive Director; Tony Chamberlain, Chief Operating Officer and Ron Chamberlain, CFO and Company Secretary) to provide the Company with flexibility to respond to uranium market conditions in the next six months.

The modifications included:

- Allowing external consultancy work to be undertaken in the next six months as unpaid leave for a minimum period. This minimum period ranges from one to two days per week depending upon the executive and has the effect of reducing ongoing executive remuneration by between 20% to 40%,
- Reduction in the contract notice periods for the executives from six months to two months by either party.

Expenditure

Cash spend on exploration, evaluation, staff, administration, corporate and uranium marketing activities in the September 2018 Quarter amounted to \$2.3 million.

This was lower than the June 2018 quarter cash spend of \$2.7 million despite commencement of the 2018 field work at the Alligator River Project. The June 2018 quarter included redundancy costs as a consequence of close-out of work programs at the Mulga Rock Project post completion of the Definitive Feasibility Study. Changes were made to executive team remuneration from 1 July 2018.

The forecast operating spend for the December 2018 quarter is \$2.4 million, related to completion of the Alligator River Project 2018 field season exploration drilling and Scoping Study work programs, and the Mulga Rock Project annual rent and rate payments. This forecast maintains a focus on uranium marketing and reducing staff costs going into the 2019 calendar year, with additional redundancy payments incurred early in the December 2018 quarter.

Cash at Bank

Cash at 30 September 2018 amounted to \$3.3 million.

Mike Young

Managing Director and CEO

Tel: +61 8 9389 2700

31 October 2018



Compliance Statement

The information in relation to the Angularli Deposit Mineral Resource that is contained in this announcement is extracted from ASX announcement entitled 'Maiden Mineral Resource at Angularli Deposit Alligator River Project' released on 20 March 2018 and available to download from 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 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.

Competent Person Statements

The information in relation to the Angularli Scoping Study that is contained in this announcement is extracted from ASX announcement entitled 'Angularli Uranium Project Scoping Study Update' released on 3 September 2018 and available to download from asx.com.au ASX:VMY. The information relating to the metallurgical testwork results for the Angularli Uranium Project was compiled by Dr Anthony Chamberlain, who is a Member of the Australian Institute of Mining and Metallurgy. Dr Chamberlain is a full-time employee of Vimy Resources. The metallurgical results were derived from test work completed by ANSTO and ALS Metallurgy. Dr Chamberlain has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity, which he is undertaking to qualify as a Competent Person as defined in the JORC code. Dr Chamberlain consents to the inclusion in the announcement of the matters based on his information in the form and context in which it appears.

About Vimy Resources

Vimy Resources Limited (ASX: VMY) is a Perth-based resource development company. Vimy's flagship project is the Mulga Rock Project, one of Australia's largest undeveloped uranium resources which is located 290km ENE of Kalgoorlie in the Great Victoria Desert of Western Australia.

Vimy also owns (75%) and operates the largest granted uranium exploration package in the world-class Alligator River uranium district, located in the Northern Territory. Vimy is exploring for large high-grade uranium unconformity deposits identical to those found in the Athabasca Basin in Canada.

Directors and Management

The Hon. Cheryl Edwardes AM
Chairman

Mike Young
CEO and Managing Director

Julian Tapp
Executive Director

David Cornell
Non-Executive Director

Mal James
Non-Executive Director

Andy Haslam
Non-Executive Director

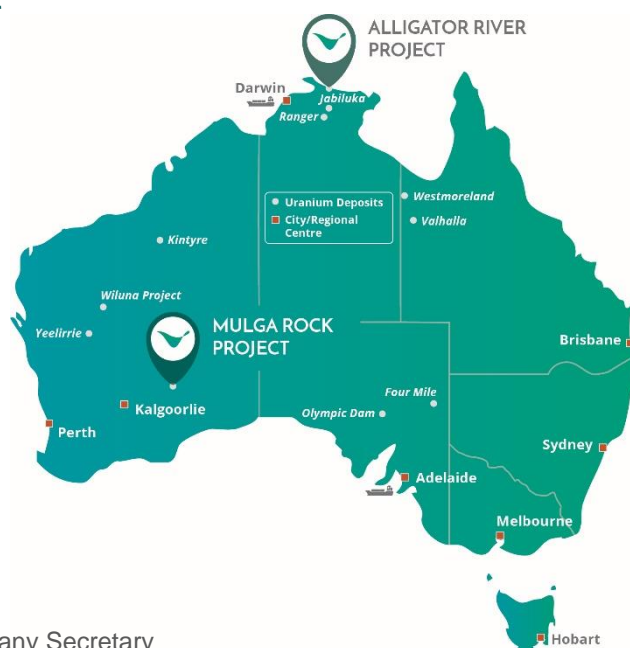
Dr Vanessa Guthrie
Non-Executive Director

Ron Chamberlain
Chief Financial Officer and Company Secretary

Tony Chamberlain
Chief Operating Officer

Scott Hyman
Vice President Sales and Marketing

Xavier Moreau
General Manager, Geology and Exploration



THE MULGA ROCK PROJECT

RESOURCE OF



U₃O₈



The creation of approximately
350 direct site jobs
IN WESTERN AUSTRALIA

Royalty and payroll tax
payments of around

A\$17m

PER YEAR TO THE
STATE GOVERNMENT

The amount of uranium produced
when used in nuclear power plants to
displace coal fired electricity would
offset more than



64 million tonnes
of carbon dioxide equivalent
emissions which is
around 12%

of Australia's total greenhouse
gas emissions.



**STATE & FEDERAL
MINISTERIAL
APPROVALS**

For a comprehensive view of information that has been lodged on the ASX online lodgement system and the Company website please visit asx.com.au and vimyresources.com.au respectively.

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