



## Annual Financial Report

For the year ended 30 June 2016

# Vimy Resources Limited – Consolidated Entity

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This financial report covers Vimy Resources Limited as a Group consisting of Vimy Resources Limited and its subsidiaries. The financial report covers the year ended 30 June 2016 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 financial report was authorised for issue by the directors on 28 September 2016. The Company has the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the Company. Public releases are available at [asx.com.au](http://asx.com.au) by entering the Company's ASX code 'VMY'. Additional information on the Company is available on its website [vimyresources.com.au](http://vimyresources.com.au).

## Directors' Report

### for the Year ended 30 June 2016

Your directors present their report on Vimy Resources Limited consolidated entity ('Group') for the financial year ended 30 June 2016.

#### DIRECTORS

The names and details of directors who held office during the year ended 30 June 2016 and up to the date of this report (unless otherwise stated), are:

**The Hon. Cheryl Edwardes** AM, LL.M, B.Juris, BA  
**Independent Non-Executive Chairman**

*Appointed 26 May 2014*

A lawyer by training, Mrs Edwardes is a former Minister in the Western Australian Legislative Assembly with extensive experience and knowledge of WA's legal and regulatory framework relating to mining projects, environmental, native title, and heritage and land access. Mrs Edwardes is currently a Non-Executive Director of Atlas Iron Limited and AusCann Group Holdings Limited. Mrs Edwardes assists the clients of FTI Consulting with a range of complex statutory approvals required for resources and infrastructure projects. She was the Executive General Manager for External Affairs for Hancock Prospecting and Special Counsel at Minter Ellison in Perth where she practised in government relations, climate change and environmental regulation and compliance.

During her political career, Mrs Edwardes held positions including WA Attorney General, Minister for the Environment and Minister for Labour Relations. She also has broad experience and networks within China's business community.

*Listed company directorships in the last three years: Atlas Iron Limited May 2015 to present and AusCann Group Holdings Limited May 2016 to present.*

**Michael (Mike) Young** BSc (Hon), MAIG, MAICD  
**Managing Director and Chief Executive Officer**

*Appointed 17 April 2013*

Mr Young was the first CEO and MD of BC Iron Limited and played an integral role in taking that company to a position as a significant iron ore producer. Mr Young successfully steered BC Iron through first stage exploration, definition of resources, feasibility study, the negotiation of development agreements with Fortescue Metals Group and ultimately the profitable production of iron ore.

Mr Young is a geologist and a graduate of Queens University, Canada with a Bachelor of Science (Honours) degree in Geological Sciences. His experience includes base metals, iron ore, uranium and gold, with a strong focus on mine-camp exploration, resource definition, and mine development. Mr Young was a founding director of uranium developer Bannerman Resources Limited and is the non-executive Chairman and founder of Cassini Resources Limited.

*Listed company directorships in the last three years: BC Iron Limited October 2006 to November 2014, Cassini Resources Limited January 2012 to present, Ascot Resources Limited June 2015 to December 2015 (delisted).*

**Julian Tapp** BA, MSc  
**Executive Director**

*Appointed 18 March 2013*

Mr Tapp brings a wealth of experience in regulatory approvals. In his previous role as Head of Government Relations for Fortescue Metals Group, Mr Tapp was instrumental in overseeing and expediting the approvals process for Fortescue's world-class Pilbara iron ore project from conception through to operation.

Mr Tapp trained as an economist before holding a number of high-level roles in companies around the globe, including as Director of New Business Development for the Middle East for BAeSystems. He is also currently a non-executive director with the Pilbara Port Authority.

*Listed company directorships in the last three years: Nil*

## Directors' Report

for the Year ended 30 June 2016

**David Cornell** B.Comm, CA  
**Independent Non-executive Director**

*Appointed 17 July 2012*

Mr Cornell is a director of Element Capital Pty Ltd and has significant experience providing strategic and corporate advice to listed companies, with a strong focus on transaction services.

Mr Cornell has assisted several companies, including Vimy Resources Limited, through the listing process and has raised over a quarter of a billion dollars through debt, equity and hybrid structures for leading resource companies including Atlas Iron and CopperCo.

Mr Cornell is a Chartered Accountant, gaining his experience with the international accounting firms Arthur Andersen and Ernst & Young where he specialised in providing corporate and professional services to both Western Australian junior explorers and international mining companies.

*Listed company directorships in the last three years: Nil*

**Andrew Haslam** Grad Dip. Min (Ballarat), GAICD  
**Non-executive Director**

*Appointed 1 April 2016*

Mr Haslam is a highly experienced mining executive and has been working as a consultant to the Mulga Rock Project since February 2016. He currently serves as a Non-Executive Director of BC Iron Ltd. He is also an industry representative on the WA Quarry Managers' Board of Examiners, a Member of Australian Institute of Company Directors and a consultant to private company Genmin's Baniaca Iron Ore Project in Gabon, Africa.

Mr Haslam holds a Graduate Diploma of Mining from the University of Ballarat, Victoria, a Graduate Diploma from the Australian Institute of Company Directors, Diploma of Extractive Industries Management from SEM College WA and WA Quarry Manager's Certificate of Competency.

*Listed company directorships in the last three years: BC Iron Limited from August 2011 to present.*

**Malcolm James** B.Bus., FAICD, AusIMM  
**Non-executive Director**

*Appointed 1 April 2016*

Mr James has an extensive background in finance, accounting and resources with a wealth of experience as a company director in the mining sector. This includes a focus in uranium, developed over ten years at Peninsula Energy where he served as Executive Director responsible for the daily operations through to finance. He is currently the Non-Executive Chairman of Anova Minerals Ltd and Algae.Tec Ltd.

Mr James holds a Bachelor of Business (Accounting) from RMIT University in Melbourne, he is a Fellow of the Australian Institute of Company Directors (FAICD) and Member Australasian Institute of Mining and Metallurgy (AusIMM).

*Mr James is a representative of the shareholder, Forrest Family Investments Pty Ltd (Peepingee Trust).*

*Listed company directorships in the last three years: Anova Metals Limited from September 2012 to present; Algae Tec Limited from September 2014 to present; and Triton Gold from October 2011 to January 2014.*

## Directors' Report

### for the Year ended 30 June 2016

**Aaron Hood** B.Comm, B.Eng, MBA  
**Non-executive Director**

*Appointed 26 May 2015, Resigned 1 April 2016*

Mr Hood is the Chief Investment Officer of Minderoo, encompassing the philanthropic and private business holdings of Andrew and Nicola Forrest.

Prior to joining Minderoo, Mr Hood spent ten years in Sydney and Perth as executive director of a private equity firm with investments in mining services, oil and gas, manufacturing and retail. He is currently a director of the Scotch College Foundation (WA) and UWA Business School Ambassadorial Council and Chairman of Harvey Beef.

*Mr Hood was a representative of the shareholder, Forrest Family Investments Pty Ltd (Peepingee Trust).*

*Listed company directorships in the last three years: Impact Minerals Limited from May 2015 to present.*

#### COMPANY SECRETARY

**Ronald Chamberlain** BCom, FCA  
**Chief Financial Officer and Company Secretary**

*Appointed 5 February 2016*

Mr Chamberlain has over twenty-five years' experience in the resources industry as a finance professional, with significant involvement in all the mine stages from exploration through to mine closure. Mr Chamberlain has held a number of senior executive roles in the uranium industry, he was the inaugural CFO for Paladin Energy where he played an integral role in the funding and development of the Langer Heinrich and Kayelekera projects, and then Acting CFO and subsequently Non-Executive Director for Extract Resources prior to China Guangdong Nuclear Power's acquisition of the Husab project. Mr Chamberlain has worked on resource project developments and acquisitions in Australia, Africa, North America and Asia.

Mr Chamberlain holds a Bachelor of Commerce degree from the University of Western Australia and is a Fellow of the Chartered Accountants Australia and New Zealand.

**Shane McBride** BBus., FCPA, FGIA, FCSA, MAICD  
**Chief Financial Officer and Company Secretary**

*Appointed 30 July 2009, Resigned 5 February 2016*

Mr McBride has thirty-five years of commercial management experience, with twenty-eight years' experience in senior management roles in the resources industry. His experience has been gained in listed Australian public companies in the disciplines of corporate management, management and financial accounting, project development and mine site operations, corporate finance and company secretarial functions.

Mr McBride was the managing director of an Australian copper producer listed on the ASX and has substantial experience as a public company director.

Mr McBride has a Bachelor of Business degree, is a Fellow of CPA Australia, Fellow of Governance Institute of Australia and the Institute of Chartered Secretaries and Administrators, and is a Member of the Australian Institute of Directors.

#### PRINCIPAL ACTIVITIES

The principal activities of the Group during the year ended 30 June 2016 were exploration and evaluation on the Mulga Rock Project, with a Pre-feasibility Study completed during the year, and commencement of a Definitive Feasibility Study.

# Directors' Report

## for the Year ended 30 June 2016

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the year the following significant events occurred:

- On 17 August 2015, the Company announced a legally binding agreement with Resource Capital Fund VI L.P. ("RCF VI") for the provision of the final \$25 million of a \$30 million funding package announced on 20 May 2015. The funding package comprises a \$15 million unsecured bridging loan and a \$10 million payment in return for a 1.15% royalty on future production from the Mulga Rock Project.
- On 3 September 2015, the Company received the royalty payment of \$10 million from RCF VI.
- On 4 April 2016, the Company completed the first drawdown of funds of \$7.5 million from the RCF VI. unsecured bridging loan.

### OPERATING AND FINANCIAL REVIEW

#### OPERATING RESULT

The consolidated operating loss after tax for the year ended 30 June 2016 attributable to members of the Group was \$11,957,825 (2015: operating loss after tax \$10,725,302). The loss after tax is mainly attributable to the accounting policy to expense all exploration and evaluation expenditure as incurred.

Key highlights for the year were as follows:

- Other income increased to \$11,380,804 (2015: \$165,655) from both the RCF VI royalty payment of \$10 million and the 2015 Research and Development Tax Incentive grant income of \$1.2 million.
- Higher exploration and evaluation expenditure of \$18,497,411 (2015: \$9,033,668) as a consequence of the focus on Definitive Feasibility studies for the Mulga Rock Project.

#### DIVIDENDS

No dividends were paid in the current year (2015: \$Nil).

#### REVIEW OF OPERATIONS

The Group's main asset is the Mulga Rock Project, one of Australia's largest undeveloped uranium resources, located 240 kilometres north east of Kalgoorlie in Western Australia. As an exploration and evaluation company, Vimy Resources Limited is in the high-risk, high-reward sector of the global mining industry. Exploration and evaluation companies are the critical front-end of the mining industry with the highest risk, and as such the Company's business model is specific to this sector.

During the year the following significant events occurred on the Mulga Rock Project:

- Commercial scale pilot test work confirmed ore beneficiation results.
- On 17 November 2015, the Company announced the completion of a Pre-feasibility Study, which reaffirmed that the Mulga Rock Project is one of the best undeveloped uranium projects in Australia.
- On the basis of the Pre-feasibility Study results, the Company initiated a Definitive Feasibility Study ("DFS").
- Release of Public Environmental Review ("PER") for public comment on 14 December 2015.
- Maiden Ore Reserve comprising 15.2Mt at 660ppm U<sub>3</sub>O<sub>8</sub> for a Total Metal content of 22.1Mlb of U<sub>3</sub>O<sub>8</sub>.
- DFS in-fill resource drilling program at Ambassador, Shogun and Emperor deposits completed.
- Bulk ore samples obtained from both Ambassador East and West test pits.
- Geotechnical drilling completed.
- DFS ore beneficiation pilot plant program awarded and well progressed by 30 June 2016.

## Directors' Report

### for the Year ended 30 June 2016

- GR Engineering Limited appointed Study Manager to the DFS.
- PER public submissions period closed and the Company completed response to submissions.
- Significant Resource upgrade to 66.6Mt at 520ppm U<sub>3</sub>O<sub>8</sub> for 76.2Mlbs contained U<sub>3</sub>O<sub>8</sub>.
- Bulk samples taken from the Ambassador test pits demonstrated a 53% higher contained U<sub>3</sub>O<sub>8</sub> when compared to the Resource model.
- The Office of the EPA advised that the Company's response to submissions for the PER were adequate.
- Nomination for the Golden Gecko Award for innovative camera trapping protocol was accepted for assessment.

The Company currently has seventeen (17) tenements that all relate to the Mulga Rock Project, two are mining leases, six are exploration licences, six are prospecting licences, and three are miscellaneous licences. The mining leases currently include all of the area that the Company anticipates will be incorporated into development of the Mulga Rock Project.

#### Financial Position

Net liabilities at 30 June 2016 were \$5,298,051 (2015: Net assets of \$5,745,119) as a consequence of both the \$7.5 million drawdown from the RCF VI unsecured bridging loan and the accounting policy to expense all exploration and evaluation expenditure as incurred.

The Group has total borrowing facilities of \$15 million as at 30 June 2016 relating to the RCF VI unsecured bridging loan, with an available facility amount at year end of \$7.5 million, and a maturity date of 31 March 2017.

Cash balances at 30 June 2016 totalled \$4,572,609 (2015: \$6,445,757).

#### Going Concern

The Group's ability to continue as a going concern and to capitalise on 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, Research and Development Tax Incentive receipts or other means. These circumstances create material uncertainties as to the ability of the Group to continue as a going concern.

In considering these circumstances, the directors have taken into account:

- the \$7.5 million undrawn bridge facility agreement with RCF VI.
- Research and Development Tax Incentive receipts expected from lodging the 2016 Group income tax return.
- FIRB and shareholder approval for the full conversion of the RCF VI \$15 million unsecured bridge facility agreement.
- the Group's demonstrated track record in raising equity.
- In the unlikely event that additional funding is not able to be obtained, the directors would actively curtail both project and corporate expenditure in light of the Group's actual funding.

In view of all the foregoing, the directors are of the view that they have a reasonable expectation that the Group will have adequate resources to continue to operate for at least the next twelve months. For these reasons, they continue to adopt the going concern basis in preparing the financial report.

#### LIKELY DEVELOPMENTS AND BUSINESS STRATEGY

The Group's strategy is to develop the Mulga Rock Project and to ultimately become a uranium producer. At the same time the Group is continually looking for exploration opportunities to add to its exploration upside. New assets will be evaluated on a case by case basis.

The Group's objectives are to complete the Mulga Rock Project Definitive Feasibility Study, develop the project by negotiation of offtake contracts and funding facilities, and continue exploration activities on its tenement portfolio.

## Directors' Report

for the Year ended 30 June 2016

### MATTERS SUBSEQUENT TO THE END OF THE YEAR

Since 30 June 2016 the following significant subsequent events have occurred:

On the 15 August 2016 the Office of the Environmental Protection Authority assessed the Company's proposal and prepared an Assessment Report that has been sent to the Minister under s44(1) of the Western Australian Environmental Protection Act (EPA Act). The Assessment Report recommends that the proposal is implemented and specifies the conditions and procedures to which implementation should be subject, as required by s44(2)(b) of the EPA Act.

On the 15 August 2016 the Company announced the final drawdown of funds of \$7.5 million under the RCF VI funding facility to maintain progress on the Definitive Feasibility Study for the Mulga Rock Project.

On 23 September 2016 the Company announced a \$6.6 million placement to new and existing institutions and other sophisticated investors, conversion of the full \$15 million RCF VI funding facility, and a Share Purchase Plan. The placement is in part subject to FIRB approval, and the loan conversion to equity is subject to both FIRB and shareholder approval.

### MEETINGS OF DIRECTORS

The meetings of the Company's Board of Directors held during the year ended 30 June 2016, and the number of meetings attended by each director were:

Directors during the year ended 30 June 2016	Full meetings of directors		Remuneration Committee		Audit Committee	
	A	B	A	B	A	B
C. Edwardes	15	15	3	3	2	2
M. Young	13	15	*	*	*	*
J. Tapp	13	15	*	*	*	*
D. Cornell	15	15	3	3	2	2
A. Haslam	2	2	1	1	-	-
M. James	2	2	1	1	-	-
A. Hood	12	13	2	2	2	2

A = Number of meetings attended in person or electronic means.

B = Number of meetings held during the time that the director held office and for which they were entitled to participate.

\* = Not a member of the relevant committee.

### DIRECTORS' INTERESTS IN SHARES AND OPTIONS

Particulars of directors' interests and of persons connected with them in shares of the Group as at the reporting date are as follows:

Director	Number of shares	Number of options
C. Edwardes	857,142	-
M. Young	3,571,427	2,142,856
J. Tapp	3,571,427	2,142,856
D. Cornell	-	-
A. Haslam	-	-
M. James <sup>(a)</sup>	-	-
A. Hood <sup>(a)</sup>	-	-

<sup>(a)</sup> Mr James and Mr Hood represent the Forrest Family Investments Pty Ltd. (Peepingee Trust) which currently holds 57,142,857 ordinary shares (57,142,857 options over ordinary shares in the Company expired on 30 June 2016).



## Directors' Report

for the Year ended 30 June 2016

### SHARE OPTIONS

Options over ordinary shares of the Group as at the reporting date are as follows:

Date granted	Expiry date	Fair value per option at grant date	Exercise price	Number of options
17 December 2014	16 December 2019	\$0.31	\$0.80	1,428,572
17 March 2014	16 December 2018	\$0.35	\$1.54	8,714,281
17 March 2014	16 December 2018	\$0.35	\$0.70	8,714,283
14 June 2013	14 June 2018	\$0.098	\$0.35	2,857,142
7 February 2012	31 January 2017	\$0.392	\$1.26	135,712

No option holder has any right under the options to participate in any other share issue of the Group or of any other controlled entity. No options were exercised during the year ended 30 June 2016.

### ENVIRONMENTAL REGULATIONS AND PERFORMANCE

The Group has conducted exploration and evaluation activities on mineral tenements. The right to conduct these activities is granted subject to environmental conditions and requirements. The Group aims to ensure a high standard of environmental care is achieved, and as a minimum, to comply with relevant environmental regulations. There have been no known material breaches of any of the environmental conditions.

### REMUNERATION REPORT (AUDITED)

The Directors of the Group present the Remuneration Report of non-executive directors, executive directors and other key management personnel, prepared in accordance with the Corporation Act 2001 and the Corporation Regulations 2001.

The Remuneration Report is set out under the following main headings:

- A. Principles used to determine the nature and amount of remuneration
- B. Details of remuneration
- C. Service agreements
- D. Share-based compensation
- E. Additional information

#### **A. Principles used to determine the nature and amount of remuneration**

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. As an emerging project development company, remuneration levels are established based on industry standards rather than company performance. These remuneration levels are set to attract qualified and experienced people to pursue the Group's stated objectives. The Board, through the Remuneration Committee, takes advice on industry remuneration standards through consultation with external agents. During the 2015 and 2016 year no external agent were engaged by the company.

The Board has established a remuneration charter, administered by the Remuneration Committee, which provides oversight guidance on remuneration and incentive policies and practices and specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors.

The Board recognises that future performance will be dependent on the quality of its people. To achieve its financial and operating objectives, Vimy must be able to attract, retain and motivate highly capable people.

## Directors' Report

### for the Year ended 30 June 2016

To this end, the Board and management have reviewed and agreed the appropriate people systems required at each level of company development. These will be implemented over time in order to support the continuing growth and change of the business.

#### Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed periodically by the Board through the Remuneration Committee. The Chairman does not attend any discussions relating to determination of her own remuneration. Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum fee pool currently stands at \$500,000 per annum. There are no retirement allowances for non-executive directors other than statutory superannuation contributions.

#### *Executive pay*

The executive pay and reward framework has three components:

##### *(i) Base pay and benefits, including superannuation*

Base pay is structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

Employees are offered a competitive base pay that comprises the fixed component of pay and rewards. External remuneration consultants provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Base pay for senior executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

There are no guaranteed base pay increases included in any senior executives' contracts.

Superannuation contributions are made to employees' chosen superannuation funds in accordance with Australian regulatory requirements.

##### *(ii) Short-term performance incentives*

The Board, through the Remuneration Committee, is responsible for assessing short term incentives for key management personnel. Service agreements may establish short-term incentives against key performance indicators which are assessed by the Board through the Remuneration Committee.

##### *(iii) Long-term incentives*

Long-term incentives are provided to employees through the Vimy Employee Share Plan. See section D – Share-based compensation for further information.

#### *Company performance*

The Company is currently focused on exploration and evaluation of its projects and is not expected to generate profits during this development phase. Share price performance will occur as a result of the success in progressing project development, quality of the projects, management's performance and external factors.

#### *Consequences of performance on shareholder wealth*

In considering the Group's performance and benefits for shareholder wealth, the Board have regard to the following indices in respect of the current financial year and the previous four financial years:

## Directors' Report

for the Year ended 30 June 2016

Item	2016	2015	2014 *	2013 *	2012 *
Loss per share (cents)	(5.24)	(5.26)	(13.72)	(27.23)	(13.02)
Dividend (cents per share)	-	-	-	-	-
Net Loss	(11,957,825)	(10,725,302)	(8,298,813)	(15,337,969)	(7,218,965)
Share price (\$)	0.34	0.26	0.35	0.21	0.35

\* The figures for these years have been retrospectively changed to factor in the consolidation of share capital of the Company on a basis that every 7 shares were consolidated into 1 share.

### B. Details of remuneration

#### Amounts of remuneration

The key management personnel of the Group are the directors and specified executives. Details of the remuneration of the key management personnel of the Group for the years ended 30 June 2016 and 2015 are set out in the following tables.

		Short-term benefits		Post-employment benefits	Share-based payments	
		Cash salary and fees	Cash bonus	Superannuation	Value of options / shares	Total
<b>Directors</b>						
<b>Non-executive</b>						
C. Edwardes	2016	90,000	-	8,550	146,212	244,762
	2015	90,000	-	8,550	77,500	176,050
D. Cornell	2016	40,000	-	3,800	-	43,800
	2015	40,000	-	3,800	-	43,800
A. Haslam <i>from 1 April 2016</i>	2016	10,950	-	-	-	10,950
	2015	-	-	-	-	-
M. James <sup>(a)</sup> <i>from 1 April 2016</i>	2016	10,950	-	-	-	10,950
	2015	-	-	-	-	-
A. Hood <sup>(a)</sup> <i>Resigned 1 April 2016</i>	2016	32,850	-	-	-	32,850
	2015	4,200	-	-	-	4,200
F. Gooding (a) <i>Resigned 26 May 2015</i>	2016	-	-	-	-	-
	2015	34,149	-	-	-	34,149
<b>Executive</b>						
M. Young	2016	425,000	-	25,000	233,391	683,391
	2015	422,012	-	24,999	123,709	570,720
J. Tapp	2016	325,000	-	25,000	233,391	583,391
	2015	315,503	-	34,995	123,709	474,207
Total directors	2016	934,750	-	62,350	612,994	1,610,094
	2015	905,864	-	72,344	324,918	1,303,126

<sup>(a)</sup> Payments for Mr James, Mr Hood and Ms Gooding were made to the Forrest Family Investments Pty Ltd (Peepingee Trust) whom they represent on the Board. Mr Hood commenced on 26 May 2015 and was replaced by Mr James on 1 April 2016.

## Directors' Report

for the Year ended 30 June 2016

		Short-term benefits		Post-employment benefits	Share-based payments	
		Cash salary and fees	Cash bonus	Superannuation	Value of options / shares	Total
Key management personnel						
T. Chamberlain	2016	278,933	49,400	13,012	136,975	478,320
Chief Operating Officer	2015	-	-		-	-
from 1 November 2015						
R. Chamberlain	2016	125,150	15,000	11,875	9,626	161,651
CFO and Company Secretary	2015	-	-	-	-	-
from 5 February 2016						
S. McBride	2016	304,370	-	35,000	33,049	372,419
CFO and Company Secretary	2015	292,675	-	34,923	21,317	348,915
Resigned 5 February 2016						
M. Fewster	2015	76,875	-	-	-	76,875
Total key management personnel	2016	708,453	64,400	59,887	179,650	1,012,390
	2015	369,550	-	34,923	21,317	425,790

Annual short-term incentive bonus is a component of the service agreement. Award of incentive bonus is dependent upon the Group performance in safety, Company share price performance compared to a peer group, and specific individual project achievements. In 2016 Mr T. Chamberlain received 65% of the maximum annual short-term incentive bonus (35% forfeited) and Mr R. Chamberlain received 60% of the maximum annual short-term incentive bonus (40% forfeited) (2015: Not applicable).

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

	Fixed remuneration		At risk – short term incentives		At risk – long term incentives	
	2016	2015	2016	2015	2016	2015
<b>Directors</b>						
<b>Non-executive</b>						
C. Edwardes	40%	56%	-	-	60%	44%
D. Cornell	100%	100%	-	-	-	-
A. Haslam	100%	-	-	-	-	-
M. James	100%	-	-	-	-	-
A. Hood	100%	-	-	-	-	-
<b>Executive</b>						
M. Young	66%	78%	-	-	34%	22%
J. Tapp	60%	74%	-	-	40%	26%
<b>Key management personnel</b>						
T. Chamberlain	68%	-	-	-	32%	-
R. Chamberlain	93%	-	-	-	7%	-
S. McBride	91%	94%	-	-	9%	6%

## Directors' Report

for the Year ended 30 June 2016

### **C. Service agreements**

Remuneration and other terms of employment for certain key management are formalised in service agreements. Employees are eligible for long term incentive benefits under the Vimy Employee Share Plan.

#### *Mr M. Young, Chief Executive Officer and Managing Director*

- Base Remuneration - \$450,000 inclusive of superannuation.
- Term of agreement – The executive service agreement has no fixed completion term.
- Termination – The Company may terminate Mr Young's employment at any time with six months' written notice or the payment of six months' remuneration in lieu of notice. Mr Young must provide six months' written notice to terminate the agreement.
- The service agreement may be terminated by the Company at any time, without notice to the executive as a result of misconduct, wilful neglect, material breaches of his duties, the executive being charged with a criminal offence which brings the Company into serious disrepute, the executive becoming insolvent or becoming ineligible to hold office as a director.

#### *Mr J. Tapp, Executive Director*

- Base Remuneration - \$350,000 inclusive of superannuation.
- Term of agreement – The executive service agreement has no fixed completion term.
- Termination – The Company may terminate Mr Tapp's employment at any time with six months' written notice or the payment of six months' remuneration in lieu of notice. Mr Tapp must provide six months' written notice to terminate the agreement.
- The service agreement may be terminated by the Company at any time, without notice to the executive as a result of misconduct, wilful neglect, material breaches of his duties, the executive being charged with a criminal offence which brings the Company into serious disrepute, the executive becoming insolvent or becoming ineligible to hold office as a director.

#### *Mr T. Chamberlain, Chief Operating Officer – from 1 November 2015*

- Base Remuneration - \$380,000 plus superannuation.
- Short Term Incentive – Maximum annual award of 20% of base remuneration.
- Term of agreement – The executive service agreement has no fixed completion term.
- Termination – The Company may terminate Mr Chamberlain's employment at any time with four months' written notice or the payment of four months' remuneration in lieu of notice. Mr Chamberlain must provide two months' written notice to terminate the agreement.
- The service agreement may be terminated by the Company at any time, without notice to the executive as a result of misconduct, wilful neglect, material breaches of his duties, the executive being charged with a criminal offence which brings the Company into serious disrepute, the executive becoming insolvent or becoming ineligible to hold office as a director.

## Directors' Report

### for the Year ended 30 June 2016

*Mr R. Chamberlain, Chief Financial Officer and Company Secretary – Appointed 5 February 2016*

- Base Remuneration - \$300,000 plus superannuation.
- Short Term Incentive – Maximum annual award of 20% of annual base remuneration.
- Term of agreement – The executive service agreement has no fixed completion term.
- Termination – The Company may terminate Mr Chamberlain's employment at any time with six months' written notice or the payment of six months' remuneration in lieu of notice. Mr Chamberlain must provide six months' written notice to terminate the agreement.
- The service agreement may be terminated by the Company at any time, without notice to the executive as a result of misconduct, wilful neglect, material breaches of his duties, the executive being charged with a criminal offence which brings the Company into serious disrepute, the executive becoming insolvent or becoming ineligible to hold office as a director.

*Mr S. McBride, Chief Financial Officer and Company Secretary – Resigned 5 February 2016*

- Term of agreement – The executive service agreement has no fixed completion term.
- Termination – The Company may terminate Mr McBride's employment at any time with six months' written notice or the payment of six months' remuneration in lieu of notice. Mr McBride must provide six months' written notice to terminate the agreement.
- The service agreement may be terminated by the Company at any time, without notice to the executive as a result of misconduct, wilful neglect, material breaches of his duties, the executive being charged with a criminal offence which brings the Company into serious disrepute, the executive becoming insolvent or becoming ineligible to hold office as a director.

#### **D. Share-based compensation**

During the year the Company granted options and issued shares under the Vimy Employee Share Plan ('Plan') to key management personnel.

The following shares were issued to key management personnel for the period ended 30 June 2016:

- On 20 November 2015, the Company issued 1,000,000 ordinary shares to Mr Tony Chamberlain. These shares were purchased by the employee or their associate and funded by a limited recourse loan provided by the Company. These shares are subject to a voluntary escrow period that ends upon completion of the Mulga Rock Project definitive feasibility study to the absolute satisfaction of the Remuneration Committee.
- On 3 June 2016, the Company issued 500,000 ordinary shares to Mr Ron Chamberlain. These shares were purchased by the employee or their associate and funded by a limited recourse loan provided by the Company. These shares are subject to one year voluntary escrow period expiring on 3 June 2017.

The terms of the Plan are detailed below under 'Loans to Directors and Key Management Personnel'.

## Directors' Report

for the Year ended 30 June 2016

### E. Additional Information

#### Shareholdings

The number of ordinary shares in the Company held during the year by each director and key management personnel, including their personally related entities or associates, are set out below.

	Balance at the start of the period	Granted as remuneration	Changes on appointment or resignation	Balance at the end of the period
<b>30 June 2016</b>				
<b>Directors</b>				
C. Edwardes	857,142	-	-	857,142
M. Young	3,571,427	-	-	3,571,427
J. Tapp	3,571,427	-	-	3,571,427
D. Cornell	-	-	-	-
A. Haslam	-	-	-	-
M. James <sup>(a)</sup>	-	-	-	-
A. Hood <sup>(a)</sup>	-	-	-	-
	<b>7,999,996</b>	<b>-</b>	<b>-</b>	<b>7,999,996</b>
<b>Key management personnel</b>				
T. Chamberlain	-	1,000,000	142,857	1,142,857
R. Chamberlain	-	500,000	-	500,000
S. McBride	457,142	-	(457,142)	-
	<b>457,142</b>	<b>1,500,000</b>	<b>(314,285)</b>	<b>1,642,857</b>

<sup>(a)</sup> Mr James and Mr Hood are representatives of Forrest Family Investments Pty Ltd (Peepingee Trust) which held 57,142,857 ordinary shares in the Company during the year ended 30 June 2016.

## Directors' Report

for the Year ended 30 June 2016

### Option holdings

The number of options over ordinary shares in the Company held during the reporting period by each director and key management personnel, including their personally related entities, are set out below.

	Balance at the start of the period	Granted as remuneration	Exercised	Changes on resignation	Balance at the end of the period	Vested and exercisable at 30 June 2016
<b>30 June 2016</b>						
<b>Directors</b>						
C. Edwardes	-	-	-	-	-	-
M. Young	2,142,856	-	-	-	2,142,856	1,428,571
J. Tapp	2,142,856	-	-	-	2,142,856	1,428,571
D. Cornell	-	-	-	-	-	-
A. Haslam	-	-	-	-	-	-
M. James <sup>(a)</sup>	-	-	-	-	-	-
A. Hood <sup>(a)</sup>	-	-	-	-	-	-
	4,285,712	-	-	-	4,285,712	2,857,142
<b>Key management personnel</b>						
T. Chamberlain	-	-	-	-	-	-
R. Chamberlain	-	-	-	-	-	-
S. McBride	50,000	-	-	(50,000)	-	-
	50,000	-	-	(50,000)	-	-

<sup>(a)</sup> Mr James and Mr Hood are representatives of Forrest Family Investments Pty Ltd (Peepingee Trust) which held 57,142,857 ordinary shares in the Company during the year ended 30 June 2016.

### Loans to Directors and Key Management Personnel

During 2013, shareholders approved an employee share scheme for the Company. As a result the Company adopted the employee share plan to be known as the Vimy Employee Share Plan ('Plan'), pursuant to which employees (including directors) of the Company can be invited to subscribe for shares using financial assistance provided by the Company.

The Plan provides a mechanism for the Company to invite employees (including the directors) to subscribe for shares in the Company and to apply for a loan from the Company to pay the subscription price for those shares ('Plan Shares'). The Company takes security over the Plan Shares acquired under the Plan until the limited recourse loan provided for the subscription price for those shares has been repaid in full ('Limited Recourse Loan').



## Directors' Report

### for the Year ended 30 June 2016

A summary of the terms of issue and the Limited Recourse Loan(s) provided is shown below.

	Grant Date	Number of shares acquired	Amount of the loan	Term of the loan
<b>Directors (or associate)</b>				
C. Edwardes	17/12/2014	857,142	\$357,500	up to 5 years
M. Young	17/12/2014	714,285	\$298,000	up to 5 years
M. Young	14/6/2013	1,428,571	\$246,753	up to 5 years
J. Tapp	17/12/2014	714,285	\$298,000	up to 5 years
J. Tapp	14/6/2013	1,428,571	\$246,753	up to 5 years
<b>Key management personnel (or associate)</b>				
T. Chamberlain	20/11/2015	1,000,000	\$340,800	up to 5 years
T. Chamberlain	5/9/2014	142,857	\$69,200	up to 5 years
R. Chamberlain	3/06/2016	500,000	\$158,450	up to 5 years
S. McBride resigned 5 February 2016	5/9/2014	457,142	\$221,440	up to 5 years

#### *Share based payment*

As non-interest bearing limited recourse loans were provided to purchase Plan Shares in the Company and these loans are secured against the same Plan Shares, AASB 2 (share based payments) applies. On this basis, the loan amount is not recognised in the financial statements.

#### *Loan terms*

The key terms of each Limited Recourse Loan provided under the Plan are as follows:

- (i) the Limited Recourse Loan may only be applied towards the subscription price for the shares issued under the Plan;
- (ii) the Limited Recourse Loan will be interest free, provided that if the Limited Recourse Loan is not repaid by the repayment date set by the Board, the Limited Recourse Loan will incur interest at 9% per annum after that date (which will accrue on a daily basis and compound annually on the then outstanding loan balance);
- (iii) by signing and returning an application for a Limited Recourse Loan, the participants of the Plan (each a Participant):
  - acknowledges and agrees that the Plan Shares will not be transferred, encumbered, otherwise disposed of, or have a security interest granted over it, by or on behalf of the Participant until the Limited Recourse Loan is repaid in full to the Company; and
  - authorises the Company (at its election) either to take such action in the Participant's name or direct that Participant take such action in relation to the Plan Shares as the Company considers appropriate which may include but is not limited to the Company undertaking buy-back of the Plan Shares or selling the Plan Shares;

## Directors' Report

for the Year ended 30 June 2016

- (iv) the Limited Recourse Loan becomes repayable on the earliest of:
  - the date which is five years after the grant date of the Limited Recourse Loan ('Repayment Date');
  - one month after the Participant ceases for any reason to be employed by the Company; and
  - (by the legal personal representative of the Participant) six months after the Participant ceases to be an employee of the Company due to their death;
- (v) notwithstanding paragraph (iv) above and subject to any voluntary escrow conditions entered into by the individual Participant, the Participant may repay all or part of the loan at any time before the Repayment Date; and
- (vi) the Limited Recourse Loan will be limited recourse such that on the repayment date the repayment obligation under the Limited Recourse Loan will be limited to the lesser of:
  - the outstanding balance of the Limited Recourse Loan; and
  - the market value of the Plan Shares on that date.

In addition, where the Participant has elected for the Plan Shares to be provided to the Company in full satisfaction of the Limited Recourse Loan, the Company must accept the Plan Shares as full settlement of the repayment obligation under the Limited Recourse Loan.

### *Rights attaching to Plan Shares*

The Plan Shares will rank equally with all other shares on issue in the capital of the Company. Holders of Plan Shares issued under the Plan will be entitled to exercise all voting rights attaching to the Shares in accordance with the Constitution. In addition, holders of Plan Shares issued under the Plan will be entitled to participate in dividends declared and paid by the Company in accordance with the Constitution.

### *Sale of Plan Shares*

Where the Participant has been granted a Limited Recourse Loan to purchase the Plan Shares; and subject to voluntary escrow, those Plan Shares may only be sold by a Participant when the Limited Recourse Loan has been repaid proportionately to the number of Plan Shares to be sold. Otherwise any dealing by the Participant in the Plan Shares is prohibited without the prior written consent of the Company.

If the Limited Recourse Loan becomes due and payable and the Participant has not repaid the amount of the Limited Recourse Loan in full within one month of the due date, then the Participant will forfeit their interest in the Plan Shares as full consideration for the repayment of the outstanding loan balance. The Company may either (at its election) take such action in the Participant's name or direct that Participant take such action in relation to the Plan Shares as the Company considers appropriate, which may include but is not limited to the Company undertaking buy-back of the Plan Shares or selling the Plan Shares.

### **Other transactions with director and key management personnel related entities**

	Consolidated	
	2016 \$	2015 \$
Mr Haslam is a director of Hasbar Pty Ltd. Hasbar has provided mining consulting services on the Mulga Rock Project for which it was paid at commercial rates. The amount unpaid at 30 June 2016 was \$2,000.		
Mining Consulting Services	7,600	-

**End of audited remuneration report.**

# Directors' Report

## for the Year ended 30 June 2016

### Auditor

Grant Thornton Audit Pty Ltd continues in office in accordance with section 327 of the *Corporations Act 2001*.

### NON-AUDIT SERVICES

During the period, the following fees were paid or payable for services provided by the auditor of the Parent entity, its related practices and non-related audit firms:

		Consolidated	
		Year ended 30 June 2016 \$	Year ended 30 June 2015 \$
<b>Assurance services</b>			
<b>1. Audit services</b>			
Grant Thornton Audit Pty Ltd:			
Audit of financial reports and other audit work under the <i>Corporations Act 2001</i>		35,665	32,629
<b>2. Non-audit services</b>			
Advisory fees		-	1,600
<b>Total remuneration for assurance services</b>		<b>35,665</b>	<b>34,229</b>

### AUDITORS' INDEMNITIES AND INSURANCE

The Company does not indemnify its auditors for liability to another person's or the Company that may arise out of the conduct of the Audit.

### 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 the page following this Directors' Report.

### OFFICERS' INDEMNITIES AND INSURANCE

The Company has agreed to indemnify former and current directors and officers of the Company against all liabilities to another person and the Company that may arise from their position as directors and officers of the Company and its controlled entities, except where the liability arises out of conduct involving a wilful breach of duty. The agreement stipulates that the Company will meet the full amount of such liabilities including costs and expenses.

The Company agreed to pay a premium in respect of a contract insuring directors and officers of the Company. That contract of insurance prohibits the Company disclosing the nature of the liability insured against and the amount of the premium paid. The liabilities insured include legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

## Directors' Report

for the Year ended 30 June 2016

### PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in or on behalf of the Company with leave of the court under section 237 of the *Corporations Act 2001*.

### ROUNDING OF AMOUNTS

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with the Class Order to the nearest dollar.

This Directors' Report, incorporating the Remuneration Report, is made in accordance with a resolution of the directors.



**Michael Young**  
**Chief Executive Officer and Managing Director**

Dated 28 September 2016

Level 1  
10 Kings Park Road  
West Perth WA 6005

Correspondence to:  
PO Box 570  
West Perth WA 6872

T +61 8 9480 2000  
F +61 8 9322 7787  
E [info.wa@au.gt.com](mailto:info.wa@au.gt.com)  
W [www.grantthornton.com.au](http://www.grantthornton.com.au)

**Auditor's Independence Declaration  
To the Directors of Vimy Resources Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Vimy Resources Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



P W Warr  
Partner - Audit & Assurance

Perth, 28 September 2016

Grant Thornton Audit Pty Ltd ACN 130 913 594  
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

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## Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2016

		Consolidated	
	Note	2016 \$	2015 \$
Other Income	6	11,380,804	165,655
Exploration and evaluation expenditure		(18,497,411)	(9,033,668)
Corporate and administration expense		(3,732,340)	(2,248,161)
Financing expense		(194,223)	(122,379)
Debt forgiveness	7	-	1,467,367
Share based payments expense	7	(914,655)	(954,116)
<b>Loss before income tax</b>		<b>(11,957,825)</b>	<b>(10,725,302)</b>
Income tax expense		-	-
<b>Loss attributable to members of the Company</b>		<b>(11,957,825)</b>	<b>(10,725,302)</b>
Other comprehensive income, net of tax		-	-
<b>Total comprehensive loss attributable to members of the Company</b>		<b>(11,957,825)</b>	<b>(10,725,302)</b>
Loss per share from continuing operations attributable to the ordinary equity holder of the Company:		<b>Cents per share</b>	<b>Cents per share</b>
Basic and diluted loss per share	4	(5.24)	(5.26)

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

## Statement of Financial Position

as at 30 June 2016

		Consolidated	
	Note	2016 \$	2015 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	9	4,572,609	6,445,757
Trade and other receivables	10	386,488	203,794
Prepayments	11	267,631	75,668
<b>Total Current Assets</b>		<b>5,226,728</b>	<b>6,725,219</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	10	190,506	-
Plant and equipment	12	430,755	242,954
<b>Total Non-Current Assets</b>		<b>621,261</b>	<b>242,954</b>
<b>TOTAL ASSETS</b>		<b>5,847,989</b>	<b>6,968,173</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	2,736,083	971,694
Provisions	14	697,488	151,447
Loans and borrowings	15	7,500,000	-
<b>Total Current Liabilities</b>		<b>10,933,571</b>	<b>1,123,141</b>
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables	13	112,183	-
Provisions	14	79,870	99,913
Other financial liabilities	16	20,416	-
<b>Total Non-Current Liabilities</b>		<b>212,469</b>	<b>99,913</b>
<b>TOTAL LIABILITIES</b>		<b>11,146,040</b>	<b>1,223,054</b>
<b>NET (LIABILITIES) / ASSETS</b>		<b>(5,298,051)</b>	<b>5,745,119</b>
<b>EQUITY</b>			
Contributed equity	17	67,727,303	67,727,303
Employee option plan reserve	18	1,316,153	1,093,362
Employee share plan reserve	18	1,927,281	1,235,417
Accumulated losses	20	(76,268,788)	(64,310,963)
<b>TOTAL (DEFICIT) / EQUITY</b>		<b>(5,298,051)</b>	<b>5,745,119</b>

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

## Statement of Changes in Equity

for the year ended 30 June 2016

	Contributed equity \$	Accumulated losses \$	Option reserve \$	Share reserve \$	Compound financial instruments \$	Total \$
<b>CONSOLIDATED</b>						
<b>Balance at 1 July 2014</b>	27,572,593	(57,330,845)	974,663	400,000	3,745,184	(24,638,405)
Issue of ordinary shares net of issue costs	40,154,710	-	-	-	-	40,154,710
Loss attributable to members of the Company	-	(10,725,302)	-	-	-	(10,725,302)
Share based payments expense	-	-	118,699	835,417	-	954,116
Conversion of compound financial instruments	-	3,745,184	-	-	(3,745,184)	-
<b>Balance at 30 June 2015</b>	67,727,303	(64,310,963)	1,093,362	1,235,417	-	5,745,119
<b>Balance at 1 July 2015</b>	67,727,303	(64,310,963)	1,093,362	1,235,417	-	5,745,119
Loss attributable to members of the Company	-	(11,957,825)	-	-	-	(11,957,825)
Share based payments expense	-	-	222,791	691,864	-	914,655
<b>Balance at 30 June 2016</b>	67,727,303	(76,268,788)	1,316,153	1,927,281	-	(5,298,051)

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



# Statement of Cash Flows

For the year ended 30 June 2016

	Note	Consolidated	
		2016 \$	2015 \$
<b>Cash Flows from Operating Activities</b>			
Interest received		152,596	139,875
Payments to other suppliers and employees		(20,178,549)	(10,934,271)
R&D tax incentive grant income		1,215,702	-
Other income		-	24,095
<b>Net cash used in Operating Activities</b>	24	(18,810,251)	(10,770,301)
<b>Cash Flows from Investing Activities</b>			
Proceeds from sale of royalty		10,000,000	-
Purchase of plant and equipment		(372,391)	(158,066)
Office security deposit		(190,506)	-
<b>Net cash from / (used in) Investing Activities</b>		9,437,103	(158,066)
<b>Cash Flows from Financing Activities</b>			
Proceeds from issue of ordinary shares		-	17,000,000
Share issue costs		-	(163,208)
Proceeds from drawdown of loan		7,500,000	-
<b>Net cash provided by Financing Activities</b>		7,500,000	16,836,792
<b>Net (decrease) / increase in cash and cash equivalents held</b>		(1,873,148)	5,908,425
Cash and cash equivalents at the beginning of the financial year		6,445,757	537,332
Cash and cash equivalents at the end of the financial year	9	4,572,609	6,445,757

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

# Notes to the Financial Statements

30 June 2016

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# Notes to the Financial Statements

30 June 2016

## REPORTING ENTITY

Vimy Resources Limited ('the Company') is a company incorporated and domiciled in Australia. The address of the Company's registered office and principal place of business is Ground Floor, 10 Richardson Street, West Perth, WA, 6005, Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2016 comprise the Company and its subsidiaries, together referred to as the ('Group'). The Group is a for-profit entity and primarily involved in uranium project exploration and evaluation.

## 1. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

(i) Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes formula. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

(ii) Rehabilitation provision

Significant estimates and assumptions are made in determining the provision for rehabilitation of the mine as there are numerous factors that will affect the ultimate liability payable.

These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to inflation rates, and changes in discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided.

(iii) Fair value of financial derivative instruments

The Group assesses the fair value of its derivative instruments in accordance with its accounting policies. When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using various valuation techniques, such as Black-Scholes valuation models and discounted cash flow models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. These judgements include consideration of inputs such as market price volatility and foreign exchange volatility. Changes in these assumptions could affect the reported fair value of financial instruments.

(iv) Income taxes

The Group is subject to income taxes in Australia. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. Sufficient tax losses exist to offset any deferred tax liabilities. The Group's ability to access existing tax losses is dependent on it demonstrating achievement of either of two income tax defined tests, being the continuity of ownership test or the same business test.

(v) Impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. The directors considered the impairment of the investments in subsidiaries and loans receivable from subsidiaries based on their estimate of the fair value less costs to sell off the underlying mineral tenements. The inter-company loans have no interest or repayment terms and are effectively investments in controlled entities and are reflected at cost.

# Notes to the Financial Statements

30 June 2016

## 2. SEGMENT INFORMATION

The Group 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.

The Group operates one business segment: Exploration and Evaluation. The activities undertaken by this segment relate to the Mulga Rock Project. This activity does not generate any sales revenue.

	Exploration	
	2016 \$	2015 \$
<b>Result</b>		
Segment contribution	(8,497,410)	(9,071,519)
<b>Reconciliation to Consolidated Loss</b>		
Segment contribution	(8,497,410)	(9,071,519)
Corporate and administration expense	(3,732,340)	(2,186,215)
Share based payments expense	(914,655)	(954,116)
Finance expense	(194,223)	(122,379)
Debt forgiveness	-	1,467,367
R&D Incentive Grant	1,215,701	-
Interest received	165,102	141,560
Loss from continuing operations	(11,957,825)	(10,725,302)
Total Assets		
<b>Segment assets</b>	630,395	213,666
Reconciliation to Group Total Assets		
<b>Segment assets</b>	630,395	213,666
Corporate and administration assets	5,217,594	6,754,507
Total assets	5,847,989	6,968,173

## 3. FINANCIAL RISK MANAGEMENT

The Group's financial position is not complex. Its activities may expose it to a variety of financial risks in the future such as market risk (including fair value interest rate risk), credit risk, and liquidity risk. The Group's overall financial risk management focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out under an approved framework covering a risk management policy and internal compliance and control by management. The Board identifies, evaluates and approves measures to address financial risks.

## Notes to the Financial Statements

30 June 2016

The Group holds the following financial instruments:

	Consolidated	
	2016 \$	2015 \$
<b>Financial assets</b>		
Cash and cash equivalents	4,572,609	6,445,757
Trade and other receivables - current	32,203	86,020
Trade and other receivables – non-current	190,506	-
	<b>4,795,318</b>	<b>6,531,777</b>
<b>Financial liabilities</b>		
Trade and other payables – current	2,604,953	869,945
Loans and borrowings	7,500,000	-
Trade and other payables – non-current	112,183	-
Other financial liabilities	20,416	-
	<b>10,237,552</b>	<b>869,945</b>

### (a) Market risk

#### *Cash flow and fair value interest rate risk*

The Group's main interest rate risk arises from cash deposits. Deposits at variable rates expose the Group to cash flow interest rate risk. Deposits at fixed rates expose the Group to fair value interest rate risk. During 2016 and 2015, the Group's deposits at variable rates were denominated in Australian dollars.

As at the reporting date, the Group had the following variable rate deposits and there were no interest rate swap contracts outstanding:

	2016		2015	
	Weighted average interest rate	Balance \$	Weighted average interest rate	Balance \$
Short-term deposits		3,750,000		4,045,000
Cash at bank		822,609		2,400,757
Net exposure to cash flow interest rate risk	2.53%	4,572,609	1.46%	6,445,757

The Group analyses its interest rate exposure on each occasion a deposit term expires. The Group aims to maximise interest returns from available funds and at the same time retain operating flexibility through adequate access to funds. During 2016 and 2015, if interest rates had been 10% higher or lower than the prevailing rates realised, with all other variables held constant, there would be an immaterial change in post-tax loss for the year. Equity would not have been impacted.

### (b) Credit risk

The Group has no significant concentrations of credit risk. Cash transactions are limited to high credit quality financial institutions.

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures on outstanding receivables and committed transactions. For banks and financial institutions, the Group will only hold deposits with A or better rated banks or financial institutions. All funds are currently banked with the Australian and New Zealand Banking Group Limited. Receivables are generally limited to Goods and Services Tax refunds or Research and Development Tax Incentive grant income from the Australian Taxation Office. Events leading to other receivables are reviewed on

## Notes to the Financial Statements

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a case by case basis and if there is no independent rating, management assesses the credit quality of the transaction party, taking into account its financial position, past experience and other factors.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised at the beginning of this note. All receivables at 30 June 2016 were received within two months.

### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group will aim at maintaining flexibility in funding by accessing appropriate committed credit lines available from different counterparties where appropriate and possible. Surplus funds when available are generally only invested in high credit quality financial institutions in highly liquid markets.

#### *Maturities of financial liabilities*

As at 30 June 2016, the Group's financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	<i>Current</i>		<i>Non-current</i>	
	<b>Within Six Months</b>	<b>Six - Twelve Months</b>	<b>One - Five Years</b>	<b>Later than Five Years</b>
	\$	\$	\$	\$
<b>30 June 2016</b>				
Loans and borrowings	165,373	7,666,667	913,109	-
Trade and other payables	2,604,953	-	-	-
Other financial liabilities	-	-	20,416	-
<b>Total</b>	<b>2,770,326</b>	<b>7,666,667</b>	<b>933,525</b>	<b>-</b>

This compares to the maturity of the Group's non-derivative financial liabilities in the previous reporting periods as follows:

<b>30 June 2015</b>				
Trade and other payables	869,945	-	-	-
<b>Total</b>	<b>869,945</b>	<b>-</b>	<b>-</b>	<b>-</b>

### (d) Capital management

The Group's capital management objective is to ensure adequate funding is obtained to enable it to progress its exploration and evaluation activities, while retaining sufficient cash reserves to ensure the Group continues as a going concern. As a project development company, funds for activities are generally sourced from equity markets, asset sales, or from borrowing facilities. The Group has utilised equity raisings and borrowings to maintain adequate funding. The Board monitors cash resources against expenditure forecasts associated with the Company's stated growth strategies and development plans to assess financial requirements.

# Notes to the Financial Statements

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## (e) Fair value estimation

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability

The following table shows the Levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 30 June 2016 and 30 June 2015:

<b>30 June 2016</b>	<b>Level 1 \$</b>	<b>Level 2 \$</b>	<b>Level 3 \$</b>	<b>Total \$</b>
<b>Financial assets</b>				
Cash and cash equivalents	4,572,609	-	-	4,572,609
Trade and other receivables current	32,203	-	-	32,203
Trade and other receivables non-current	190,506	-	-	190,506
<b>Total financial assets</b>	<b>4,795,318</b>	<b>-</b>	<b>-</b>	<b>4,795,318</b>
<b>Financial liabilities</b>				
Trade and other payables current	(2,604,953)	-	-	(2,604,953)
Loans and borrowings	(7,500,000)	-	-	(7,500,000)
Trade and other payables non-current	(112,183)	-	-	(112,183)
Other financial liabilities	-	(20,416)	-	(20,416)
<b>Total financial liabilities</b>	<b>(10,217,136)</b>	<b>(20,416)</b>	<b>-</b>	<b>(10,237,552)</b>
<b>Net fair value</b>	<b>(5,421,818)</b>	<b>(20,416)</b>	<b>-</b>	<b>(5,442,234)</b>
<b>30 June 2015</b>	<b>Level 1 \$</b>	<b>Level 2 \$</b>	<b>Level 3 \$</b>	<b>Total \$</b>
<b>Financial assets</b>				
Cash and cash equivalents	6,445,757	-	-	6,445,757
Trade and other receivables	86,020	-	-	86,020
<b>Total financial assets</b>	<b>6,531,777</b>	<b>-</b>	<b>-</b>	<b>6,531,777</b>
<b>Financial liabilities</b>				
Trade and other payables	(869,945)	-	-	(869,945)
<b>Total financial liabilities</b>	<b>(869,945)</b>	<b>-</b>	<b>-</b>	<b>(869,945)</b>
<b>Net fair value</b>	<b>5,661,832</b>	<b>-</b>	<b>-</b>	<b>5,661,832</b>

There were no transfers between Level 1 and Level 2 in 2016 or 2015.

## Value techniques used to derive Level 2 fair values

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

# Notes to the Financial Statements

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The fair value of the embedded derivatives associated with the RCF VI Bridge Finance facility are valued using a Black-Scholes option pricing model that takes into account the exercise price, term of the facilities, non-tradeable nature of the facilities, the share price at drawdown date and expected share price volatility of the underlying share, the expected dividend yield, and the risk-free rate for the term of the facility.

The table below summarises the model inputs for the embedded derivatives as at 30 June 2016:

	<i><b>Bridge Finance facility</b></i>
Dividend yield	0.00%
Expected volatility of Company's shares	101.00%
Risk-free rate	1.57%
Term remaining (years)	1.75
Conversion price (cents)	0.30
Underlying security spot price at valuation date (cents)	0.340
Valuation date	30 June 2016
Black-Scholes valuation per share	0.182

## 4. EARNINGS PER SHARE

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>Cents per share</b>	<b>Cents per share</b>
Basic and diluted loss per share (cents per share)	(5.24)	(5.26)
Loss after tax used in the calculation of basic EPS	\$(11,957,825)	\$(10,725,302)
Weighted average number of shares outstanding during the year used in calculations of loss per share	#229,761,367	#203,752,216

There are 21,849,988 (2015: 79,010,701) potential ordinary shares that have not been included in the dilutive EPS calculation because they are anti-dilutive.

## 5. DIRECTORS AND KEY MANAGEMENT PERSONNEL DISCLOSURE

### (a) Key management personnel

The following additional persons had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the year:

<b>Name</b>	<b>Position</b>	<b>Employer</b>
T. Chamberlain From 1 November 2015	Chief Operating Officer	Vimy Resources Limited
R. Chamberlain Appointed 5 February 2016	Chief Financial Officer and Company Secretary	Vimy Resources Limited
S. McBride Resigned 5 February 2016	Chief Financial Officer and Company Secretary	Vimy Resources Limited



# Notes to the Financial Statements

30 June 2016

## (b) Key management personnel compensation

	Consolidated	
	2016 \$	2015 \$
Short-term employee benefits	1,707,603	1,275,414
Post-employment benefits	122,237	107,267
Share-based payments	792,644	346,235
	2,622,484	1,728,916

In accordance with AASB124 remuneration disclosures related to key management personnel are included in the Remuneration Report in the Directors' Report.

## (c) Loans to Director and Key Management Personnel

During 2013, shareholders approved a new employee share scheme for the Company. As a result, the Company adopted the employee share plan to be known as the Vimy Employee Share Plan ('Plan'), pursuant to which certain employees (including directors) of the Company can be invited to subscribe for shares using financial assistance provided by the Company.

The Plan provides a mechanism for the Company to invite employees (including the directors) to subscribe for shares in the Company and to apply for a loan from the Company to pay the subscription price for those shares ('Plan Shares'). The Company takes security over the Shares acquired under the Plan until the limited recourse loan provided for the subscription price for those shares is repaid in full ('Limited Recourse Loan').

Subsequent to shareholder approval of the Plan and separate shareholder approval to issue shares to directors, a summary of the terms of issue and the Limited Recourse Loan provided is shown below.

	Grant Date	Number of shares acquired	Amount of the loan	Term of the loan
<b>Director (or associate)</b>				
C. Edwardes	17/12/2014	857,142	\$357,500	up to 5 years
M. Young	17/12/2014	714,285	\$298,000	up to 5 years
M. Young	14/6/2013	1,428,571	\$246,753	up to 5 years
J. Tapp	17/12/2014	714,285	\$298,000	up to 5 years
J. Tapp	14/6/2013	1,428,571	\$246,753	up to 5 years
<b>Key management personnel (or associate)</b>				
S. McBride - <i>resigned</i>	5/9/2014	457,142	\$221,440	up to 5 years
T. Chamberlain	5/9/2014	142,857	\$69,200	up to 5 years
T. Chamberlain	20/11/2015	1,000,000	\$340,800	up to 5 years
R. Chamberlain	3/6/2016	500,000	\$158,450	up to 5 years

### *Share based payment*

As non-interest bearing limited recourse loans were provided to purchase Plan Shares in the Company and these loans are secured against the same Plan Shares, AASB 2 (share based payments) applies. On this basis, the loan amount is not recognised in the financial statements.

## Notes to the Financial Statements

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### *Loan terms*

The key terms of each Limited Recourse Loan provided under the Plan are as follows:

- (i) the Limited Recourse Loan may only be applied towards the subscription price for the shares issued under the Plan;
- (ii) the Limited Recourse Loan will be interest free, provided that if the Limited Recourse Loan is not repaid by the repayment date set by the Board, the Limited Recourse Loan will incur interest at 9% per annum after that date (which will accrue on a daily basis and compound annually on the then outstanding loan balance);
- (iii) by signing and returning an application for a Limited Recourse Loan, the participants of the Plan (each a Participant):
  - acknowledges and agrees that the Plan Shares will not be transferred, encumbered, otherwise disposed of, or have a security interest granted over it, by or on behalf of the Participant until the Limited Recourse Loan is repaid in full to the Company; and
  - authorises the Company (at its election) either to take such action in the Participant's name or direct that Participant take such action in relation to the Plan Shares as the Company considers appropriate which may include but is not limited to the Company undertaking buy-back of the Plan Shares or selling the Plan Shares;
- (iv) the Limited Recourse Loan becomes repayable on the earliest of:
  - the date which is five years after the grant date of the Limited Recourse Loan ('Repayment Date');
  - one month after the Participant ceases for any reason to be employed by the Company; and
  - (by the legal personal representative of the Participant) six months after the Participant ceases to be an employee of the Company due to their death;
- (v) notwithstanding paragraph (iv) above and subject to any voluntary escrow conditions entered into by the individual participant, the Participant may repay all or part of the loan at any time before the Repayment Date; and
- (vi) the Limited Recourse Loan will be limited recourse such that on the repayment date the repayment obligation under the Limited Recourse Loan will be limited to the lesser of:
  - the outstanding balance of the Limited Recourse Loan; and
  - the market value of the Plan Shares on that date.

In addition, where the Participant has elected for the Plan Shares to be provided to the Company in full satisfaction of the Limited Recourse Loan, the Company must accept the Plan Shares as full settlement of the repayment obligation under the Limited Recourse Loan.

### *Rights attaching to Plan Shares*

The Plan Shares will rank equally with all other shares on issue in the capital of the Company. Holders of Plan Shares issued under the Plan will be entitled to exercise all voting rights attaching to the Shares in accordance with the Constitution. In addition, holders of Plan Shares issued under the Plan will be entitled to participate in dividends declared and paid by the Company in accordance with the Constitution.

### *Sale of Plan Shares*

Where the Participant has been granted a Limited Recourse Loan to purchase the Plan Shares; and subject to voluntary escrow those Plan Shares may only be sold by a Participant when the Limited Recourse Loan has been repaid proportionately to the number of Plan Shares to be sold. Otherwise any dealing by the Participant in the Plan Shares is prohibited without the prior written consent of the Company.

If the Limited Recourse Loan becomes due and payable and the Participant has not repaid the amount of the Limited Recourse Loan in full within one month of the due date, then the Participant will forfeit their interest in the Plan Shares as full consideration for the repayment of the outstanding loan balance. The Company may

## Notes to the Financial Statements

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either (at its election) take such action in the Participant's name or direct that Participant take such action in relation to the Plan Shares as the Company considers appropriate, which may include but is not limited to the Company undertaking buy-back of the Plan Shares or selling the Plan Shares.

### (d) Other transactions with director and key management personnel related entities

	Consolidated	
	2016 \$	2015 \$
Mr Haslam is a director of Hasbar Pty Ltd. Hasbar Pty Ltd has been providing mining consulting services to the company for which it was paid at commercial rates. There was \$2,000 unpaid at 30 June 2016 (2015: \$nil).		
Mining Consulting Services	7,600	-

### 6. OTHER INCOME

	Consolidated	
	2016 \$	2015 \$
Interest received	165,102	141,560
R&D tax incentive grant income <sup>(a)</sup>	1,215,702	-
Sale of royalty <sup>(b)</sup>	10,000,000	-
Other income	-	24,095
	11,380,804	165,655

(a) The research and development tax incentive grant income relates to the 2015 income tax year.

(b) On 17 August 2015, the Company announced a legally binding agreement with Resource Capital Fund VI L.P. ("RCF VI") for the provision of a funding package which included a \$10 million payment in return for a 1.15% royalty on future production from the Mulga Rock Project. The Company's accounting policy to expense exploration and evaluation expenditure as incurred.

### 7. LOSS FOR THE YEAR

The loss from ordinary activities before income tax has been determined after:

	Consolidated	
	2016 \$	2015 \$
<b>(a) Expenses</b>		
Depreciation expense	184,589	128,368
Operating leases costs	287,576	267,434
Audit and review fees	35,665	34,229
	507,830	430,031
<b>(b) Employee benefits expense</b>		
Wages, salaries and directors' fees	4,080,190	2,535,352
Share based payments expense (refer Note 19)	914,655	954,116
Other employee benefits	341,895	221,727
	5,336,740	3,711,195

# Notes to the Financial Statements

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	Consolidated	
	2016 \$	2015 \$
<b>(c) Embedded derivative</b>		
Fair value movement on embedded derivative (refer Note 16)	20,416	-
	20,416	-
<b>(d) Debt forgiveness</b>		
Debt forgiveness <sup>(a)</sup>	-	1,467,367
	-	1,467,367

- (a) On 17 July 2014, the Company converted loans and borrowings into equity. The Company convertible note holders comprising Australian resource investment groups Acorn Capital Limited and its clients, Macquarie Bank Limited and Element Resources Fund, converted \$23.3 million of debt into equity by subscribing for 613,741,209 ordinary fully paid shares at an issue price of \$0.038 per share (pre-consolidation), in addition the note holders have forgiven \$1.2 million in fees plus \$0.3 million on interest thereon. These transactions resulted in the Company eliminating the convertible note facility.

## 8. INCOME TAX BENEFIT

### (a) Income tax recognised

No income tax is payable by the Group as it recorded losses for income tax purposes for the year.

### (b) Reconciliation of effective tax rate

	Consolidated	
	2016 \$	2015 \$
Loss after income tax	(11,957,825)	(10,725,302)
Income tax expense	-	-
Loss before income tax	(11,957,825)	(10,725,302)
Income tax using the Company's domestic tax rate of 30 percent (2015: 30 percent)	(3,587,347)	(3,217,591)
Non-deductible expenses and non-assessable income	3,373	393
Equity based remuneration	274,189	286,235
Tax incentives	(364,711)	(25,887)
Mining royalty payment	(15,833)	-
Movement in deferred tax assets not brought to account as future income tax benefits	2,896,438	2,899,323
Under (over) provided in prior periods	793,891	57,527
	-	-

# Notes to the Financial Statements

30 June 2016

## (c) Unrecognised deferred tax assets and liabilities

*Deferred tax assets and liabilities are attributable to the following:*

	Consolidated	
	2016 \$	2015 \$
Property, plant and equipment	(6,802)	(33,328)
Receivables	(1,476)	-
Accrued income	(4,526)	(774)
Exploration tenements	1,739,650	1,739,650
Employee provisions	105,334	81,329
s40-880 costs	158,328	189,541
Other costs	36,888	34,500
Loans and borrowings	74,169	-
Rehabilitation provision	135,438	-
Tax losses	18,400,268	15,729,913
Tax (assets) liabilities	<b>20,637,271</b>	<b>17,740,831</b>
Unrecognised	<b>(20,637,271)</b>	<b>(17,740,831)</b>
Net tax (assets) liabilities	-	-

On 1 July 2007, Vimy Resources Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidation group under the Tax Consolidation Regime. Each entity in the Group will continue to recognise its own current and deferred tax liabilities, except for any deferred tax assets resulting from unused tax losses and tax credits, which are immediately assumed by the Parent entity. The current tax liability of each Group entity will then subsequently be assumed by the Parent entity. The tax consolidated group entered into a tax sharing agreement whereby each company in the Group contributes to the income tax payable in proportion to their contribution to profit before tax of the tax consolidated group.

## 9. CASH AND CASH EQUIVALENTS

	Consolidated	
	2016 \$	2015 \$
Cash at bank and in hand	822,609	2,400,757
Short-term deposits	3,750,000	4,045,000
	<b>4,572,609</b>	<b>6,445,757</b>

- The above figures are shown as cash and cash equivalents at the end of the financial period in the statement of cash flows.
- Cash at bank and on hand includes interest-bearing amounts. The average rate applicable to the Group's balance at 30 June 2016 was 2.53% (2015: 1.46%).
- Included within cash and equivalents disclosed above at 30 June 2016 is \$1.0 million in restricted cash (2015: not applicable) in the form of a minimum working capital amount under the terms of the RCF VI Bridge Facility Agreement (refer Note 15).

# Notes to the Financial Statements

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## 10. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2016 \$	2015 \$
<b>Current</b>		
Other receivables	32,204	82,248
Goods and services tax receivable	354,284	121,546
	386,488	203,794
<b>Non-Current</b>		
Security deposit <sup>(a)</sup>	190,506	-
	190,506	-

(a) The security deposit for \$190,506 (2015: \$nil) is cash security required for a bank guarantee related to the office lease at 10 Richardson Street, West Perth.

## 11. PREPAYMENT

	Consolidated	
	2016 \$	2015 \$
Deposits for tenement applications	245,000	-
Other prepayments	22,631	75,668
	267,631	75,668

# Notes to the Financial Statements

30 June 2016

## 12. PLANT AND EQUIPMENT

	Consolidated	
	2016 \$	2015 \$
<b>Office equipment</b>		
Cost	280,911	280,911
Accumulated depreciation	(235,552)	(251,623)
<b>Total office equipment</b>	<b>45,359</b>	<b>29,288</b>
<b>Exploration equipment</b>		
Cost	1,370,843	1,167,272
Accumulated depreciation	(985,447)	(953,606)
<b>Total exploration equipment</b>	<b>385,396</b>	<b>213,666</b>
<b>Total office and exploration equipment</b>	<b>430,755</b>	<b>242,954</b>

Movements in the carrying amounts of each class of assets at the beginning and end of the current financial period is as set out below:

<b>Office equipment</b>		
Balance at the beginning of year	29,288	8,873
Additions	51,803	48,688
Depreciation expense	(35,732)	(28,273)
Carrying amount at the end of the year	<b>45,359</b>	<b>29,288</b>
<b>Exploration equipment</b>		
Balance at the beginning of year	213,666	198,632
Additions	320,587	115,129
Depreciation expense	(148,857)	(100,095)
Carrying amount at the end of the year	<b>385,396</b>	<b>213,666</b>
<b>Total carrying amount at the end of the year</b>	<b>430,755</b>	<b>242,954</b>

# Notes to the Financial Statements

30 June 2016

## 13. TRADE AND OTHER PAYABLES

	Consolidated	
	2016 \$	2015 \$
<b>Current</b>		
Trade payables and accruals	2,654,043	971,694
Interest payable <sup>(i)</sup>	82,040	-
	<u>2,736,083</u>	<u>971,694</u>
<b>Non-Current</b>		
Interest payable <sup>(i)</sup>	112,183	-
	<u>112,183</u>	<u>-</u>

(i) Relates to interest payable on the RCF VI Bridge Facility Agreement, refer to note 15 for details.

## 14. PROVISIONS

<b>Current</b>		
Employee entitlement: Annual Leave		
Opening balance	151,447	100,393
Employee entitlements provided for	248,357	148,409
Employee entitlements used	(153,776)	(97,355)
Closing balance	<u>246,028</u>	<u>151,447</u>
The current provision relates to annual leave for employees of the Group. The provision is expected to be used over the forthcoming twelve months.		
<b>Rehabilitation</b>		
Opening balance	-	-
Rehabilitation provided for	451,460	-
Closing balance	<u>451,460</u>	<u>-</u>
The Group recognised a liability for rehabilitation during the year relating to completion of geotechnical test pits designed to provide information inputs into the Definitive Feasibility Study for the Mulga Rock Project.		
Total current provision	<u>697,488</u>	<u>151,447</u>
<b>Non-Current</b>		
Employee entitlement: Long Service Leave		
Opening balance	99,913	60,243
Employee entitlements provided for / foregone	(20,043)	39,670
Total non-current provision	<u>79,870</u>	<u>99,913</u>



# Notes to the Financial Statements

30 June 2016

## 15. LOANS AND BORROWINGS

	Consolidated	
	2016 \$	2015 \$
RCF VI Bridge Facility Agreement	7,500,000	-
<b>Total Loans and Borrowings</b>	<b>7,500,000</b>	<b>-</b>

### RCF VI Bridge Facility Agreement:

The RCF VI Bridge Facility is part of a \$30 million funding package from Resource Capital Fund VI. The funding package comprised a \$5 million placement to RCF VI undertaken in May 2015, a \$10 million payment received in September 2015 in return for a 1.15% royalty, and a \$15 million unsecured Bridge Facility.

The Company has drawdown \$7.5 million of the facility as at 30 June 2016. The facility has a maturity date of 31 March 2017. The available facility at 30 June 2016 of \$7.5 million was drawdown on 15 August 2016.

Interest on the facility is calculated at a rate of 15% per annum, with 4% payable quarterly and 11% deferred for payment until 31 March 2018. However, the deferred interest amounts at 31 March 2018 do 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 30 June 2016, the fair value of this embedded derivative was \$20,416, refer Note 16, and
- A requirement to maintain \$1.0 million in restricted cash in the form of a minimum working capital amount, refer Note 9(c).

## 16. OTHER FINANCIAL LIABILITIES

	Consolidated	
	2016 \$	2015 \$
Embedded derivatives <sup>(i)</sup>	20,416	-
<b>Total</b>	<b>20,416</b>	<b>-</b>

(i) Relates to an embedded derivative in the RCF VI Bridge Facility Agreement, refer to note 15 for details.

# Notes to the Financial Statements

30 June 2016

## 17. CONTRIBUTED EQUITY

229,761,367 (2015: 227,732,795) fully paid ordinary shares

	Consolidated	
	Number	\$
<b>Ordinary shares</b>		
<b>At 1 July 2014 (Pre consolidation)</b>	423,726,209	27,572,593
17 July 2014 Share placement @ 3 cents (Pre consolidation)	400,000,000	12,000,000
17 July 2014 Conversion of convertible and promissory notes to equity (Pre consolidation)	613,741,209	23,322,166
5 September 2014 Employee share plan issue (Pre consolidation)	13,500,000	-
8 December 2014 Consolidation of share capital	(1,243,687,002)	-
17 December 2014 Employee share plan issue (Post consolidation)	2,285,712	-
21 May 2015 Share placement @ 30 cents (Post consolidation)	16,666,667	5,000,000
21 May 2015 Shares issued for fees on placement @ 30 cents (Post consolidation)	1,500,000	450,000
Share issue costs	-	(617,456)
<b>Balance at 30 June 2015 (Post consolidation)</b>	<b>227,732,795</b>	<b>67,727,303</b>
<b>At 1 July 2015</b>	<b>227,732,795</b>	<b>67,727,303</b>
20 November 2015 Employee share plan issue	1,000,000	-
25 November 2015 Buy-back of shares	(271,428)	-
3 June 2016 Employee share plan issue	1,300,000	-
<b>Balance at 30 June 2016</b>	<b>229,761,367</b>	<b>67,727,303</b>

The shares have no par value.

### Fully paid ordinary shares

Ordinary shares participate in dividends and the proceeds on winding up of the Parent entity in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

# Notes to the Financial Statements

30 June 2016

## 18. EMPLOYEE SHARE AND OPTION RESERVES

### *Employee Share Option Reserves*

	Consolidated	
	2016 \$	2015 \$
Reserves	1,316,153	1,093,362
Reserves comprise the following:		
<b>Employee Share Option Reserve</b>		
Balance as at start of financial year	1,093,362	974,663
1,428,570 options vesting <sup>(a)</sup>	222,791	118,699
Balance as at end of the financial year	1,316,153	1,093,362

- <sup>(a)</sup> On 16 December 2014, the Company granted 714,285 options each to Messrs Young and Tapp which vest two years and expire on 16 December 2019. Each option is exercisable at \$0.80 per ordinary share. The Black Scholes valuation expense will be proportionately allocated over the vesting period.

### *Employee Share Plan Reserves*

The share plan reserve records items recognised as expenses on the valuation of employee shares.

	Consolidated	
	2016 \$	2015 \$
Reserves	1,927,281	1,235,417
Reserves comprise the following:		
<b>Employee Share Plan Reserve</b>		
Balance as at start of financial year	1,235,417	400,000
1,928,571 shares issued and vested	-	205,885
2,285,712 shares issued and vesting <sup>(a)</sup>	390,434	629,532
13,500,000 shares issued and vesting <sup>(b)</sup>	139,427	-
1,000,000 shares issued and vesting <sup>(c)</sup>	136,975	-
1,300,000 shares issued and vesting <sup>(d)</sup>	25,028	-
Balance as at end of the financial year	1,927,281	1,235,417

- (a) On 18 December 2014, a total of 2,285,712 ordinary shares were issued to Directors, Messrs Young and Tapp and The Hon. Cheryl Edwardes and have been funded by a non-interest bearing, limited recourse loan from the Company. These shares are subject to vesting period of two years which expires on 17 December 2016. The Black Scholes valuation expense will be proportionately allocated over the vesting period.
- (b) On the 5 September 2014 a total of 13,500,000 shares were issued to staff and have been funded by a non-interest bearing, limited recourse loan from the Company. The shares are subject to a vesting period of one year and expire on 4 September 2019. The Black Scholes valuation expense has been proportionally allocated over the vesting period.
- (c) On the 20 November 2015 a total of 1,000,000 shares were issued to Mr T Chamberlain and have been funded by a non-interest bearing, limited recourse loan from the Company. The shares are subject to a vesting period that ends upon completion of the Definitive Feasibility Study for the Mulga Rock Project to the absolute satisfaction of the Remuneration Committee, and expire on 20 November 2020. The Black Scholes valuation expense will be proportionally allocated over the vesting period.

# Notes to the Financial Statements

30 June 2016

- (d) On the 3 June 2016 a total of 1,300,000 shares were issued to employees and have been funded by a non-interest bearing, limited recourse loan from the Company. The shares are subject to a vesting period of one year and expire on 3 June 2021. The Black Scholes valuation expense will be proportionally allocated over the vesting period.

As non-interest bearing limited recourse loans were provided to purchase Plan shares in the Company and these loans are secured against the same Plan shares, AASB 2 (share based payments) applies. On this basis, the loan amount is not recognised in the financial statements and instead an amount is expensed as a share based payment.

## 19. SHARE BASED PAYMENTS

### (a) Employee share option plan

The Company had an employee share option plan, which was also available to directors (the issue of securities to directors requires shareholder approval), called the Vimy Resources Limited Employee Share Option Plan ("Plan"). This Plan was replaced by the Vimy Employee Share Plan on 14 June 2013, however, some options remain outstanding under the prior employee option plan. No options were issued during the year.

Set out below is a summary of options granted to employees under the Vimy Resources Limited Employee Option Plan:

Grant date	Expiry date	Number Balance at start of year	Number Granted during year	Number Exercised during year	Number Cancelled during year	Number Balance at end of year	Number Exercisable at end of year
Various	Various	4,439,285	-	-	(17,856)	4,421,429	2,992,859
<b>Weighted average exercise price</b>			-	-	-	<b>0.52</b>	<b>0.52</b>

### (b) Employee share plan

On 14 June 2013, the Company established an employee share plan, which is also available to directors (the issue of securities to directors requires shareholder approval). The plan is called the Vimy Employee Share Plan.

A summary of the main terms and conditions of the Vimy Employee Share Plan can be found at Note 5.

Set out below is a summary of shares granted to employees under the Plan:

Issue date	Number Balance at start of year	Number Issued during year	Number Cancelled during year	Number Balance at end of year
14 June 2013	2,857,142	-	-	2,857,142
5 September 2014	1,928,571	-	(271,433)	1,657,138
17 December 2014	2,285,712	-	-	2,285,712
20 November 2015	-	1,000,000	-	1,000,000
3 June 2016	-	1,300,000	-	1,300,000

## Notes to the Financial Statements

30 June 2016

On 20 November 2015, the Company issued 1,000,000 shares to Mr T Chamberlain under its employee share plan. The input variables used in the Black Scholes option pricing model are as follows:

Issue date:	20 November 2015
Expected volatility:	115%
Latest loan repayment date:	5 years
Risk free interest rate (based on government bonds):	2.85%
Calculated share value at issue date:	\$0.25
Total amount to be recognised as share based payments over a one year escrow period	\$249,994

Subsequently on 3 June 2016, the Company issued 1,300,000 shares to employees under its employee share plan. The input variables used in the Black Scholes option pricing model are as follows:

Issue date:	3 June 2016
Expected volatility:	115%
Latest loan repayment date:	5 years
Risk free interest rate (based on government bonds):	2.22%
Calculated share value at issue date:	\$0.26
Total amount to be recognised as share based payments over a one year escrow period	\$338,348

### Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the year as part of employee benefit expense were as follows:

	Consolidated	
	2016 \$	2015 \$
Share based payments expense	914,655	954,116

## 20. ACCUMULATED LOSSES

	Consolidated	
	2016 \$	2015 \$
Accumulated losses at the beginning of the financial year	(64,310,963)	(57,330,845)
Transfer of compound financial instrument to accumulated losses	-	3,745,184
Net loss attributable to members of the Company	(11,957,825)	(10,725,302)
Accumulated losses at the end of the financial year	(76,268,788)	(64,310,963)

# Notes to the Financial Statements

30 June 2016

## 21. EXPENDITURE COMMITMENTS

	Consolidated	
	2016 \$	2015 \$
<b>(a) Operating lease commitments</b>		
Non-cancellable operating leases contracted for but not capitalised in the financial statements relating to office space		
Payable - minimum lease payments		
- not later than 12 months	241,512	74,000
- between 12 months and 5 years	332,489	-
	<b>574,001</b>	<b>74,000</b>

On 1 November 2015 the Company entered into a new office lease for the ground Floor, 10 Richardson Street, West Perth, Western Australia for three years. A cash backed guarantee bond has been established for \$190,506 in relation to the new lease.

### (b) Expenditure commitments contracted for:

#### Exploration tenements

In order to maintain current rights of tenure to exploration tenements, the Group is required to meet the minimum expenditure requirements. These obligations are not provided for in the financial statements:

- not later than 12 months	1,984,017	1,947,120
- between 12 months and 5 years	5,214,000	5,034,120
	<b>7,198,017</b>	<b>6,981,240</b>

## 22. CONTROLLED ENTITIES

	Percentage owned	
Country of incorporation	2016	2015
<i>Parent entity:</i>		
Vimy Resources Limited	Australia	
<i>Subsidiaries of Vimy Resources Limited:</i>		
Narnoo Mining Pty Ltd	Australia	100%
Velo Resources Pty Ltd (previously Camuco Pty Ltd)	Australia	100%
Gunbarrel Energy and Minerals Australia Pty Ltd	Australia	100%

## 30 June 2016

	2016 \$	2015 \$
During the period the following fees were paid or payable for services provided by the auditor of the Parent entity, its related practices and non-related audit firms:		
<b>Assurance services</b>		
Audit services		
Grant Thornton Audit Pty Ltd:		
- audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	35,665	32,629
<b>Non audit services</b>		
- Advisory fees	-	1,600
Total remuneration	35,665	34,229

	Consolidated	
	2016 \$	2015 \$
<b>(a) Reconciliation of Loss after tax to net cash outflow from Operating Activities</b>		
Loss after income tax	(11,957,825)	(10,725,302)
Adjustments for:		
Depreciation expense	184,589	128,368
Share based payments expense	914,655	954,116
Fair value adjustment to embedded derivative	20,416	-
Fees and interest forgiven on Convertible Notes	-	(1,467,367)
Finance Costs	-	112,380
Proceeds from sale of royalty	(10,000,000)	-
	(20,838,165)	(10,997,805)
Changes in operating assets and liabilities:		
(Increase) / Decrease in trade and other receivables	(182,694)	(115,616)
(Increase) / Decrease in prepayments	(191,963)	24,672
Increase / (Decrease) in trade and other payables	1,876,573	227,723
Increase / (Decrease) in provisions	525,998	90,725
Net cash outflow from operating activities	(18,810,251)	(10,770,301)
<b>(b) Non-cash financing and investing activities</b>		
Capitalisation of finance costs	-	112,380
Debt forgiveness	-	(1,467,367)
Payment of facility fee on RCF VI funding facility	-	450,000

# Notes to the Financial Statements

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## 25. CONTINGENT LIABILITIES AND ASSETS

### Contingent Liability - Royalty

On 17 August 2015, the Company announced a legally binding agreement with Resource Capital Fund VI L.P. ("RCF VI") for the provision of the final \$25 million of the \$30 million funding package announced on 20 May 2015. The funding package comprises a \$10 million payment in return for a 1.15% royalty on future production from the Mulga Rock Project and a \$15 million unsecured bridging loan.

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

### Contingent Asset – R&D Tax Incentive Grant

During the year ended 30 June 2016, the Group finalised its 2015 financial year research and development tax incentive claim filings, and as a consequence the recognised \$1.2 million in grant income in Note 6. The Group intends to lodge a claim for the 2016 financial year relating to continuation of research and development activities. At the time of preparing the consolidated financial statements for the year ended 30 June 2016, work on the 2016 financial year research and development tax incentive claim filings is incomplete and a reliable measurement of this claim is not presently available. As a consequence, the Group has not recognised a receivable asset for the 2016 financial year research and development tax incentive claim as at 30 June 2016.

## 26. PARENT ENTITY INFORMATION

	Parent Entity	
	2016 \$	2015 \$
Information relating to Vimy Resources Limited:		
Current assets	5,226,728	6,649,551
Total assets	5,847,989	6,892,504
Current liabilities	10,004,486	1,104,683
Total liabilities	10,216,956	1,204,596
Total net (liabilities) / assets	(4,368,967)	5,687,908
Issued capital	67,727,303	67,272,303
Accumulated losses	(75,339,704)	(63,913,174)
Employee share plan reserve	1,927,281	1,235,417
Employee options plan reserve	1,316,153	1,093,362
Total (deficit) / equity	(4,368,967)	5,687,908
Loss of the parent entity	(11,426,530)	(6,523,956)
Total comprehensive loss of the parent entity	(11,426,530)	(6,523,956)



# Notes to the Financial Statements

30 June 2016

## Guarantees of the Parent:

On 1 July 2007, Vimy Resources Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidation group under the Tax Consolidation Regime. Each entity in the Group will continue to recognise its own current and deferred tax liabilities, except for any deferred tax assets resulting from unused tax losses and tax credits, which are immediately assumed by the Parent entity. The current tax liability of each Group entity will then subsequently be assumed by the Parent entity. The tax consolidated group entered into a tax sharing agreement whereby each company in the Group contributes to the income tax payable in proportion to their contribution to profit before tax of the tax consolidated group.

	Parent Entity	
	2016 \$	2015 \$
<b>Commitments and contingent liabilities of the Parent</b>		
<b>Expenditure commitments</b>		
Non-cancellable operating leases contracted for but not capitalised in the financial statements relating to office space		
Payable - minimum lease payments		
- not later than 12 months	241,512	74,000
- between 12 months and 5 years	332,489	-
	574,001	74,000

## 27. EVENTS OCCURRING AFTER REPORTING DATE

Since 30 June 2016 the following significant subsequent events have occurred:

On the 15 August 2016 the Office of the Environmental Protection Authority assessed the Company's proposal and prepared an Assessment Report that has been sent to the Minister under s44(1) of the Western Australian Environmental Protection Act (EPA Act). The Assessment Report recommends that the proposal is implemented and specifies the conditions and procedures to which implementation should be subject, as required by s44(2)(b) of the EPA Act.

On the 15 August 2016 the Company announced the final drawdown of funds of \$7.5 million under the RCF VI funding facility to maintain progress on the Definitive Feasibility Study for the Mulga Rock Project.

On 23 September 2016 the Company announced a \$6.6 million placement to new and existing institutions and other sophisticated investors, conversion of the full \$15 million RCF VI funding facility, and a Share Purchase Plan. The placement is in part subject to FIRB approval, and the loan conversion to equity is subject to both FIRB and shareholder approval.

## 28. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in other notes above. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the group consisting of Vimy Resources Limited and its subsidiaries.

# Notes to the Financial Statements

30 June 2016

## (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. Vimy Resources Limited is a for-profit entity for the purpose of preparing the financial statements.

### *Compliance with IFRS*

The consolidated financial statements of Vimy Resources Limited group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

### *Historical cost convention*

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and liabilities (including derivative instruments) at fair value.

### *Critical accounting estimates*

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 1.

### *Functional and presentation currency*

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and are rounded to the nearest dollar. Where necessary prior year balances can be reallocated to compare with the current year.

## (b) Going Concern

The Group incurred a net loss of \$11,957,825 during the year ended 30 June 2016, after recognising the sale of a 1.15% royalty on future production from the Mulga Rock Project for \$10 million. The Group's net cash used in operating activities was \$18,810,251 for the year ended 30 June 2016.

At 30 June 2016 a net liability exists in the Statement of Financial Position of \$5,298,051, as a consequence of both the Group's accounting policy to expense exploration and evaluation expenditure as incurred, and the \$7.5 million drawdown of Resource Capital Fund VI L.P. (RCF VI) unsecured bridge facility agreement. Current liabilities exceed current assets by \$5,706,843.

On 15 August 2016 the Group completed the final \$7.5 million drawdown of the \$15 million unsecured bridge facility agreement with RCF VI, which has a maturity date of 31 March 2017. On 23 September 2016 the Group announced full conversion of the \$15 million RCF VI unsecured bridge facility agreement to equity, subject to both FIRB and shareholder approval.

The Group's ability to continue as a going concern and to capitalise on its exploration and evaluation activities depends on being able to obtain additional funding through equity, debt or hybrid financing, joint ventures, production off-take arrangements, R&D Tax Incentive receipts or other means. The Group's ability to continue as a going concern also depends on FIRB and shareholder approval for full conversion of the RCF VI \$15 million unsecured bridge facility agreement to equity. These circumstances create material uncertainties as to the ability of the Group to continue as a going concern.

In considering these circumstances, the directors have taken into account the R&D Tax Incentive receipts expected from lodging both the 2016 and 2017 Group income tax returns, the Group's demonstrated track record in raising equity, the \$6.6 million placement to new and existing institutions and other sophisticated investors (in part subject to FIRB approval), and the previous funding support provided by RCF VI.

In the unlikely event that additional funding is not able to be obtained, and approval is not obtained to convert the RCF VI bridge facility agreement to equity, the directors would actively curtail both project and corporate expenditure in light of the Group's actual funding and indebtedness.

# Notes to the Financial Statements

30 June 2016

In view of all the foregoing, the directors are of the view that they have a reasonable expectation that the Group will have adequate resources to continue to operate for at least the next twelve months. For these reasons, they continue to adopt the going concern basis in preparing the financial report.

If the Group 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 financial report.

## (c) Principles of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2016. Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

## (d) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods. These standards and interpretations have not been early adopted.

- AASB 9 *Financial Instruments* (effective for annual reporting periods beginning on or after 1 January 2018). AASB 9 addresses the clarification, measurement and de-recognition of financial assets and financial liabilities and introduces new rules for hedge accounting. Following a preliminary assessment Vimy has determined that AASB 9 will have no material impact on the way the Group accounts for its financial instruments.
- AASB 15 *Revenue from Contracts with Customers* (effective for annual reporting periods beginning on or after 1 January 2018). AASB 15 introduces new framework for accounting for revenue and will replace AASB 118 *Revenue* and AASB 111 *Construction Contracts*. The new standard is based on the principle that revenue is recognised when control over goods and services transfers to a customer, therefore the notion of control replaces the existing notion of risks and rewards. Following a preliminary assessment Vimy has determined that there will be no material impact of the new standard on the Group's financial statements.
- AASB 16 *Leases* (effective for annual reporting periods beginning on or after 1 January 2019). AASB 16 introduces new framework for accounting for leases and will replace AASB 117 *Leases*. The new standard will primarily affect the accounting by lessees and will result in the recognition of almost all leases on the Statement of Financial Position. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for almost all lease contracts. Management is continuing to assess the impact of the new standard on Vimy's financial statements.

## (e) Impairment of non-financial assets

At each reporting date, the entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

# Notes to the Financial Statements

30 June 2016

## **(f) Plant and equipment**

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Plant and equipment – 2 to 15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

## **(g) Provisions**

Provisions for legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as an expense.

## **(h) Employee benefits**

### *Employee entitlement*

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave. Liabilities arising in respect of wages and salaries, annual leave and long service leave and any other benefits expected to be settled wholly within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on high quality corporate bonds, which have terms to maturity approximating the terms of the related liabilities, are used.

### *Share-based payments*

The company provides staff with an Employee Share Plan, whereby eligible participants are granted shares in the company funded by a limited recourse loan company. The limited recourse loans are recorded within equity and not as a receivable or financial asset to be recovered by the Company. Share-based compensation benefits may be provided to employees and directors via Vimy Employee Share Plan. The fair value of the shares is the market volume weighted average closing price for the Shares over the 10 trading day period prior to issue, which is represented as an increase in equity.

## **(i) Financial instruments**

### *(i) Non-derivative financial assets*

#### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables.

## Notes to the Financial Statements

30 June 2016

*(ii) Non-derivative financial liabilities*

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Other financial liabilities comprise loans, borrowings, trade and other payables.

*(iii) Derivative financial liabilities*

Derivative financial instruments are recorded at fair value on the Statement of Financial Position and classified by contract maturity. Derivative instruments are classified as either hedges of the fair value of recognised assets or liabilities or of firm commitments (fair value hedges), hedges of highly probably forecast transactions (cash flow hedges), or non-hedge derivatives. The changes in the fair value of any non-hedge derivatives are recognised immediately in the Consolidated Statement of Profit and Loss and Other Comprehensive Income.

**(j) Income tax**

The income tax expense for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

**(k) Exploration and evaluation expenditure**

Exploration and evaluation expenditure is expensed in the year it is incurred. Development costs, when incurred, will be capitalised. Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences.

**(l) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

# Notes to the Financial Statements

30 June 2016

## **(m) Leases**

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term.

## **(n) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

## **(o) Segments**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors.

## **(p) Revenue and income recognition**

Revenue and income are recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue and income can be reliably measured. The following specific recognition criteria must also be met before revenue and income is recognised:

### *Interest revenue*

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate.

### *Royalty income*

Royalty income is recognised when the royalty has been transferred out of the control of the Group.

### *R&D Tax Incentive grant income*

Any grant received for eligible research and development tax incentive income is offset against the area where the costs were initially incurred. This is in the Consolidated Statement of Profit or Loss and Other Comprehensive Income as a consequence of the accounting policy to expense exploration and evaluation costs as incurred.

## **(q) New accounting standards and interpretations**

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2015:

- AASB 2014-1 *Amendments to Australian Accounting Standards Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles*. AASB 2014-1 introduced annual improvements that resulted in changes to various standards.

The adoption of the 2010-2012 and 2011-2013 annual improvement cycles had no impact on the amounts recognised and disclosures in Vimy's financial statements.

## **(r) Trade and other receivables**

Trade receivables are recognised and carried at original invoice amount less an allowance for uncollectible debts.

## **(s) Trade and other payables**

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

## Notes to the Financial Statements

30 June 2016

### **(t) Loans and borrowings**

Loans and borrowings are initially recognised at fair value, net of transaction cost incurred. Loans and borrowings are subsequently measured at amortised costs. Loans and borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired.

### **(u) Rehabilitation and site restoration**

The Group is required to rehabilitate mine sites, to the extent that any environmental disturbance has occurred, to a condition acceptable to the relevant authorities. The rehabilitation provision is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date. Future restoration costs are reviewed annually and any changes are reflected in the provision at the end of the reporting period.

## Directors' Declaration

30 June 2016

1. In the opinion of the directors of Vimy Resources Limited:
  - (a) the consolidated financial statements and notes of Vimy Resources Limited are in accordance with the *Corporations Act 2001*, including
    - i. giving a true and fair view of its financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and
    - ii. complying with Accounting Standards, the Corporations Regulations 2001, and other mandatory professional reporting requirements.
  - (b) there are reasonable grounds to believe that Vimy Resources Limited will be able to pay its debts as and when they become due and payable; and
2. The directors have been given the declarations by the chief executive officer and chief financial officer required by Section 295A of the *Corporations Act 2001*.
3. The consolidated financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



**Michael Young**

**Chief Executive Officer and Managing Director**

Dated: 28 September 2016



Level 1  
10 Kings Park Road  
West Perth WA 6005

Correspondence to:  
PO Box 570  
West Perth WA 6872

T +61 8 9480 2000  
F +61 8 9322 7787  
E [info.wa@au.gt.com](mailto:info.wa@au.gt.com)  
W [www.grantthornton.com.au](http://www.grantthornton.com.au)

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIMY RESOURCES LIMITED**

### **Report on the Financial Report**

We have audited the accompanying financial report of Vimy Resources Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

### **Directors' Responsibility for the Financial Report**

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, the financial statements comply with International Financial Reporting Standards.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Independence**

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

### **Auditor's Opinion**

In our opinion the financial report of Vimy Resources Limited is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- c) the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

### **Material Uncertainty relating to Going concern**

Without qualification to the audit opinion expressed above, we draw attention to Note 28(b) to the financial report that highlights the consolidated entity reported a net loss of \$11,957,825 and a net liability position of \$5,298,051 for the year ended 30 June 2016. These conditions, along with other matters as set forth in Note 28(b), indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 7 to 16 of the directors' report for the year ended 30 June 2016. The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**Auditor's Opinion on the Remuneration Report**

In our opinion, the Remuneration Report of Vimy Resources Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



P W Warr  
Partner - Audit & Assurance

Perth, 28 September 2016