

## THE WAITING IS THE HARDEST PART

### Investment Highlights

- More waiting is required before a US administration decision is made on the, still confidential, findings of the Department of Commerce's Section 232 nuclear investigation. A final decision by the US President is to be made by 14 July 2019. Until a decision is known, we do not expect US utilities to sign term contracts. We would have thought this would have been good for the spot price (if we were uranium buyers', it would make sense to us to buy in the spot market now, rather than wait for a decision that may well result in a higher U<sub>3</sub>O<sub>8</sub> price, and/or ultimately bifurcation of the U<sub>3</sub>O<sub>8</sub> market), yet the spot price has remained relatively unchanged over the last month.**
- Section 232: will Australia be exempt if quotas are imposed?** It is widely considered that the Section 232 investigation is taking aim at the low cost, state owned producers in Russia and Uzbekistan. The US would be unable to meet a 25% domestic quota in the near term and therefore such a quota would need to be phased in (8% to 10% is achievable in the short term in our view), and/or include exemptions for countries such as Australia and Canada in order to be achievable. Such an outcome would be positive for VMY and other Australian uranium companies.
- Next company specific catalysts for VMY** include: (1) secondary approvals (works approval, mine closure plan, env'l management plans) are being progressed and are expected to be completed in 2H 2019; (2) signing of long term U<sub>3</sub>O<sub>8</sub> supply contracts. In our view these contracts will need to be binding sales purchase agreements in order to facilitate obtaining financing for the project ahead of the Mulga Rock Project FID.
- Hold rating maintained.** The Mulga Rock Project definitive feasibility study (DFS) is based on a contract U<sub>3</sub>O<sub>8</sub> price of US\$60/lb, however we believe uranium companies generally will want to see spot price materially higher than today's price of US\$25.75/lb before greenfield projects are sanctioned. While a rising uranium price will be positive for the majority of uranium companies, our preference in the sector is for companies with plant already in place that can bring production on-line in a relatively short space of time.
- Valuation: \$0.07/share.** Our VMY valuation is based on a DCF analysis of the Mulga Rock Uranium Project, risk weighted at 50% to reflect uncertainty around grade, production rates, costs and timing of the development.

Year End June 30	2018A	2019F	2020F	2021F	2022F
Reported NPAT (A\$m)	(9.5)	(7.0)	(5.6)	(7.0)	(12.4)
Recurrent NPAT (A\$m)	(9.5)	(7.0)	(5.6)	(7.0)	(12.4)
Recurrent EPS (cents)	(2.0)	(1.4)	(0.2)	(0.2)	(0.3)
EPS Growth (%)	na	na	na	na	na
PER (x)	(3.3)	(4.5)	(41.9)	(33.8)	(19.1)
EBITDA (A\$m)	(9.4)	(6.7)	(5.7)	(7.1)	(6.7)
EV/EBITDA (x)	(2.7)	(3.8)	(40.0)	(32.1)	(63.0)
Capex (A\$m)	0.1	1.6	3.0	3.0	209.8
Free Cashflow	(8.8)	(7.9)	(8.0)	(9.4)	(222.1)
FCFPS (cents)	(1.8)	(1.6)	(0.2)	(0.3)	(6.0)
PFCF (x)	na	na	na	na	na
DPS (cents)	0.0	0.0	0.0	0.0	0.0
Yield (%)	0.0	0.0	0.0	0.0	0.0
Franking (%)	0.0	0.0	0.0	0.0	0.0

1 May 2019

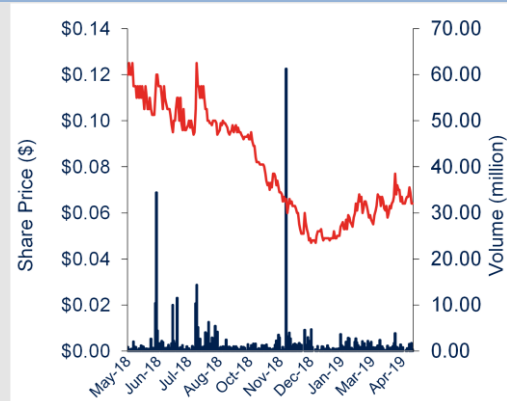
12mth Rating	HOLD	
Price	A\$	0.06
Target Price	A\$	0.07
12mth Total Return	%	5.0

RIC: VMY.AX		BBG: VMY AU	
Shares o/s	m	484.7	
Free Float	%	98.3	
Market Cap.	A\$m	31.0	
Net Debt (Cash)	A\$m	-5.8	
Net Debt/Equity	%	na	
3mth Av. D. T'over	A\$m	0.064	
52wk High/Low	A\$	0.13/0.05	
2yr adj. beta		1.17	

Valuation:		
Methodology		DCF
Value per share	A\$	0.07

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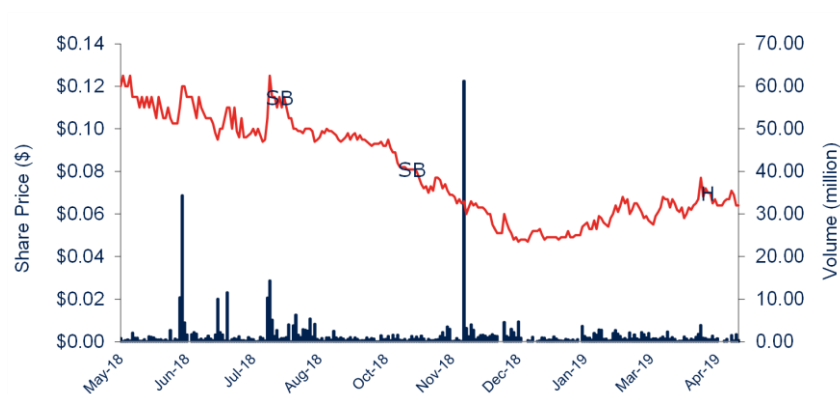
### 12 Month Share Price Performance



Performance %	1mth	3mth	12mth
Absolute	6.7	14.3	(46.7)
Rel. S&P/ASX 300	4.9	6.4	(51.8)

VIMY RESOURCES LIMITED (VMY.AX)					Price	\$0.06	Year End 30 June						
Valuation		\$m	\$/sh	Commodity Assumptions		2018A	2019F	2020F	2021F	2022F			
Mulga Rock Uranium Project, Risked at 50%		257	0.07	US\$/A\$		0.77	0.72	0.72	0.72	0.73			
Exploration		8	0.00	Uranium Price (US\$/lb)		22	34	45	50	53			
Net cash (debt)		3	0.00	<b>Production Summary</b>		<b>2018A</b>	<b>2019F</b>	<b>2020F</b>	<b>2021F</b>	<b>2022F</b>			
Corporate costs		(20)	(0.01)	Annual production (lb)		0	0	0	0	0			
<b>Total Valuation</b>		<b>248</b>	<b>0.07</b>	Ore treated eq. (kt)		0	0	0	0	0			
				All-in Sustaining Costs (US\$/lb)		0	0	0	0	0			
Reserves & Resources					Profit & Loss (A\$m)		2018A	2019F	2020F	2021F	2022F		
Ore Reserves					Total revenue		0.6	0.0	0.0	0.0	0.0		
<b>Mulga Rock Project</b>					Operating costs		0.0	0.0	0.0	0.0	0.0		
	<b>Mt</b>	<b>ppm</b>	<b>U308 (kt)</b>	<b>(mlbs)</b>	Exploration expensed		(6.0)	(3.3)	(0.6)	(0.6)	0.0		
Total	22.7	844.1	19.2	42.2	Corporate & admin		(4.0)	(3.5)	(5.1)	(6.5)	(6.7)		
<b>Measured &amp; Indicated Resources</b>					Other expenses		0.0	0.0	0.0	0.0	0.0		
Total (M & I)	22.8	849.0	19.4	42.7	<b>EBITDA</b>		<b>(9.4)</b>	<b>(6.7)</b>	<b>(5.7)</b>	<b>(7.1)</b>	<b>(6.7)</b>		
<b>Inferred Resources</b>					DD&A		0.0	0.0	0.0	0.0	0.0		
Total (Attrib. Inferred)	49.2	633.0	31.1	68.6	<b>EBIT</b>		<b>(9.4)</b>	<b>(6.7)</b>	<b>(5.7)</b>	<b>(7.1)</b>	<b>(6.7)</b>		
<b>Total</b>					Net interest expense		(0.2)	(0.2)	0.1	0.1	(5.7)		
	<b>72.0</b>	<b>701.4</b>	<b>50.5</b>	<b>111.3</b>	Tax expense		0.0	0.0	0.0	0.0	0.0		
					<b>NPAT (underlying)</b>		<b>(9.5)</b>	<b>(7.0)</b>	<b>(5.6)</b>	<b>(7.0)</b>	<b>(12.4)</b>		
					Diluted EPS (cps)		<b>(2.0)</b>	<b>(1.4)</b>	<b>(0.2)</b>	<b>(0.2)</b>	<b>(0.3)</b>		
					DPS (cps)		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>		
Ratios		2018A	2019F	2020F	2021F	2022F	Cash Flow (A\$m)		2018A	2019F	2020F	2021F	2022F
P/E (x)		-3.3	-4.5	-41.9	-33.8	-19.1	EBIT (Cash Flow)		(9.4)	(6.7)	(5.7)	(7.1)	(6.7)
Enterprise Value		23.9	25.2	25.8	229.3	228.7	Depreciation - Cash Flow		0.0	0.0	0.0	0.0	0.0
EV/EBITDA (x)		-2.7	-3.8	-40.0	-32.1	-63.0	Net Interest Paid		0.0	(0.2)	0.1	0.1	(5.7)
EV/Free Cash Flow		(2.7)	(3.2)	(3.2)	(24.4)	(1.0)	Tax Paid		0.0	0.0	0.0	0.0	0.0
PFCF (x)		na	na	na	na	na	Other Operating Cash Flows		0.0	0.0	0.0	0.0	0.0
DPS (cents)		0	0	0	0	0	<b>Operating Cash Flow</b>		<b>(9.4)</b>	<b>(7.0)</b>	<b>(5.6)</b>	<b>(7.0)</b>	<b>(12.4)</b>
Div. Yield (%)		na	na	na	na	na	Capital expenditure		(0.1)	(0.1)	0.0	0.0	(206.8)
Franking (%)		na	na	na	na	na	Exploration expenditure		0.0	(1.5)	(3.0)	(3.0)	(3.0)
							<b>Free Cash Flow</b>		<b>(9.5)</b>	<b>(8.6)</b>	<b>(8.6)</b>	<b>(10.0)</b>	<b>(222.1)</b>
							Dividends		0.0	0.0	0.0	0.0	0.0
							Equity Raised		12.1	7.8	10.0	10.0	30.0
							Debt drawn (repaid)		0.0	0.0	0.0	0.0	200.0
							<b>Net Change in Cash</b>		<b>2.6</b>	<b>(0.8)</b>	<b>1.4</b>	<b>(0.0)</b>	<b>7.9</b>
							Cash at Period End		6.7	5.2	7.2	7.8	15.7
							<b>Net Cash (Debt)</b>		<b>5.8</b>	<b>5.3</b>	<b>7.2</b>	<b>7.8</b>	<b>(184.3)</b>
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							<b>Net Change</b>						

## Recommendation History



Date	Type	Target Price	Share Price	Recommendation	Return
07 Feb 18	Research Note	0.26	0.15	SB	
01 Mar 18	Hot off the Press	0.26	0.14		-3.4%
04 Apr 18	Resources Review Book	0.26	0.13		
05 Apr 18	Research Note	0.26	0.15	SB	11.5%
02 Aug 18	Research Note	0.20	0.11	SB	-24.1%
19 Oct 18	Resources Review Book	0.12	0.11	SB	0.0%
12 Apr 19	Research Note	0.07	0.07	H	-36.4%
	Current Share Price		0.06		-8.6%

**Stock recommendations:** Investment ratings are a function of Patersons expectation of total return (forecast price appreciation plus dividend yield) within the next 12 months. The investment ratings are Buy (expected total return of 10% or more), Hold (-10% to +10% total return) and Sell (> 10% negative total return). In addition we have a Speculative Buy rating covering higher risk stocks that may not be of investment grade due to low market capitalisation, high debt levels, or significant risks in the business model. Investment ratings are determined at the time of initiation of coverage, or a change in target price. At other times the expected total return may fall outside of these ranges because of price movements and/or volatility. Such interim deviations from specified ranges will be permitted but will become subject to review by Research Management. This Document is not to be passed on to any third party without our prior written consent.



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## Patersons Securities Limited Disclosure of Interest

Patersons Securities and its respective officers and associates may have an interest in the securities or derivatives of any entities referred to in this material

Patersons Securities does, and seeks to do, business with companies that are the subjects of its research reports.

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## Patersons Securities Corporate Relationship Disclosure

88E	Patersons Securities have acted for 88 Energy Limited (88E) within the past two years and have received fees for these services.
AKM	Patersons Securities have acted for Aspire Nmining Limited (AKM) within the past two years and have received fees for these services.
AXL	Patersons Securities have acted for Axesstoday Limited (AXL) within the past two years and have received fees for these services.
BOE	Patersons Securities have acted for Boss Resources Limited (BOE) within the past two years and have received fees for these services.
BRB	Patersons Securities have acted for Breaker Resources NL (BRB) within the past two years and have received fees for these services.
BSX	Patersons Securities have acted for Blackstone Minerals Limited (BSX) within the past two years and have received fees for these services.
BUX	Patersons Securities have acted for Buxton Resources Limited (BUX) within the past two years and have received fees for these services.
CSS	Patersons Securities have acted for Clean Seas Seafood Limited (CSS) within the past two years and have received fees for these services.
GLL	Patersons Securities have acted for Galilee Energy Limited (GLL) within the past two years and have received fees for these services.
IBG	Patersons Securities have acted for Ironbark Zinc Limited (IBG) within the past two years and have received fees for these services.
NUS	Patersons Securities have acted for Nusantara Resources (NUS) within the past two years and have received fees for these services.
PEX	Patersons Securities have acted for Peel Mining Limited (PEX) within the past two years and have received fees for these services.
RCL	Patersons Securities have acted for ReadCloud Limited (RCL) within the past two years and have received fees for these services.
STN	Patersons Securities have acted for Saturn Metals Limited (STN) within the past two years and have received fees for these services.
SYA	Patersons Securities have acted for Sayona Mining Limited (SYA) within the past two years and have received fees for these services.
VMY	Patersons Securities have acted for Vimy Resources Limited (VMY) within the past two years and have received fees for these services.
WKT	Patersons Securities have acted for Walkabout Resources Ltd (WKT) within the past two years and have received fees for these services.
XTE	Patersons Securities have acted for Xtek Limited (XTE) within the past two years and have received fees for these services.



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