

Vimy's Mulga Rock uranium project is not what it says on the wrapper

Briefing for shareholders, investors and journalists. December 2020

Background

Vimy Resources is a WA-based uranium company with no operating mines. For twelve years Vimy has raised capital hoping to mine and process uranium at Mulga Rock 300 kilometres northeast of Kalgoorlie. Vimy has carried out two financial studies of Mulga Rock: a '[Definitive Feasibility Study](#)' (DFS)¹ in 2018 and a [DFS refresh](#)² in 2020. Investors should note that the Mulga Rock uranium project is not what is claimed in these documents.

Vimy's investment history

The twelve years since Vimy started indicates the commercial problems with Mulga Rock.

- The [Vimy share price](#) has declined 98%³ in the last ten years and 85% since the current Vimy CEO was appointed in 2014. Few CEOs retain their position after such a decline. The CEO receives a \$300,000+ salary⁴.
- Since its inception Vimy has raised \$114 million in capital and run through that by accumulating \$107 million in losses with mining still yet to commence⁵.
- Vimy directors note Vimy has "going concern" issues⁶.
- At 30 June 2020, Vimy had net cash of \$4 million. An average net operating cashflow of -\$5.6 million per year in the last two years indicates another capital raising is imminent⁷.

Vimy's commercial difficulties are caused by low cost Canadian and Kazakhstan mines and the declining economics of nuclear power. Since 2012 forecasters have predicted a big jump in the uranium price but these factors have meant it hasn't happened.

A mine is hole in the ground....

"A mine is a hole in the ground. The discoverer of it is a natural liar. The hole in the ground and the liar combine and issue shares and trap fools."⁸ While not as scathing as this apocryphal Mark Twain quotation, economics does indicate to be wary of claims by project proponents. The financial studies of Mulga Rock, DFS and DFS Refresh, are optimistic and misleading:

- The DFS Refresh relies on a uranium price that has only been seen during the commodities boom and an exchange rate that has only been reached for a few months in the last ten years.
- There is little mention of the mines potentially large rehabilitation costs.
- Studies of mining projects find they run an average of 40-60% over budget.⁹
- DFS Refresh claims the Mulga Rock project is worth \$560 million. However, Vimy's market capitalisation is only \$25 million¹⁰. Despite this apparently very attractive gap in valuation, Vimy management and board only own 3% of Vimy shares and ASX announcements show no Vimy director has bought Vimy shares for over two years despite the share price hitting record lows.
- Applying the recent ten-year average uranium price (US\$35/lb) and exchange rate (AUD/USD 0.84) the NPV of the project is negative.¹¹



Rainbow Bee-Eater - migratory - found at Mulga Rock



Sandhill Dunnart - Endangered - found at Mulga Rock site

Environmental approvals have not been granted

Vimy has stated that it has both state and federal environmental approvals. However this is misleading. Environmental approvals have not been granted for the project presented to investors in the DFS and DFS Refresh. Vimy cannot legally proceed with the project described in the DFS Refresh without a new environmental assessment because the project described in the DFS Refresh is significantly different from the approved project.

Differences include:¹²

- the approved 'base metals' processing plant being replaced with a 'turnkey sulphuric acid plant';
- change from Princess to Ambassador North pit as the initial tailings storage facility;
- Higher uranium production during initial ramp-up period than what has been approved.

Vimy have told the WA Environment Protection Authority that they plan to proceed with the approved project rather than the project described in the DFS Refresh,¹³ yet the company continues to present the DFS Refresh project to investors. A likely reason why, is that Vimy has stated the approved base metals processing plant would be uneconomic.¹⁴

Vimy's environmental approvals require the company to 'substantially commence mining before December 2021'.¹⁵ It is quite possible that this will not be met and the approvals lapse.

Why CCWA opposes the project

Mulga Rock is in a pristine desert environment upstream from the Queen Victoria Springs A Class Nature Reserve. It is sited in the Yellow Sandplain 'priority ecological community', home to the endangered Sandhill Dunnart, the vulnerable Marsupial Mole and Mulgara, the Rainbow Bee-eater and many other rare desert animals. Uranium mining threatens to turn this unspoiled area into a contaminated mining precinct that would take 15 million litres of water per day and leave behind 32 million tonnes of radioactive mine waste.

There are no examples of successful rehabilitation of uranium mines in Australia, and the industry has been plagued with leaks, spills and accidents. History shows that nuclear power and uranium mining have risks that every decade or so have catastrophic consequences.

References

1. Vimy - Mulga Rock Definitive Feasibility Study 2018
2. Vimy - Mulga Rock DFS Refresh 2020
3. Market Index (2020) [Vimy Resources Limited](#), accessed 15 October 2020.

4. Vimy Resource - 2020 Annual Report - pg 18
5. The Australia Institute - [Mulga Still Does not Rock 2020](#) - pg 8
6. Vimy Resource - 2020 Annual Report
7. *ibid*
8. [Detroit Free Press 1881](#). A shorter version of this quote is often attributed to Mark Twain.
9. Kahneman & Tversky (1979) Prospect theory: An analysis of decisions under risk, *Econometrica*, 47, p 313–327; Kahneman & Tversky (1979) Intuitive prediction: Biases and corrective procedures, in Makridakis & Wheelwright (eds) *Studies in the Management Sciences: Forecasting*, vol 12. Flyvbjerg (2008) *Curbing Optimism Bias and Strategic Misrepresentation in Planning: Reference Class Forecasting in Practice*, *European Planning Studies* 16:3–21, p9
10. The Australia Institute - [Mulga Still Does not Rock 2020](#) - pg 3.
11. *ibid*
12. Vimy - Mulga Rock Definitive Feasibility Study 2018
13. Correspondence between the EPA and CCWA noting that in August 2019 Vimy advised the EPA they would proceed with the approved project - not the project outlined in the DFS.
14. Fol document No 3a received by CCWA states "The base metals plant does not make economic sense."
15. [State Ministerial Decision](#) 16th December 2016 Statement Number 1046 - condition 3.



Conservation Council of Western Australia

ccwa
Look forward