

30 April 2014

## Report for the Quarter Ended 31 March 2014

### SUMMARY

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#### Cairn Hill Iron Ore Operations

- Phase 2 extension of the Cairn Hill Mine, with operations continuing through to June 2015
- Negative cash flow from operations of \$1.4 million<sup>1</sup> due to receipt of provisional invoice for the final shipment for the Quarter on 4 April 2014 (December Quarter: positive cash flow of \$8.1 million)
- Distributions to joint venture partners of \$4.3 million, IMX's share \$2.2 million (December Quarter \$11.9 million, IMX's share \$6.1 million)
- Iron ore price protection delivers average realised iron price of A\$142 for the March Quarter exceeding the average 62% benchmark price of A\$134 for the Quarter

#### Ntaka Hill Nickel Sulphide Project

- Tanzanian regulatory approval of joint venture agreement with MMG Exploration Holdings Limited ("MMG")
- Assay results from final phase of December Quarter drilling identify new zone of nickel mineralisation, 'Ntaka Kati'
- Aggressive exploration program, involving a total of 14,775m of diamond drilling and 8,700m of reverse circulation drilling expected to commence in May 2014 (4 drill rigs currently on site)

#### Mt Woods Exploration and Development

- Pilot hematite drilling program and occurrence of coarse specular hematite at Fyans Prospect confirms hematite prospectivity of Mt Woods
- Search continues for a development partner for the Mt Woods Magnetite Project with roadshows undertaken in China and the Middle East
- Several parties actively engaged in process to secure a joint venture partner to explore for copper-gold on the Mt Woods tenements

#### Corporate

- Appointment of Gary Sutherland as Managing Director and Derek Fisher as Chairman, along with the relocation of the corporate office from Perth to Adelaide
- IMX cash of \$3.3 million, excluding cash invested in Cairn Hill joint venture

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<sup>1</sup> All Dollars in this report are Australian Dollars unless otherwise stated.

## OPERATIONS

### Cairn Hill Joint Venture (IMX – 51%)

Summary information on production and shipments for the March Quarter are shown in Table 1 below (figures represent the full (100%) results of the Cairn Hill Joint Venture (the “Cairn Hill JV”).

**Table 1. Cairn Hill JV: Production and shipment performance for the March Quarter 2014**

	March Quarter 2014	December Quarter 2013	Comparison with Previous Quarter
Waste removed (BCM)	587,022	454,681	29.1%
Waste and Ore (BCM)	689,482	554,770	24.3%
Ore Mined (tonnes)	440,578	430,383	2.4%
Ore Crushed (tonnes)	421,955	403,942	4.5%
Road Haulage (tonnes)	411,337	422,691	(2.7%)
Rail Haulage (tonnes)	431,592	418,871	3.0%
Ore Shipped (tonnes)	450,344	381,735	18.0%

### Operations

While the Total Recordable Injury Frequency Rate decreased to 13.49 (December Quarter: 19.1), one Recordable Injury occurred during the Quarter.

Mining continued in both Pit 1 and Pit 2 during the Quarter. Extra mining capacity was utilised to accelerate pre-stripping activities in Pit 2. This enabled ore to be accessed more quickly to partially compensate for the underperformance of the Pit 1 orebody at depth (ASX announcement 3 March 2014). Road and rail haulage volumes for the Quarter were adversely impacted by both reduced availability of ore for transport and heavy rainfalls which resulted in 61.5 hours of lost road access.

A total of 450,344 tonnes of ore were shipped in six shipments, which was in line with the Company’s expectations. Six shipments are forecast for the June Quarter.

For the March Quarter, FOB costs averaged \$84 per tonne shipped and \$104 per tonne CIF (December Quarter: \$94 and \$111 respectively). The fall in costs per tonne was attributable to the six shipments in the March Quarter compared to five shipments for the December Quarter.

FOB costs per tonne shipped for the remainder of the 2014 financial year are forecast to average \$84 per tonne shipped (\$106 per tonne CIF). These costs are slightly higher than previously reported for the remainder of the 2014 financial year due to the June 2014 quarter expecting six shipments instead of the previously forecast seven shipments. The Company continues to operate with increased rail capacity in order to recover some of the capacity lost due to technical issues with locomotives and wet weather in 2013.

### Operations Cash Flow

The Cairn Hill JV had negative cash flow from operations of \$1.3 million (December Quarter: positive cash flow of \$8.1 million). This is a timing issue only as the provisional invoice cash receipt of \$8.6 million for the final shipment of the March Quarter which departed on 30 March 2014 was received on 3 April 2014. Had the cash for this shipment been received during the March Quarter, the cash flow would have been in line with the \$6.8 million forecast in the December Quarter.

The iron ore price and AUD/USD exchange rate fell during the provisional pricing periods and the resulting provisional price received per tonne of magnetite-copper ore shipped during the March

Quarter was \$127 per tonne CIF (December Quarter \$127 per tonne CIF). Hedges of the Platts 62% benchmark price resulted in a positive \$0.9m impact on cash flow during the quarter.

During the March Quarter, the Cairn Hill JV made payments of \$2.7 million for adjustments on final invoices, \$1.2 million of which related to payments for shipments in the December Quarter. At spot prices and exchange rates on 31 March 2014, payments for adjustments on final invoices due for settlement in the June Quarter are estimated to be \$7.3 million. This large settlement amount is due to a combination of falling iron prices and low copper grades of the final two shipments of the March quarter.

### **Stockpiles**

At the end of the March Quarter, the book value of ore stockpiles, being the cost to deliver the stockpiles to their present location, was \$9.9 million (31 December 2013: \$12.9 million). The decrease in the book value of ore stockpiles was due to lower tonnes mined, which resulted in a drawdown of stockpile levels in order to achieve six shipments for the Quarter. The breakdown by stockpile location is shown in Table 2 below.

**Table 2. Ore stockpiles at 31 March 2014**

	<b>Pre-Crusher</b>	<b>Post Crusher</b>	<b>Rankin Dam</b>	<b>Port Adelaide</b>
Stockpile (tonnes)	110,659	67,878	38,668	44,860

### **Sales and Marketing**

During the Quarter shipments were placed with existing, contracted customers.

## **DEVELOPMENT PROJECTS**

### **1. Continuity of operations at Cairn Hill**

#### **Phase 2**

During the Quarter, the Cairn Hill JV partners approved a Phase 2 extension of the Cairn Hill Mine that will see it continue operation through to mid-2015 (see ASX announcement 1 April 2014).

The Phase 2 extension will initially comprise the mining of two new open pits (Pits 3 and 4) located to the east of the current Pit 1, with production of over one million tonnes of product. There is potential to further extend the life of the Cairn Hill Mine with a cut-back to the existing Pit 2.

Based on Consensus Economics forecasts for the first half of 2015 of US\$115.50 per tonne for the 62% Platts Iron Ore index and an AUD/USD exchange rate of 0.86, financial modelling indicates that together with Phase 1 operations, the Phase 2 extension is expected to generate post-tax, free cash flow of approximately \$8.0 million for the Cairn Hill JV.

Owing to the especially coarse nature of Cairn Hill magnetite, existing customers have been able to produce very high-grade magnetite concentrates which are highly desirable as feed to the steel-making process. As a result, the intermediate product from Phase 2 is particularly attractive, with an existing customer having provided a letter of intent to purchase up to 100% of the Phase 2 product under an agreed pricing model based on the 62% Platts Iron Ore index.

Built on the current mining operation and infrastructure that is already in place, the Phase 2 extension is part of IMX's broader strategic vision to establish a minimum five year life at the Cairn Hill Mine.

#### **Hematite exploration**

Exploration for direct shipping ore ("DSO") hematite is an important element of the Company's efforts to maintain ongoing operations at Cairn Hill beyond 2015. Any discovery of economic DSO

hematite at Mt Woods has the potential for near-term production utilising the road, rail and port infrastructure currently used by the Cairn Hill Mine.

Results of a pilot drilling program to test hematite at Mt Woods that was carried out in March 2014 returned wide intersections showing hematite derived from alteration of a magnetite iron formation (see ASX announcement 1 March 2014 and 21 March 2014). These results show that hematite-forming geological processes occur at Mt Woods and that the exploration methods applied in the pilot drilling program can detect it. Since announcing these exploration results on 1 March 2014 and 21 March 2014, IMX is not aware of any new information or data that materially affects the information included in that announcement.

Exploration for this style of hematite mineralisation was given added impetus by the identification of a significant occurrence of high-grade hematite from previous drilling at the Mt Woods Project. The intersection was identified in core drilled by former partner OZ Minerals Limited, who were exploring for copper (see ASX announcement 4 April 2014). Assaying of the hematite rich interval returned 8.4 metres @ 59.1% Fe from 406.7m (see Table 3).

**Table 3: Hematite Fe% intercepts in hole DD112FYA002 – Fyans Prospect**

Hole	From	To	Width	Fe %	P %	S %	SiO <sub>2</sub> %	Main iron mineral
DD12FYA002	384.0	389.3	5.3	49.80	0.03	0.02	20.75	Magnetite
DD12FYA002	406.5	414.9	<b>8.4</b>	<b>59.10</b>	0.04	0.10	11.70	Hematite
Includes	411.0	414.9	3.9	61.30	0.04	0.14	8.42	Hematite

Since announcing these exploration results on 4 April 2014, IMX is not aware of any new information or data that materially affects the information included in that announcement.

This intersection at Fyans is too deep and narrow to be of direct economic significance, but clearly demonstrates that the geochemical processes that created Arrium’s hematite mineralisation at Peculiar Knob were also active on the Mt Woods tenements.

The Fyans Prospect is located approximately 11km south-west of Peculiar Knob.

## **2. Mt Woods Magnetite Project, South Australia (IMX 100%)**

Investigation into optimised product handling solutions, particularly around the port were completed during the Quarter, with concept designs developed for changes to infrastructure.

The spring flora and fauna baseline survey for the Snaefell site was also finalised, with the field work having been completed during the December Quarter. This survey was undertaken to ensure that environmental baseline studies did not impact on the critical path for project permitting.

The process to secure a partner for the evaluation and development of the Mt Woods Magnetite Project continued during the Quarter. Azure Capital continues to advise on the process, with a number of potential partners currently engaged at various stages of review.

## **EXPLORATION**

### **1. Nachingwea Property, Ntaka Hill (IMX 100%)**

#### ***Joint venture with MMG***

Having entered into a five year, US\$60 million joint venture agreement with MMG in September 2013, MMG immediately commenced funding and directing exploration at the Nachingwea Project. MMG is targeting a resource in the order of 400,000 tonnes of contained nickel at >1.5% nickel and has implemented a new exploration program, focussed on delineating high-grade, mafic intrusive

style nickel mineralisation, which is considered to have the potential to increase the grade and size of the existing resource.

### ***Stage One progressing well***

The 'Stage One' work program defined by MMG and which commenced in September 2013, has a budget of US\$10 million, with rapid evaluation of the potential for high-grade nickel discoveries and achievement of MMG's resource target, the primary objective.

In late 2013, MMG commenced a number of geophysical surveys to further highlight the potential within the Ntaka-Lionja corridor, including NSAMT (natural source audio magneto-tellurics), MLEM (moving loop electro-magnetic (EM)) and infill gravity surveys. Re-logging of oriented drill core and reassessment of down hole EM (DHEM) surveys have continued and along with the surface geophysical work, are providing a new understanding of the Ntaka intrusive.

Identification of drill targets is expected to be finalised in April, prior to the commencement of drilling in the June Quarter.

### ***New zone of mineralisation identified at Ntaka Hill***

Assay results received during the March Quarter confirmed a new zone of mineralisation, referred to as "Ntaka Kati", located 300m north of the current Sleeping Giant and Zeppelin resource (see ASX Announcement 24 February 2014). Two holes were drilled, each of which intersected mineralisation, with assay results including:

- 71.5m of nickel mineralisation, including 41m @ 0.40% Ni, 16m @ 0.5% Ni and 14.6m @ 0.7% Ni within 150m of the surface (NAD13-388); and
- 7.3m @ 1% Ni and 5.9m @ 0.6% Ni (NAD13-387).

Since announcing these exploration results on 24 February 2014, IMX is not aware of any new information or data that materially affects the information included in that announcement.

The discovery of Ntaka Kati continues to demonstrate the potential for the various zones of mineralisation at Ntaka Hill to form part of a much larger mineralised system up to 1.5km wide.

## **2. Nachingwea regional exploration**

While primarily focused on the Ntaka Hill Nickel Sulphide Project to identify a resource in the order of 400,000 tonnes of contained nickel at >1.5% nickel, MMG is also looking at the broader Nachingwea Project area which covers 6,800 km<sup>2</sup> (tenements granted and under application).

Regional targeting for a virgin nickel sulphide discovery is based on an interpretation of a detailed aeromagnetic/radiometric survey flown in 2010, an extensive regional soil sampling program and a number of airborne EM (VTEM) surveys which cover approximately 60% of the Nachingwea Project area.

## **3. Mt Woods Copper-Gold Exploration, South Australia (IMX 100%)**

OZ Minerals completed its withdrawal from the Mt Woods Exploration JV during the December Quarter, with all mineral rights over the Mt Woods tenements and interest in those tenements now 100% owned by IMX.

The prospectivity of the Mt Woods tenements, together with the availability of a significant exploration database established during previous exploration work, makes this an attractive opportunity for iron oxide copper gold discoveries in the world-class Gawler Craton mineral province.

A process to secure a joint venture partner for non-iron exploration on the Mt Woods tenements commenced during the December Quarter and is continuing. A number of parties have expressed an interest in non-iron exploration at Mt Woods and several Australian and international copper-gold explorers and producers are actively engaged in the process.

## CORPORATE

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### Cash position and distributions

As at 31 March 2014, the Group had cash at bank of \$12.1 million, as detailed in Table 4 below:

**Table 4. Consolidated Cash Position**

	<b>31 Mar 2014</b>	<b>31 Dec 2013</b>
	<b>(\$m)</b>	<b>(\$m)</b>
IMX Resources Limited	3.3	3.1
Cairn Hill JV (51% IMX share is \$4.5 million)	8.8	13.7
<b>Consolidated Group</b>	<b>12.1</b>	<b>17.7</b>

The Cairn Hill JV cash balance is the working capital required to fund the operation. Distributions to the JV partners are made so as to retain a cash balance of at least \$3 million at all times.

As at 31 March 2014, IMX's Tanzanian subsidiary Ngwena Limited held \$0.1 million of cash on behalf of MMG. This cash will contribute towards its expenditure on the Nachingwea JV.

Distributions to the Cairn Hill JV partners amounted to \$4.3 million, of which IMX received \$2.1 million (December quarter \$11.9 million, IMX share \$6.1 million).

In order to provide greater certainty in respect of cash flow from the Cairn Hill Mine, price protection was put in place for 90% of the Group's iron ore exposure from January to March 2014. The transactions entered provided a price for the 62% iron ore benchmark of AUD146.59 (January); AUD144.16 (February); and AUD136.52 (March) significantly above the spot prices that would have been achievable.

### Appointment of Managing Director and Non-executive Director

During February, Dr Derek Fisher, a highly credentialed mining executive with over 40 years' experience in mining companies, spanning both corporate and operational roles, with a particular emphasis on iron ore and nickel projects, was appointed as a Non-executive Director. Subsequent to the end of the Quarter, Dr Fisher was appointed Chairman of the Company.

Immediately following the end of the March Quarter, Mr Gary Sutherland was appointed Managing Director. Mr Sutherland will drive IMX's iron ore growth strategy, based on its 51% owned Cairn Hill Mine and portfolio of development and exploration projects, including the 100% owned Mt Woods Magnetite Project.

In parallel with Mr Sutherland's appointment, IMX has decided to relocate its corporate head office from Perth to Adelaide, a move which is consistent with the Company's focus on its South Australian iron ore assets and will enable consolidation of its operational and corporate teams in one location. While this will result in some one off costs being incurred during the June and September Quarters, it is expected to deliver significant savings in recurring overhead costs.

## TENEMENT INTERESTS

Table 5. Tenements Held and Location

Tenement	Ownership	Project	Location
ML6303 – Cairn Hill	100%	Cairn Hill	South Australia
EL4649 – Kangaroo Dam	100%	Mt Woods	South Australia
EL4706 – Mt Woods	100%	Mt Woods	South Australia
EL4963 – Warrina North	100%	Mt Woods	South Australia
EL4964 – Warrina South	100%	Mt Woods	South Australia
EL5048 – Mt Brady	100%	Mt Woods	South Australia
EL4446 – Yarrabolina Hill	100%	Mt Woods	South Australia
EL4866 – Mt Paisley	100%	Mt Woods	South Australia
EL4982 – Brumby Creek	100%	Mt Woods	South Australia
PL6489/2010 – Lubalisi	100%	Mibango	Tanzania
PL6895/2012 – Mioni	100%	Mibango	Tanzania
PL7464/2011 – Luegele	100%	Mibango	Tanzania
PL8017/2012 – Molumbo Hill	100%	Mibango	Tanzania
PL8124/2012 – Milanga	100%	Mibango	Tanzania
PL8833/2013 – Kamafinga	100%	Mibango	Tanzania
PL8901/2013 – Sifumbi	100%	Mibango	Tanzania
PL8902/2013 – Mpondwe	100%	Mibango	Tanzania
PL9299/2013 – Lwega	100%	Mibango	Tanzania
PL9394/2013 – Nkulya	100%	Mibango	Tanzania
PL4422/2007 – Ntaka	100% *	Nachingwea	Tanzania
PL4917/2008 – Mbangala	100% *	Nachingwea	Tanzania
PL4918/2008 – Lukumbi	100% *	Nachingwea	Tanzania
PL5447/2008 – Noli SE	100% *	Nachingwea	Tanzania
PL5971/2009 – Matambare	100% *	Nachingwea	Tanzania
PL5977/2009 – Naujombo	100% *	Nachingwea	Tanzania
PL5978/2009 – Kihangara North	100% *	Nachingwea	Tanzania
PL6073/2009 – Chilalo	100% *	Nachingwea	Tanzania
PL6148/2009 – Mbwemburu North	100% *	Nachingwea	Tanzania
PL6149/2009 – Chilalo West	100% *	Nachingwea	Tanzania
PL6153/2009 – Mbwemburu	100% *	Nachingwea	Tanzania
PL6154/2009 – Nachingwea SW	100% *	Nachingwea	Tanzania
PL6156/2009 – Noli SW	100% *	Nachingwea	Tanzania
PL6158/2009 – Kiperere East	100% *	Nachingwea	Tanzania
PL6161/2009 – Mtimbo	100% *	Nachingwea	Tanzania
PL6397/2010 – Kiperere West	100% *	Nachingwea	Tanzania
PL6409/2010 – Rappa	100% *	Nachingwea	Tanzania
PL6412/2010 – Mujira	100% *	Nachingwea	Tanzania
PL6414/2010 – Kihangara	100% *	Nachingwea	Tanzania
PL6467/2010 – Nepanga	100% *	Nachingwea	Tanzania
PL6634/2010 – Mihumo	100% *	Nachingwea	Tanzania
PL6635/2010 – Nachingwea NW	100% *	Nachingwea	Tanzania
PL7095/2011 – Nditi	100% *	Nachingwea	Tanzania
PL7226/2011 – Ntaka South	100% *	Nachingwea	Tanzania
PL8625/2012 – Nambu West	100% *	Nachingwea	Tanzania
PL8626/2012 – Nambugu East	100% *	Nachingwea	Tanzania
PL8627/2012 – Lumpumbulu	100% *	Nachingwea	Tanzania
PL8628/2012 – Kipendengwa	100% *	Nachingwea	Tanzania
PL8748/2012 – Kihue	100% *	Nachingwea	Tanzania
PL8754/2012 – Chikoweti	100% *	Nachingwea	Tanzania

**Table 5. Tenements Held and Location (cont.)**

Tenement	Ownership	Project	Location
PL8811/2013 – Chimbo	100% *	Nachingwea	Tanzania
PL8812/2013 – Mbemba	100% *	Nachingwea	Tanzania
PL9397/2013 – Mtimbo South	100% *	Nachingwea	Tanzania
PL9442/2013 – Nachi West	100% *	Nachingwea	Tanzania
PL9557/2014 – Nachunguru	100% *	Nachingwea	Tanzania
Claim Block 4242	50% **	St Stephen	New Brunswick, Canada
Claim Block 5787	50% **	St Stephen	New Brunswick, Canada

\* Subject to farm-in joint venture with MMG

\*\* Subject to 50/50 joint venture with ABE Resources

**Table 6. Tenements Acquired During the Quarter**

Tenement	Ownership	Project	Location
PL9557/2014	100%	Nachingwea	Tanzania
EL4982	100%	Mt Woods	South Australia

#### **Tenements Disposed During the Quarter**

No tenements were disposed of during the March Quarter.

#### **Farm-in Agreements**

As at 31 March 2014, IMX held a 100% interest in the Nachingwea Project which is the subject of a farm-in agreement with MMG.



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## About IMX

IMX Resources Limited is an Australian-based mining and exploration company, listed on the Australian Securities Exchange and Toronto Stock Exchange, with projects located in Australia and East Africa.

In Australia, IMX operates and owns 51% of the Cairn Hill Mine, located 55km south-east of Coober Pedy in South Australia, where it produces a premium coarse-grained magnetite-copper-gold DSO product at a rate of 1.8Mtpa. This operation generates cash flow which underpins the IMX investment proposition.

IMX is also actively exploring for direct shipping hematite at its Mt Woods tenements, located near the Cairn Hill Mine, and progressing development options for its Mt Woods Magnetite Project. Studies indicate that a smaller scale, lower cost project may be developed utilising existing infrastructure already in use at the Cairn Hill Mine. Efforts to secure a partner to support development of the Mt Woods Magnetite Project are continuing.

In Africa, IMX owns the highly prospective Ntaka Hill Nickel Sulphide Project, located within the broader 6,800km<sup>2</sup> Nachingwea Exploration Project in south-eastern Tanzania which is prospective for nickel and copper sulphide, gold and graphite mineralization. Ntaka Hill is a potentially world-class nickel sulphide project which is being explored under a US\$60 million exploration joint venture with MMG Exploration Holdings Limited.

Visit: [www.imxresources.com.au](http://www.imxresources.com.au)

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These forward-looking statements are based on certain assumptions, the opinions and estimates of management and qualified persons at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements or information. These factors include the inherent risks involved in the exploration and development of mineral properties, the uncertainties involved in interpreting drilling results and other geological data, fluctuating metal prices, the possibility of project cost overruns or unanticipated costs and expenses, the ability of contracted parties (including laboratories and drill companies to provide services as contracted), uncertainties relating to required approvals, issues associated with the availability and costs of financing needed in the future and other factors. Mineral resources that are not mineral reserves do not have demonstrated economic viability. Exploration target tonnage quantity and grade estimates are conceptual in nature only. These figures are not resource estimates as defined by the 2004 JORC Code or NI 43-101, as insufficient exploration has been conducted to define a Mineral Resource and it is uncertain if further exploration will result in the target being delineated as a Mineral Resource.

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