

ASX Announcement : 21 May 2012

Acquisition of Continental Nickel and Outlook

Open Briefing interview with MD Neil Meadows

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IMX Resources Limited (ASX: IXR) is a mining and exploration company with a portfolio of assets in Australia and Africa. Its initial project is the Cairn Hill iron ore mine (IMX 51%, Taifeng 49%) in South Australia which produces 1.7 million tonnes per annum. IXR is also developing the nearby Mt Woods Magnetite Project (IXR 100%), the Mt Woods Copper Project (IXR 49%) in joint venture with OZ Minerals, and the Nachingwea Nickel (IXR 25%) and Mkuju Uranium Projects (IXR 25%) in Tanzania. IXR holds a 37.2% interest in Continental Nickel Ltd (TSXV: CNI) and 25% of Uranex Resources (ASX: UNX)

Market capitalisation: \$80 million

In this Open Briefing[®], Neil Meadows discusses

- CNI acquisition
- Cairn Hill iron ore project
- Cash flow and expansion

Record of interview:

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IMX Resources Limited (ASX: IXR) recently announced an arrangement agreement under which it proposes to acquire all of the shares in Continental Nickel Limited (IXR 37.2%) that it does not already own. Under the proposed plan of arrangement, IMX will offer CNI shareholders 3.7 IMX shares for each CNI share held, plus an attaching 0.5 warrant for each CNI share. The arrangement will bring 100% ownership of the Nachingwea Nickel Copper Project in Tanzania (IXR 53.2% beneficial interest via a 25% interest in the Nachingwea JV, plus its 37.2% shareholding in CNI which has a 75% interest in the Nachingwea JV). What is the reasoning behind this move and what does it mean for IMX shareholders?

MD Neil Meadows

The rationale for merging the two companies is very compelling for IMX as we see Nachingwea as potentially a world class nickel sulphide project which will also produce copper as a by-product. By bringing Nachingwea under one roof we eliminate a complex ownership structure that made it difficult for investors to understand and for the market to value. Full ownership under one entity will unlock the value of the project: we believe the value is not currently recognised in the share market value of IMX or CNI. With 100% control of the project, IMX will be more able to progress the project within the expected development timeframe, which should see production at the end of 2015.

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How significant is the Nachingwea opportunity to IMX and what production scale and ore type comparisons can you make with existing Australian operations?

MD Neil Meadows

It's very significant for IMX because we currently run an iron ore and copper operation in South Australia which, while it runs as a cash positive operation, is relatively modest in scale at 1.7 to 1.8 million tonnes per annum. Nachingwea is another order of magnitude in scale larger and potential returns to investors are expected to be proportionally larger. Nachingwea becomes a significant second building block in IMX's growth strategy.

With regards to the scale of the project, we're talking about 10,000 to 15,000 tonnes per annum of clean nickel concentrate in the first four years by the way of Stage 1, which will then move to a 25,000 tonnes per annum operation in Stage 2. The only Australian comparison I can make in terms of scale and mineralisation is probably the open pit nickel sulphide operation of BHP Billiton at Mt Keith (38,000 tonnes per annum). Geologically, Nachingwea is regarded as analogous to the Thompson Nickel Deposit near Sudbury in Ontario, Canada.

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With a near-surface copper-nickel-cobalt resource of 161.8 million tonnes estimated in a 2011 scoping study that showed a potential 12 year mine life, what is the overall grade and production rate potential and do you see improvements possible after full feasibility studies are completed?

Nachingwea Nickel Copper Project



MD Neil Meadows

The 2011 scoping study is being reviewed and updated and we'll be working more closely with Stewart Watkins, Vice President Project Development to move that forward as quickly as he

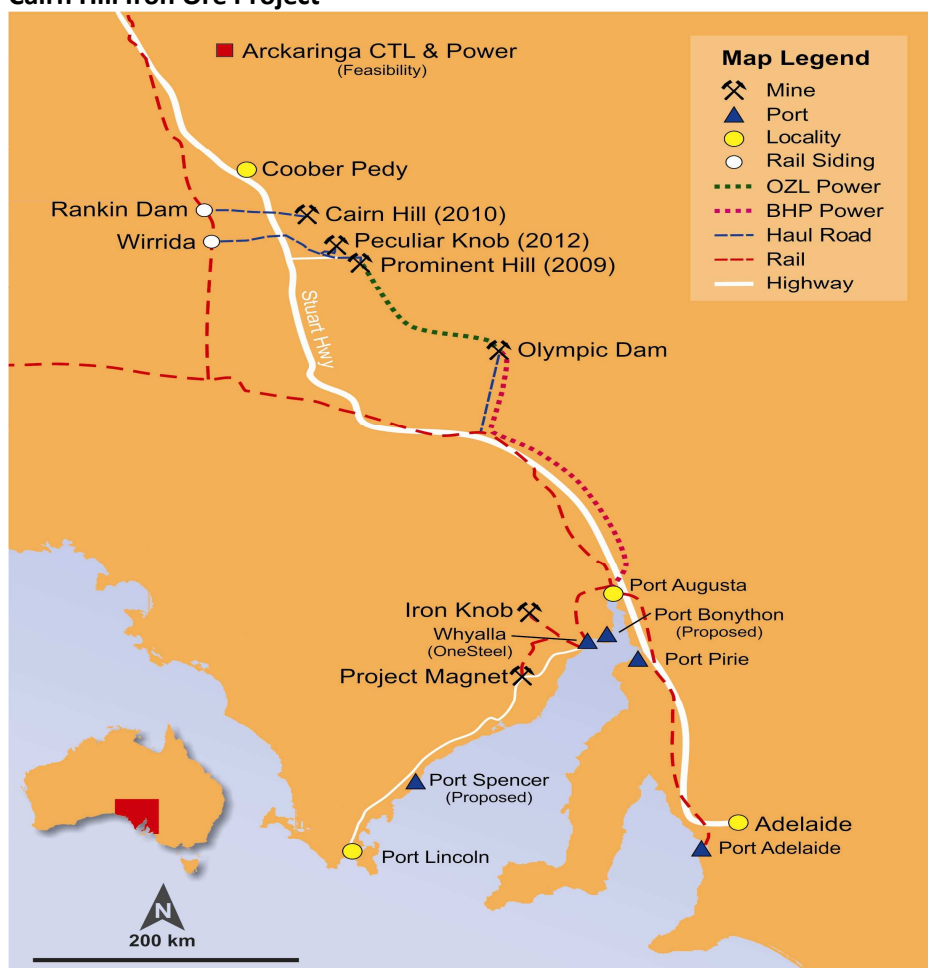
can. We expect that the updated scoping study will be available in the next four months and then we'll be moving straight into pre-feasibility and then bankable feasibility.

On drilling done to date we have established a JORC compliant mineral resource of 289,700 tonnes of contained nickel and we'll continue to drill through the course of this year and into next year to further expand the resource.

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IMX shipped 436,264 tonnes of ore from its Cairn Hill magnetite copper mine (IMX 51% Taifeng 49%) during the March 2012 quarter, up 17 percent from the previous quarter. The mine also became cash flow positive during the quarter. How indicative are the March quarter shipments and cash flow of those expected from the mine over Cairn Hill's remaining three and a half year mine life? How much free cash flow from Cairn Hill will be available to IXR?

Cairn Hill Iron Ore Project



MD Neil Meadows

The March quarter shipment tonnages are indicative of the remaining mine life production from Cairn Hill and consistent with our production target of 1.7 to 1.8 million tonnes per annum. We have two shipments leaving Port Adelaide every month and that will continue for the next three and half years.

Cash flow only turned positive in the March quarter so is not indicative of what it will be going forward. We will start to see the full benefit from implementation of improvements to mining operations at Cairn Hill in the current June quarter. The first time we'll get a clear view of the Cairn Hill cash flow will be in the September quarter. Our forecast of annual EBIT for the project for the rest of the mine life is \$40 million to \$45 million. Our interest is 51% of that, so approximately \$23 million cash to IMX each year for the next four years.

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Cairn Hill has a current in-pit resource of 7.9 Mt @ 50.5% Fe, 0.39% Cu, and you expect the new mine plan introduced in April to reduce cash costs to approximately \$80/tonne free on board (FOB). What price are you achieving for the Cairn Hill ore and to what extent have you been able to reflect the value of the copper in the sale price?

MD Neil Meadows

In the March quarter, on an FOB basis we were achieving sales of \$98 to \$100 per tonne and currently we are achieving a bit above \$110 per tonne and that reflects good value for the copper and gold. For the Cairn Hill product, the copper and gold component allows us to achieve an extra 25% to 30% worth of value above the value of the iron ore.

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Life of mine sales contracts have recently been finalised with Vingo Resources for 50% of all Cairn Hill production. How much of Cairn Hill's output is now sold and what sales options are available for the remaining production? How important is it to get contracted sales for the remaining production?

MD Neil Meadows

Vingo Resources will take 50% of the ore and our joint venture partner, Taifeng, is currently taking a similar quantity. So we essentially have 100% of sales covered. However we remain active in the market because this is a very specialised ore and we don't want to miss any opportunities if things change with our two major customers.

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An independent review of the Cairn Hill operations was recently completed. What were the main conclusions of the review and how will its recommendations be implemented?

MD Neil Meadows

The main outcome from the review showed we could improve efficiencies and reduce costs by reducing the mining rate across the two pits to take advantage of the large amount of pre-stripping that had been done in Phase 1. So we've reduced the mining rate to 300,000 bank cubic metre (bcm) per month from 600,000 bcm per month at the end of March. The other key finding was that we should manage production around the supply chain bottleneck at the railhead, so we now have a more efficient supply chain.

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The Snaefell resource, which has been increased by 184% to 569 Mt at 27.1% Fe, is part of the company's wholly owned Mt Woods magnetite project, located 12 km from Cairn Hill. Does IMX plan to develop the Mt Woods magnetite project independently or as a joint venture?

MD Neil Meadows

While its too early for IMX to be definitive on Snaefell's future, this is going to be a significant project, comparable to other Australian magnetite projects such as Grange Resources' Southdown Project and Gindalbie's Karara Project. So the first task for IMX is to outline a suitable resource, and from there complete the concept study which is currently underway, and allow the Board to determine if we then take the next step forward. I'm hopeful we'll have more to say on this by mid-year.

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The IMX pipeline has several near term projects in development such as the Mt Woods magnetite project and Nachingwea nickel copper project. Can you translate the development experience from Cairn Hill to different commodity projects, and given you had cash of \$17.2 million as at the end of March, do you have sufficient funds to bring these projects to production?

MD Neil Meadows

While different commodity projects will have different people and experience applied to them, what we can bring is the experience of developing and operating a mine in South Australia, dealing with government sectors, developing our established supply chain and the strength of our reputation with the local community. Also, with the relatively recent appointments of John Nitschke as Chairman and me as Managing Director, we've brought into IMX solid track records of managing large scale projects. On the question of funding, we will be assessing our funding options on both projects as studies progress.

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You were appointed Managing Director in November 2011. What are your priorities for the company and how will IMX's strategy change under your leadership?

MD Neil Meadows

The priorities for IMX are to grow from an being an explorer with a modest DSO operation in South Australia to being a producer of nickel and copper from a significant project in Tanzania as well as magnetite from the Mt Woods project in South Australia within the next three to five years.

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Thank you Neil.

For more information about IMX Resources Limited, visit imxresources.com.au or call Neil Meadows on (+61 8) 9388 7877

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