

## IMX RESOURCES (ASX:IXR): ARBITRAGE OPPORTUNITY IN PLAY

We recently conducted a site visit to IMX Resources' Chilalo graphite project in Tanzania. Our site visit was part of a broader analysis and visitation of eight graphite projects in East Africa and South Australia.

The Chilalo graphite project remains an exciting opportunity in our view with recent drilling confirming the presence of thick sequences (5-30m) of graphitic units with grades above 10% TGC. Visual inspection of the core indicates the potential for abundant coarse flake graphite.

IXR expects to release a JORC Resource and initial metallurgical test-work this quarter (MarQ15). The company is focused on a small-scale production profile of 20-30ktpa. Given the rapid development of its peers in the region, we consider the company to be undervalued. This is well supported by a number of similarities in the early-stage geology of the Nachu Graphite project (Magnis Resources, MNS: ASX). Although more advanced, MNS is currently trading on an implied market cap of nine times that of IMX Resources.

Chilalo is situated adjacent to Magnis Resources' Nachu Graphite deposit, which recently announced an inferred resource of 9Mt contained graphite. Commercially, MNS has signed 180ktpa in binding off-take agreements and progressed quickly on a number of fronts. Should IXR effectively execute its timetable and secure sales contracts during the wet season, we would not be surprised to see the valuation gap between IXR and MNS close. IXR hosts excellent existing infrastructure from the Ntaka Hill Nickel deposit and will follow a very similar path to Magnis in securing port, water and power usage requirements.

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RESEARCH OVERVIEW	
Company Code	ASX:IXR
Analysts	LUKE SMITH WILL MORLEY
Date of research	12/01/15
Company website	<a href="#">CLICK HERE</a>
GICS industry	Materials

COMPANY STATISTICS	
Closing price (09/01/14)	\$0.011
12 month Lo-Hi	\$0.01- \$0.056
Market Cap (A\$m)	7.4
Issued shares (mil)	670.6
Cash as of 30/09/14 (A\$m)	2.1

MAJOR SHAREHOLDERS	
Taifeng Yuanchuang	7.7%
Mr Timothy Murray	7.5%

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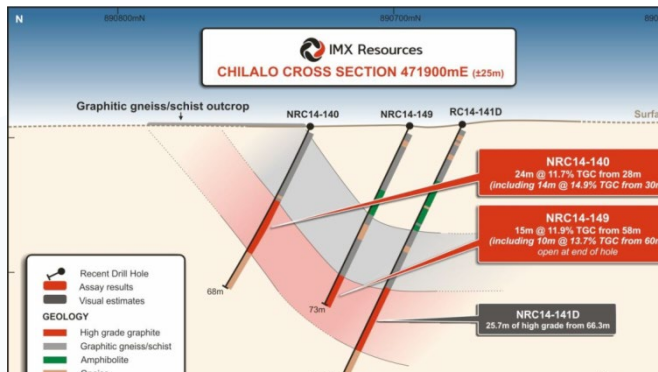


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## GEOLOGICAL REVIEW

Recent drill results have demonstrated thick sequences (5-30m) of graphitic units with grades above 10% TGC. Importantly, units appear to be very continuous along strike with relatively uniform grades and widths being encountered along strike and down dip.

### CHILALO CROSS SECTION



Source: company presentation

At this stage, IXR has undertaken both RC and diamond drilling. The diamond drilling remains unsampled and as a consequence no metallurgical information on the size of the flake distribution is available. However, visual inspection of the core confirms the presence of substantial thickness of coarse flake graphite.

### ROCK-CHIP SAMPLE FROM CHILALO OUTCROP



Source: Canaccord Genuity Australia site visit

The Chilalo project is in the early phase of discovery with the ore zones remaining open along strike and down dip. Further work will be required to delineate a small but robust resource.

The wet season has commenced in Tanzania now, and it is unlikely that more work will be completed on the project until the wet season relents in April 2015.

## NTAKA HILL: JV

IMX has entered into a Project Acquisition Agreement with Loricatus Resource Investments. This is an investment vehicle on behalf of Mauritius-based mining private equity fund, Fig Tree Resources Fund II. The aim is to establish a new joint venture over the Ntaka Hill Nickel Project in south-east Tanzania.

Fig Tree will initially acquire a 70.65% interest in the Ntaka Hill Nickel project from the Nachingwea JV for US\$5.88m (A\$7.15m) cash and a commitment to sole fund completion of a Feasibility Study. IXR has an 85% interest in the Nachingwea JV.

Fig Tree will have the right to maintain its 70.65% interest in the Ntaka Hill JV upon completing a Feasibility Study within five years. If Fig Tree does not complete the Feasibility Study, its interests in the Ntaka Hill JV will reduce to 50%. Fig Tree will appoint the manager of the new Ntaka Hill JV and use its financial and technical resources with the aim of defining the feasibility of a low capex, higher-grade nickel sulphide mining operation.

IMX will continue to manage and fund the existing Nachingwea JV (IMX 85% / MMG 15%) which includes the Chilalo graphite project, Kishugu gold prospect, and a substantial underexplored land package.

## KEY POTENTIAL CATALYSTS

- Completion of positive DD by Fig Tree (MarQ15)
- Met Testwork (MarQ15)
- Maiden JORC Resource (MarQ15)
- Memorandum of Understanding (MarQ15)
- Satisfaction of Conditions Precedent and Payment receipt from Fig Tree (1H15)

## CORPORATE

IXR raised A\$1.8m at A\$0.012 per share in December 2014.

The purpose of the funds raised will go to the Chilalo graphite exploration, and the Ntaka Hill Nickel Project Tenement Retention Feasibility Study.

## APPENDIX: IMPORTANT DISCLOSURES

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