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Unlocking the Value of IMX's Graphite Assets

Creation of a new, focussed graphite company with one of the world's best undeveloped graphite projects

HIGHLIGHTS

- After an extensive review, the IMX Board has committed to a restructure of its Tanzanian asset portfolio to better realise the significant value in both its Chilalo Graphite Project and its base and precious metals assets.
- The restructure will involve the ASX listing of a new company that will hold the Chilalo Graphite Project (NewCo).
- Details of the asset restructure are still to be finalised however will most likely involve:
 - a scrip and cash payment to IMX by NewCo.
 - an *in specie* distribution of IMX's NewCo shares to IMX shareholders.
- Capital raising to advance Chilalo would take place in NewCo, with IMX shareholders offered a priority or entitlement style offer.

IMX Resources Limited (ASX: IXR) ('IMX' or the 'Company') is pleased to advise that its board of directors (the 'Board') has committed to restructuring its Tanzanian asset portfolio (the 'Proposed Transaction'). The Board is keen to unlock the significant value in the world-class Chilalo Graphite Project ('Chilalo' or the 'Chilalo Project'), which it believes is best achieved through the ASX listing of a focussed, standalone graphite company, with a dedicated Board and management team.

The Proposed Transaction will see the flagship Chilalo Project become the primary asset and key focus of a new ASX listed company ('NewCo'), while IMX would retain the existing gold and base metals assets at the Company's Nachingwea Property in south-east Tanzania.

IMX Managing Director Phil Hoskins said the Proposed Transaction would unlock the value not currently being recognised within IMX's existing complex asset portfolio.

"There is no doubting that Chilalo's technical and financial metrics have seen it emerge as one of the world's best undeveloped graphite assets. The next step for any graphite project goes beyond technical and financial merit, to include securing credible and viable offtake agreements and project financing. IMX intends to secure these arrangements during the transaction period. Despite the significant progress and outstanding results achieved, the Board felt that Chilalo's true value was not being reflected in our share price. We firmly believe this restructure will unlock significant value for IMX shareholders through each of the entities and create a market-leading Australian graphite company. It will also provide a far greater opportunity for enhancement of the value of our nickel and gold assets through a more focussed market offering."

The Company is aiming to complete the Proposed Transaction by the end of April 2016, at which time NewCo will take control of the Chilalo Project. The Company expects to shortly receive environmental

approval for the development of Chilalo and this will pave the way for submission of a mining licence application, which the Company anticipates will be in place prior to completion of the Proposed Transaction. Given the speed at which the Chilalo Project has been advanced to date, NewCo would be perfectly placed to take advantage of the window of opportunity that has presented for potential flake graphite developers.

Strategic Rationale

Substantial progress has been made with the Chilalo Project during 2015 and the Company has received considerable market feedback that a simplified corporate strategy would provide a greater opportunity for both investors and counterparties to participate and for the significant embedded value of Chilalo to be realised.

IMX's multi-commodity asset portfolio, which includes the Chilalo Project, the Ntaka Hill Nickel Project and gold exploration prospects at Kishugu and Naujombo, is seen as overcomplicated and is considered by market participants to be sub-optimal. The Proposed Transaction creates a specific focus for investors to gain separate exposure to graphite and/or gold and base metals, while also removing the internal competition for capital and management time.

The Proposed Transaction would allow for the creation of two distinct companies:

- A graphite company committed to fast tracking Chilalo towards production, with an immediate priority on completing offtake and financing agreements and a Definitive Feasibility Study; and
- A base and precious metals company with a controlling 70% interest in the substantial Ntaka Hill nickel project and the exciting early stage gold and nickel exploration targets.

Mr Hoskins said *"We understand that different investors have preferences for different asset exposure and this way we can clearly separate the graphite opportunity from the gold and base metals assets while seeking to drive superior value for shareholders in both entities. It clears the way for the accelerated development of the Chilalo Project without distraction and the internal competition for capital and resources across different commodities. It also allows those investors who are most interested in base and precious metals exposure to not be diluted by the capital raising required to fund the rapid development of Chilalo."*

This is a transformative transaction for IMX. Following a long corporate history involving iron ore, uranium, copper, gold and nickel, IMX has discovered what has emerged as one of the world's best undeveloped graphite projects at an opportune time, with a growing global appetite for graphite. It has become clear to the Board that the best chance of unlocking the value of Chilalo is for it to reside in a standalone company. Chilalo continues to surpass our expectations and is now at a point where maximising its value for our shareholders is best achieved by decoupling Chilalo from our gold and nickel assets. In turn, we believe that the value of the gold and nickel assets can be realised in a more commodity-focussed IMX."

Chilalo Graphite Project

The Company recently completed a Pre-Feasibility Study ('PFS') on the Chilalo Graphite Project, which confirmed the emergence of Chilalo as a market-leading graphite project that on all objective measures compares highly favourably with other graphite projects.

The PFS Base Case producing 69,000 tonnes per year can be delivered for a total pre-production capital cost of US\$73.8 million, while the FOB operating costs of US\$490 per tonne ensure the Project is highly competitive with similar scale projects. These factors combine to generate excellent project economics, including: pre-tax NPV of US\$200 million, pre-tax IRR of 62% and pre-tax payback period of 1 year and

7 months (see ASX announcement of 23 November 2015. The Company confirms that all material assumptions underpinning the above production targets and forecast financial information from the 23 November 2015 announcement continue to apply and have not materially changed).

Upon completion of the Proposed Transaction, the Company expects Chilalo to have environmental approvals, a mining licence as well as offtake and finance agreements. Combined with the project's robust technical and financial fundamentals, NewCo will be ideally placed to fast-track Chilalo towards production.

Base and Precious Metals

The Company also recently confirmed the quality of the gold exploration targets at Kishugu and Naujombo and the Proposed Restructure will allow IMX to focus on advancing those prospects. In addition, rather than selling at historical nickel price lows, the Company has taken the decision to suspend the process of monetising the Ntaka Hill Nickel Project. The Board believes that a better chance of maximising shareholder value from this asset would be to wait for an improved nickel price environment, which is possible given that the Ntaka Hill tenure is secure until 2020.

Following the completion of the Proposed Transaction, IMX will have its long term value proposition underwritten by a substantial nickel project with exposure to an improving nickel price. IMX will also soon gain control of Fig Tree's data and analysis of Ntaka Hill which demonstrates a viable higher grade nickel operation in a better nickel price environment. The catalysts will come from potential exploration success at Kishugu, Naujombo and other exciting nickel targets.

Proposed Transaction Structure

The Proposed Transaction would see NewCo acquire the Chilalo Project from IMX. Existing IMX shareholders who remain on the IMX share register on the record date (to be confirmed) would be eligible to receive shares in NewCo via an *in specie* distribution.

In order to fund the acquisition and ongoing development of Chilalo, NewCo would undertake a capital raising as part of the listing process. The capital raising would likely include a form of priority offer to existing IMX shareholders, whilst also providing an opportunity for new investors to invest in a 'pure-play' graphite company focussed solely on the Chilalo Project. IMX believes the Proposed Transaction would attract strong investor interest. Initial discussions with brokers/underwriters and potential cornerstone investors are highly encouraging, and are expected to continue in the New Year.

Both NewCo and IMX would have a dedicated board and management team, although it is anticipated that both companies would share administrative services and in-country resources in order to minimise costs.

Timetable

The Proposed Transaction will be subject to final Board approval once the transaction terms are defined. In addition, various regulatory approvals will be required in both Australia and Tanzania and some aspects of the Proposed Transaction will require the approval of IMX shareholders. Subject to the timing of these approvals, the Company is targeting completion of the Proposed Transaction by the end of April 2016.

Next steps

IMX has appointed corporate and legal advisors to assist the Company and the necessary steps to progress the Proposed Transaction have been initiated. Further updates will be provided as appropriate.



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About IMX Resources Limited

IMX Resources is an Australian minerals exploration company that holds a 5,400 km² tenement package at the Nachingwea Property in south-east Tanzania. The Nachingwea Property hosts the Chilalo Graphite Project, the Ntaka Hill Nickel Project and the Kishugu and Naujombo Gold Prospects. IMX's primary focus is on developing the high-grade and coarse flake Chilalo Graphite Project. The Pre-Feasibility Study ('PFS') released on 23 November 2015 outlined a low cost, high margin operation, with attractive project economics and confirmed the potential viability of a small scale open pit mining and conventional flotation processing operation. The PFS is based on a high-grade Indicated and Inferred JORC Mineral Resource of 9.2 Mt grading 10.7% Total Graphitic Carbon ('TGC'), comprised of an Indicated Resource of 5.1 Mt grading 11.9% TGC for 613,800 tonnes of contained graphite and an Inferred Resource of 4.1 Mt grading 9.1% TGC for 370,300 tonnes of contained graphite. Chilalo is located approximately 220 km by road, from the deep water commercial Mtwara Port, the majority of which is a sealed main road. IMX aims to become a respected supplier of high quality graphite.

To find out more, please visit www.imxresources.com.au.