

IMX RESOURCES LIMITED

ABN 67 009 129 560

**INTERIM FINANCIAL REPORT
HALF-YEAR ENDED 31 DECEMBER 2015**



IMX RESOURCES LIMITED
INTERIM FINANCIAL REPORT
HALF-YEAR ENDED 31 DECEMBER 2015

CONTENTS	PAGE NO.
Corporate Directory	1
Directors' Report	2
Auditor's Independence Declaration	8
Condensed Consolidated Statement of Profit of Loss and Comprehensive Income	9
Condensed Consolidated Statement of Financial Position	10
Condensed Consolidated Statement of Cash Flows	11
Condensed Consolidated Statement of Changes in Equity	12
Notes to the Condensed Consolidated Financial Statements	13
Directors' Declaration	19
Independent Auditor's Review Report	20

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by IMX Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

IMX RESOURCES LIMITED

CORPORATE DIRECTORY

Directors

Dr Derek Fisher (Non - Executive Chairman)
Mr Philip Hoskins (Managing Director)
Mr Nicholas Corlis (Executive Director)
Mr Bruce McFadzean (Non - Executive Director)

Company Secretary

Mr Stuart McKenzie

Registered Office

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WEST PERTH WA 6005
Tel + 61 8 9388 7877
Fax + 61 8 9382 2399

Solicitors

Clayton Utz Australia
Level 27, QV.1 Building, 250 St Georges Terrace
PERTH WA 6000

Share Register

Computershare Limited
Level 2, 45 St Georges Terrace
PERTH WA 6000
Tel + 61 8 9323 2000
Fax + 61 8 9323 2033

Auditors

KPMG
235 St Georges Terrace
PERTH WA 6000

Website Address

www.imxresources.com.au

Stock Exchange Code

Shares are listed on the Australian Securities Exchange ("ASX").

IMX RESOURCES LIMITED DIRECTORS' REPORT

The Directors present the consolidated financial report of IMX Resources Limited ("IMX" or the "Company") and its controlled entities (the "Group") for the six months ended 31 December 2015.

Amounts are expressed in Australian dollars unless otherwise noted.

Directors

The names of the Company's Directors in office during the half-year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Non-Executive

Mr Derek Fisher (Chairman)
Mr Bruce McFadzean

Executive

Mr Philip Hoskins (Managing Director) (CEO prior to 20 October 2015)
Mr Nicholas Corlis

Company Secretary

Mr Stuart McKenzie

REVIEW OF OPERATIONS

Corporate

Results for the Half-Year

The net loss after income tax of the Group for the half-year ended 31 December 2015 was \$21.9 million (2014: \$2.2 million). The result for the half-year is attributable to:

- (1) Impairment of the Group's Exploration and Evaluation asset by \$17.9 million (refer to Note 7.);
- (2) Administration costs of \$2.45 million (2014: \$3.05 million);
- (3) Business development costs for the half-year of \$0.1 million in relation to Ntaka Hill ongoing joint venture amendments (2014: \$0.2 million); and
- (4) Exploration costs of \$2.0 million (2014: \$2.7 million).
- (5) Shares issued during the period to raise a net amount of \$3.6 million.

REVIEW OF ACTIVITIES

Chilalo Graphite Project

Substantial progress was made on the Chilalo Graphite Project during the half-year, culminating in the release of a Pre-Feasibility Study ("**PFS**") in November 2015 and the announcement of the planned demerger on 21 December 2015.

Pre-Feasibility Study

The PFS was managed by Battery Limits Pty Ltd ("**Battery Limits**") who was also responsible for engineering design and metallurgy. In addition to Battery Limits, the PFS team included: CSA Global (Mineral Resource and Geology), ATC Williams (Tailings Storage Facility) and Benchmark Minerals Intelligence (graphite market).

The purpose of the PFS was to assess the viability of an operation producing a high quality flake graphite product with a particular focus on low capital and operating costs and ease of execution.

IMX RESOURCES LIMITED

DIRECTORS' REPORT

The PFS demonstrated that the Chilalo Project has the ability to generate excellent project economics and compares favourably with similar scale projects. The PFS considered two scenarios and identified a 'base case' scenario producing 69,000 tonnes of graphite concentrate per year as the preferred option.

The PFS revealed a strong cash flow and short payback period underpinned by low capital intensity, a high quality product and competitive operating costs. Total pre-production capital costs were estimated at US\$73.8 million, with FOB operating costs of US\$490 per tonne. These factors combine to generate excellent economic outcomes, including:

- Pre-tax NPV of US\$200 million;
- Pre-tax IRR of 62%;
- Pre-tax payback period of 1 year and 7 months;
- LOM revenue of US\$838 million;
- Net operating cash flow of US\$391 million pre-tax; and
- LOM average annual EBITDA of US\$47 million.

These results can be attributed to the high grade of the Chilalo Mineral Resource, close proximity to existing infrastructure and Chilalo's outstanding product specifications, with significant proportions of large and jumbo flake graphite, which yield an attractive forecast basket price of US\$1,217 per tonne.

Upgraded Mineral Resource

The PFS was based on an upgrade of the Mineral Resource Estimate ("**MRE**") for the high-grade Shimba resource at Chilalo, to 9.2 million tonnes grading 10.7% Total Graphitic Carbon ("**TGC**") (for 984,100 tonnes of contained graphite). This represented an increase in total contained graphite of 24%, with the resource now comprised of:

- Indicated Resource of 5.1 Mt grading 11.9% TGC for 613,800 tonnes of contained graphite; and
- Inferred Resource of 4.1 Mt grading 9.1% TGC for 370,300 tonnes of contained graphite.

The high-grade resource is part of the total Indicated and Inferred Shimba MRE of 25.1 Mt, which includes a low-grade Inferred Resource of 15.9 million tonnes grading 3.3% TGC for 523,000 tonnes of contained graphite.

The Company believes there is significant potential to expand the current high-grade resource base, with the Shimba deposit remaining open along strike and at depth and various electromagnetic surveys highlighting a number of near-mine, untested high-conductance targets.

Testwork activity

Significant effort has been committed to engagement with end users to better understand the applications of Chilalo Graphite, in particular its suitability to the production of expandable graphite. The Company has received feedback from end users who have conducted their own expandability testwork and advised that the expansion ratio of Chilalo graphite is world class.

Expandable graphite is one of the fastest growing markets for graphite and has multiple uses, including the production of high-value graphite foils which are used as heat shields in electronic devices, graphite paper used in the manufacturing sector and heat shield gaskets. There is also a strong and rapidly growing market for its use in the manufacture of flame retardant and thermally efficient building materials.

IMX RESOURCES LIMITED

DIRECTORS' REPORT

Chilalo product contains a high portion of coarse flake graphite and this has been identified as suitable for the production of high value expandable graphite products such as graphite foil, graphite paper, knitted tape (high temperature and fire resistance), narrow flexible graphite strip, and other graphite based products requiring high rates of expansion. Chilalo fine and medium flake graphite has been confirmed as suitable for application in flame retardant building products, where lower rates of expansion are required.

Having received confirmation that the rate of expandability of Chilalo graphite at finer flake sizes is suitable for the production of expandable graphite, the Company has product optionality in that it can choose to supply either the battery market or the rapidly growing expandable graphite market, where its use in flame retardant building materials is expected to offer outstanding opportunities for IMX.

Offtake and financing

Post December 31, the Company entered into a Memorandum of Understanding with China Gold Group Investment Co Ltd ("**China Gold Investment**") and CN Docking Joint Investment and Development Co. Ltd ("**CN Docking**"), a subsidiary of China National Building Material Group Corporation for developing the Company's Chilalo Graphite Project.

The MOU marks the commencement of formal due diligence and an exclusive negotiation process through to 31 July 2016, focussing on project equity, financing, EPC and offtake.

Cautionary Statement

The Company advises the PFS referred to in the Directors' Report is based on lower-level technical and preliminary economic assessments, and is insufficient to support estimation of Ore Reserves or to provide assurance of an economic development case at this stage, or to provide certainty that the conclusions of the Study will be realised. The Production Target referred to in this announcement is partly based on Inferred Mineral Resources (being 31%). There is a low level of geological confidence associated with the Inferred Mineral Resources and there is no certainty that further exploration work will result in the determination of Indicated Mineral Resources or that the production target or preliminary economic assessment will be realised.

The Company confirms that all material assumptions underpinning the above production targets and forecast financial information from the 23 November 2015 announcement on the PFS continue to apply and have not materially changed.

Since announcing the Mineral Resource estimate on 13 October 2015, IMX confirms that it is not aware of any new information or data that materially affects the information included in that announcement and that all material assumptions and technical parameters underpinning the Mineral Resource estimate in that announcement continue to apply and have not materially changed.

Ntaka Hill Nickel Project

Under the Project Acquisition Agreement with Fig Tree Resources Fund II ('**Fig Tree**') to establish a joint venture over the Ntaka Hill Nickel Project, IMX had the right to buy back the 30% joint venture interest earned by Fig Tree at the higher of Fig Tree's investment cost and fair market value (the '**Buy-Out Right**').

IMX has not exercised the Buy-Out Right and as a result, Fig Tree continues to hold a 30% interest in the joint venture, with IMX holding 70% and retaining management and control of the Ntaka Hill Project.

In July 2015, Fig Tree Resources Fund II, provided a summary of the technical work it had completed to date. As part of its review, Fig Tree carried out conceptual mine design and scheduling and on the basis of the previous resources defined by IMX, Fig Tree believes that Ntaka Hill is capable of producing between 9,000 and 10,500 tonnes of nickel per annum in concentrates for a period of 10 years, at run of mine grades in excess of 1% nickel. Details of Fig Tree's analysis are contained in an announcement lodged with ASX on 13 July 2015. Since making that announcement, the Company confirms that it is not aware of any new information or data that materially affects the information included in that announcement.

**IMX RESOURCES LIMITED
DIRECTORS' REPORT**

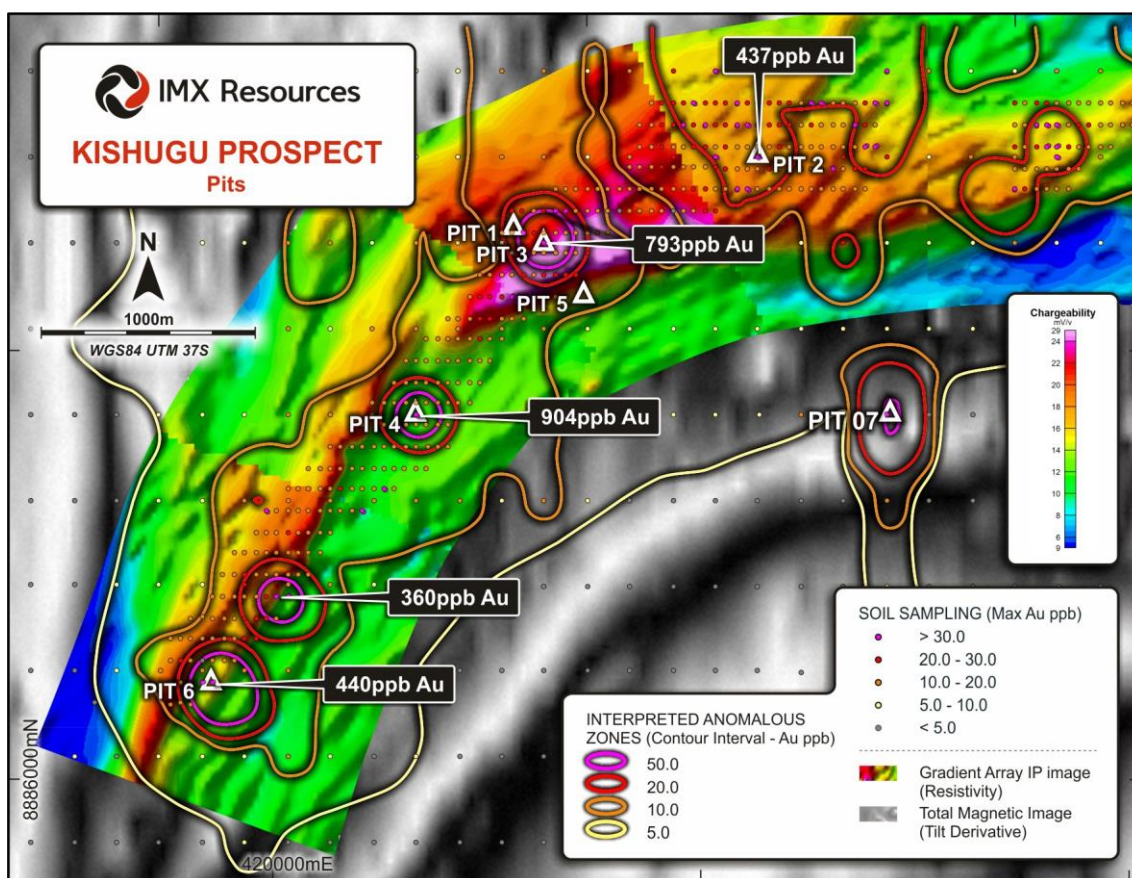
Fig Tree's work also confirmed that with its outstanding metallurgical characteristics, Ntaka Hill is capable of producing a high-grade concentrate, grading 18% nickel with low MgO, using conventional nickel flotation at high recoveries (>80%).

Kishugu & Naujombo Gold Prospects

Low-cost exploration programs were conducted during the period at both the Kishugu and Naujombo gold prospects. The exploration programs involved test pitting at Kishugu and extensional soil sampling at Naujombo, with results further confirming Kishugu and Naujombo as outstanding gold targets.

At Kishugu, seven test pits were completed to assist in better understanding a selection of targets and to determine the depth of cover and the practicalities of excavating trenches (see Figure 1). Downhole channel samples were taken at 1m intervals in each pit and assay results confirmed the strong gold anomaly identified by the previous soil sampling program.

Figure 1: Kishugu Prospect – IP Conductivity, gold in surface soils and location of test pits



At Naujombo, a program of extensional soil sampling was completed. The soil samples were analysed using a Niton X-Ray Fluorescence analyser, the results of which indicated that arsenic levels, a proxy for gold mineralisation, are closely correlated to existing laboratory analysed gold data (see Figures 2 and 3). As a result, the anomaly has been extended further to the south-east for more than 1km, extending the anomaly to over 6km.

**IMX RESOURCES LIMITED
DIRECTORS' REPORT**

Figure 2. Previous results of soil sampling at Naujombo

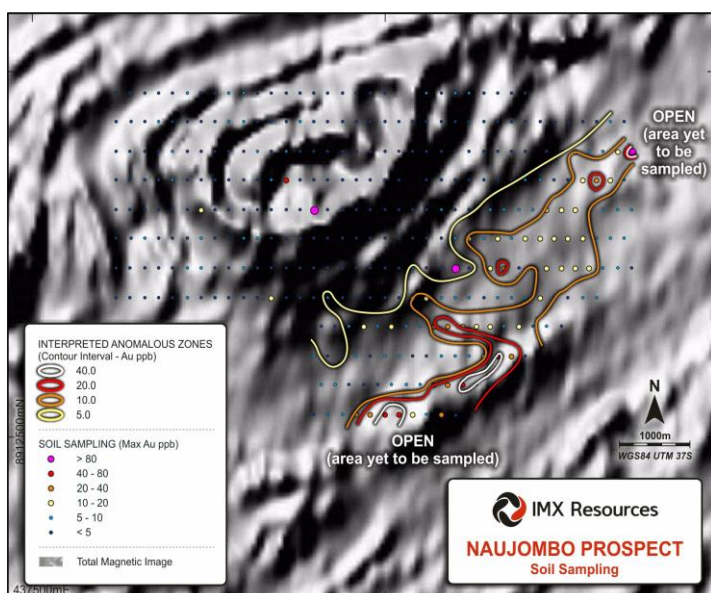
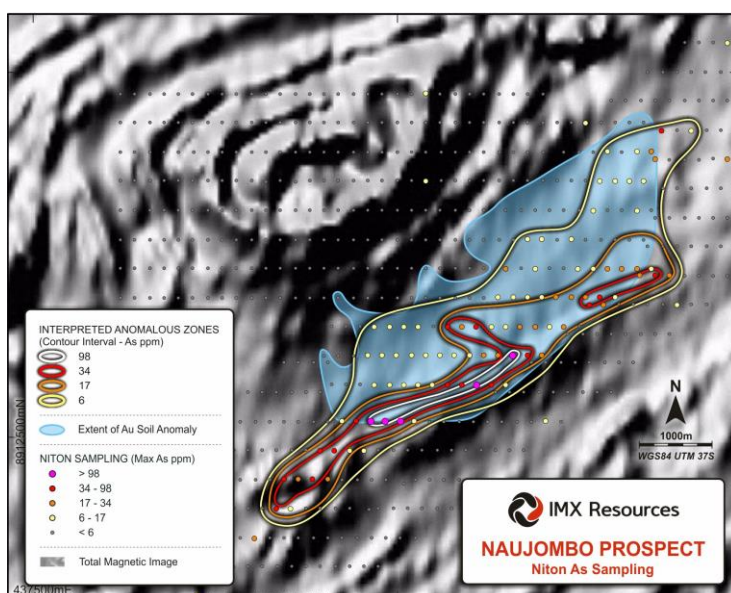


Figure 3. Arsenic results from Niton testing at Naujombo



The Company believes that the level of work carried out at Kishugu and Naujombo has represented an efficient use of limited funds, and has enhanced the Company's understanding of their potential, provided valuable information to assist in determining appropriate and cost-effective drilling techniques and will enable identification of drill ready targets.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Subsequent to 31 December 2015:

- The Company completed a non-renounceable entitlement offer, and the subsequent placement of the shortfall of 386,395,872 shares at a price of \$0.004 to raise approximately \$1.54 million before costs.
- Under the Ntaka Hill Joint Venture Agreement the Company's joint venture partner did not make the second payment of US\$4 million under the Joint Venture Agreement to increase their share of Ntaka Hill from 30% to 70%. By not making this payment the Company then entered a buy-out period whereby it could buy back the 30% interest at the higher of Fig Tree's investment cost and fair market value. This period expired on the 7th January 2016 and the Company did not exercise its buy-out option. Under the terms of the agreement Fig Tree was granted a further two month period to make the US\$4 million cash payment. At the expiry of the two month period Fig Tree did not complete the second payment. By not making payment the Joint Venture has now crystallised the Group's 70% share of the Ntaka Hill joint venture which gives it ultimate control.
- Further to the announcement on the 21 December 2015, outlining its plan to demerge its Chilalo Project and other Graphite tenements, the Company announced on 15 March 2016 the terms of the transaction to be voted on by existing shareholders post the date of this report. Consideration for the demerged assets comprise \$4 million in shares in the Company's current subsidiary Graphex Mining Limited (Graphex), which is acquiring the assets, and \$1 million in cash. The proceeds from the acquisition are contingent upon the successful listing and capital raising by Graphex. IMX intends to perform an in-specie distribution of the Graphex shares to existing IMX shareholders upon Graphex listing on the ASX. After the demerger IMX will solely be focused on its base and precious metals portfolio of prospecting and exploration tenements.

**IMX RESOURCES LIMITED
DIRECTORS' REPORT**

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires the Company's auditors to provide the Directors of IMX with an Independence Declaration in relation to the half-year ended 31 December 2015. The Independence Declaration is attached to and forms part of this Directors' Report.

This report is made in accordance with a resolution of Directors of IMX.

A handwritten signature in black ink, appearing to read 'Derek Fisher', written in a cursive style.

Derek Fisher
CHAIRMAN
PERTH, WA

15 March 2016



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of IMX Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2015 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Denise McComish
Partner

Perth

15 March 2016

IMX RESOURCES LIMITED
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME

	Notes	31 DECEMBER 2015 \$'000	31 DECEMBER 2014 \$'000
Other income		160	472
Profit on sale of tenements		-	3,681
Business development costs		(96)	(194)
Corporate and administration expenses		(2,447)	(3,050)
Exploration and evaluation expenses		(2,004)	(2,700)
Impairment expense	7	(17,909)	-
Other expenses		(65)	(323)
RESULTS FROM OPERATING ACTIVITIES		(22,247)	(2,114)
Finance costs		-	(96)
LOSS BEFORE TAX		(22,247)	(2,210)
Income tax benefit	6	390	-
LOSS FOR THE PERIOD AFTER TAX		(21,857)	(2,210)
Other Comprehensive Income			
Items that may be reclassified subsequently to profit and loss			
Foreign currency translation differences, net of tax		1,787	3,776
Share of other comprehensive income of equity accounted investees		-	-
Total items that may be reclassified subsequently to profit and loss		1,787	3,776
TOTAL COMPREHENSIVE (LOSS)/PROFIT FOR THE PERIOD		(20,070)	1,566
Net Loss is attributable to:			
Owners of IMX Resources Limited		(21,857)	(2,210)
Non-controlling interest		-	-
		(21,857)	(2,210)
Total Comprehensive Profit/(Loss) is attributable to:			
Owners of IMX Resources Limited		(20,070)	1,566
Non-controlling interest		-	-
		(20,070)	1,566
Loss per share attributable to owners of the Company:			
Basic loss per share (cents)		(2.1)	(0.5)
Diluted loss per share (cents)		(2.1)	(0.5)

The condensed notes on pages 13 to 18 are an integral part of these condensed consolidated interim financial statements.

IMX RESOURCES LIMITED
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 DECEMBER 2015 \$'000	30 JUNE 2015 \$'000
CURRENT ASSETS			
Cash and cash equivalents		696	1,745
Trade and other receivables		973	1,020
Assets classified as held for sale	7	5,125	-
TOTAL CURRENT ASSETS		6,794	2,765
NON-CURRENT ASSETS			
Exploration and evaluation expenditure assets	7	6,200	27,710
Property, plant and equipment		478	722
TOTAL NON-CURRENT ASSETS		6,678	28,432
TOTAL ASSETS		13,472	31,197
CURRENT LIABILITIES			
Trade and other payables		867	1,611
Liabilities classified as held for sale		105	-
Provisions		205	500
TOTAL CURRENT LIABILITIES		1,177	2,111
NON-CURRENT LIABILITIES			
Provisions		71	303
TOTAL NON-CURRENT LIABILITIES		71	303
TOTAL LIABILITIES		1,248	2,414
NET ASSETS		12,224	28,783
EQUITY			
Contributed equity	9	130,038	126,399
Reserves		4,697	5,202
Retained earnings		(124,100)	(107,044)
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		10,635	24,557
Non-controlling interest		1,589	4,225
TOTAL EQUITY		12,224	28,783

The condensed notes on pages 13 to 18 are an integral part of these condensed consolidated interim financial statements.

IMX RESOURCES LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	31 DECEMBER 2015 \$'000	31 DECEMBER 2014 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest and other receipts	442	233
Payments to suppliers and employees	(2,745)	(2,701)
Payment of exploration expenditure	(2,315)	(2,261)
Net cash outflow from operating activities	(4,618)	(4,729)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of plant and equipment	(25)	(47)
Proceeds from sale of tenements	-	3,680
Payments for development expenditure	-	(184)
Net cash (outflow)/inflow from investing activities	(25)	3,449
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	3,930	4,394
Cost of equity issued	(291)	(336)
Repayment of liability	-	(3,000)
Finance costs	-	(96)
Net cash inflow from financing activities	3,639	962
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,004)	(318)
Opening cash and cash equivalents brought forward	1,745	1,726
Effects of exchange rate movements on opening cash	(45)	16
CASH AND CASH EQUIVALENTS CARRIED FORWARD	696	1,424

The condensed notes on pages 13 to 18 are an integral part of these condensed consolidated interim financial statements.

IMX RESOURCES LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Contributed Equity	Foreign Currency Translation Reserve	Share Based Equity Reserve	Options Reserve	Other Equity Reserve	Retained Earnings	Non- Controlling Interests	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2014	120,336	36	4,220	1,048	-	(101,348)	2	24,294
Total Other Comprehensive Income for half-year								
Loss for the half-year	-	-	-	-	-	(2,210)	-	(2,210)
Foreign exchange translation differences	-	3,776	-	-	-	-	-	3,776
	-	3,776	-	-	-	(2,210)	-	1,566
Transactions with owners in their capacity as owners:								
Issues of shares net of transaction costs	4,624	-	-	-	-	-	-	4,624
Equity attributed to minority	-	-	-	-	(4,180)	-	4,180	-
Employee share based payments	-	-	98	-	-	-	-	98
Balance at 31 December 2014	124,960	3,812	4,318	1,048	(4,180)	(103,558)	4,182	30,582
Balance at 1 July 2015	126,399	3,444	4,651	1,048	(3,940)	(107,044)	4,225	28,783
Total Other Comprehensive Income for half-year								
Loss for the half-year	-	-	-	-	-	(21,857)	-	(21,857)
Foreign exchange translation differences	-	1,787	-	-	-	-	-	1,787
	-	1,787	-	-	-	(21,857)	-	(20,070)
Transactions with owners in their capacity as owners:								
Issues of shares net of transaction costs	3,639	-	-	-	-	-	-	3,639
Contractor share based payments	-	-	53	-	-	-	-	53
Employee share based payments	-	-	102	-	-	-	-	102
Transfer reserve to retained earnings to recognise expired equity based payments	-	-	(3,752)	(1,048)	-	4,800	-	-
Equity attributed to minority interest	-	-	-	-	2,351	-	(2,636)	(285)
Balance at 31 December 2015	130,038	5,231	1,054	-	(1,589)	(124,100)	1,589	12,224

The condensed notes on pages 13 to 18 are an integral part of these consolidated interim financial statements.

IMX RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
HALF-YEAR ENDED 31 DECEMBER 2015

1. Corporate information

IMX Resources Limited (“**IMX**” or the “**Company**”) is a company incorporated in Australia and limited by shares. IMX shares are publicly traded on the Australian Securities Exchange (“**ASX**”). The condensed consolidated interim financial statements of the Company as at, and for the six months ended, 31 December 2015 comprise the Company and its subsidiaries (together the “**Group**”).

The principal activities of the Company are exploration for graphite, base and precious metals.

The consolidated financial statements of the Group as at and for the year ended 30 June 2015 are available online at www.imxresources.com.au or upon request from the Company’s registered office located at Suite 4, Level 1, 2 Richardson Street, West Perth 6005, Australia.

This financial report was authorised for issue in accordance with a resolution of the Directors on 15 March 2016.

2. Basis of preparation and accounting policies

This general purpose interim financial report for the half-year ended 31 December 2015 has been prepared in accordance with IAS 34 *Interim Financial Reporting* and the *Corporations Act 2001*. The financial report does not include all notes of the type normally included within the annual financial report. However selected explanatory notes are included to explain events and transactions that are important to an understanding of changes in the Group’s financial position and performance since the last annual consolidated financial statements, as of, and for the year ended 30 June 2015.

It is recommended that this interim financial report be read in conjunction with the annual report for the year ended 30 June 2015 and considered together with any public announcements made by IMX during the half-year ended 31 December 2015 in accordance with the Company’s continuous disclosure obligations.

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the consolidated interim financial statements have been rounded to the nearest thousand dollars, unless otherwise stated.

3. Accounting Policies

The accounting policies and methods of computation adopted in the preparation of the interim financial report are consistent with those disclosed in the Company’s 2015 Annual Financial Report for the financial year ended 30 June 2015.

At 31 December 2015 and for the half-year then ended, there were no new accounting standards or amendments to accounting standards which impacted on the Group’s half year report. The Group did not early adopt any accounting standards or amendments to accounting standards which have been finalised but are not yet effective.

4. Going Concern

The condensed interim consolidated financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

For the half-year ended 31 December 2015, the Group has incurred a loss after tax of \$21.85 million. The Group’s net assets are \$12.24 million and current assets exceed current liabilities by \$5.61 million. Of this amount, \$5 million relates to the Chilalo asset classified as Held for Sale at the value expected to be realised through the demerger, as described below. Of this, \$4 million is planned to be distributed in specie to the Company’s shareholders, and \$1 million receivable in cash. Based on the forecast cash flows the Directors consider the going concern basis of preparation to be appropriate. Maintaining positive current assets for 12 months from the date of signing this report is reliant on achieving the Company’s strategy and forecast costs.

IMX RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
HALF-YEAR ENDED 31 DECEMBER 2015

As outlined in Note 12, the company raised a further \$1.54 million subsequent to year end via a non-renounceable entitlement offer and the subsequent placement of the shortfall of 386,395,872 shares at a price of \$0.004. Also disclosed in Note 12 is the transaction the Company is planning to undertake to demerge its Chilalo and other graphite assets from the Group. The \$1 million cash is receivable in the event Graphex successfully lists on the ASX and is able to complete a minimum capital raising of \$4 million as specified as a condition precedent of the sale agreement.

At the date of this report forecast cash balances are expected to exceed cash outflows for the following 12 months. However, in the event forecast costs increase, the Company has a number of funding sources available to it, including:

- Capital raising via the issue of new securities – the Company has a strong track record of raising funds in difficult capital markets.
- Securing an alternative joint venture partner for the Ntaka Hill Nickel Project – the Company's current joint venture partner Fig Tree Resources Fund II was unable to make the second payment of US\$4 million under the joint venture agreement.
- Project level funding – there is a possibility of further funding through direct project investment.
- Other asset sales.

As outlined in Note 10, the Company had previously received a letter of demand notifying of a potential claim against the Company and Termite Resources NL (Termite) Directors and Officers. The Company's insurer has confirmed the Company's Directors and Officers insurance policy will respond to any potential claim. This does not however cover the Company's direct legal costs if it were to be named defendant as the Company is not covered by the policy. The liquidator of Termite has agreed to a standstill arrangement whereby the Company will not be named as defendant should a claim be filed against Directors and Officers. The liquidator has however reserved its right to name the Company at a later date should it choose to. Given the insurance policy covers Directors and Officer costs, the standstill arrangement in place and the Company's view the claim is of little merit, the Directors believe there is a low probability of outflow of cash reserves in relation to the claim.

For the reasons set out above, the financial report has been prepared on a going concern basis such that the Group can realise its assets and settle its liabilities in the normal course of business and at the amounts stated in the financial report. However, in the event

- a claim is lodged against the Company and/or it is unable to raise further funding through the options discussed above; and/or
- the Initial Public Offering and capital raising of Graphex is not successful such that IMX does not receive the \$1 million consideration from the sale of Chilalo and is unable to raise funds from other sources;

a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and therefore whether, the Group may be able to realise its assets and settle its liabilities in the normal course of business.

5. Use of judgements and estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 30 June 2015.

6. Income Tax

The Group does not recognise deferred tax assets that are not probable of recovery.

The amount recognised in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income is the receipt of a Research and Development rebate in relation to the 30 June 2015 financial year.

IMX RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
HALF-YEAR ENDED 31 DECEMBER 2015

7. Exploration and Evaluation Expenditure Assets

	31 December 2015 \$'000	30 June 2015 \$'000
Exploration & evaluation expenditure assets	11,200	27,710
<i>Reconciliation of exploration & evaluation expenditure assets</i>		
Carrying amount at the beginning of the half-year	27,710	24,529
Net proceeds from Joint Venture with Figtree	-	(2,446)
Provision for impairment	(17,902)	-
Foreign currency translation	1,392	5,627
Reclassified as held for sale	(5,000)	-
Carrying amount at the end of the half-year	6,200	27,710

The exploration asset relates to the Nachingwea property area of interest in Tanzania. Within the area of interest the two major assets are the Chilalo Graphite Project and the Ntaka Hill Nickel Project. The impairment provision recognised against the exploration and evaluation expenditure asset was recognised due to the following impairment triggers identified at period end. During the period the Company announced its plan to demerge the Chilalo Project into a new listed Company. The transaction values the project at \$5 million and has been classified as Held for Sale as the demerger is considered highly probable. In addition the Ntaka Hill joint venture partner Fig Tree did not complete payment under the joint venture agreement as outlined in Note 8. Combining this factor with the sustained decline of the nickel price, there is evidence the recoverable amount based on fair value of Ntaka Hill in the current market has also declined. Therefore a provision for impairment as at 31 December 2015 has been recognised, based on the previously agreed transaction price, adjusted for decline in the nickel price.

8. Joint Venture

The Group is currently in a 70% IMX, 30% Fig Tree joint venture on its Ntaka Hill Nickel Project. Fig Tree did not make the second payment of US\$4 million under the terms of the joint venture agreement which would have increased their ownership from 30% to 70%. By not making the scheduled payment, IMX was granted a right to buy back their 30% interest at the higher of Fig Tree's investment cost and fair market value. This period expired on 7 January 2016 and under the terms of the agreement Fig Tree was granted a further two month period to make the US\$4 million cash payment which has since expired.

IMX RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
HALF-YEAR ENDED 31 DECEMBER 2015

9. Contributed Equity

	31 December 2015		30 June 2015	
	Number of shares	\$'000	Number of shares	\$'000
(a) Issued and Paid up Capital				
Ordinary shares fully paid	1,159,187,617	130,038	827,826,028	126,399
(b) Movement in fully paid Ordinary Shares				
	Number of shares	\$'000	Number of shares	\$'000
Balance as at 1 July / 1 January	827,826,028	126,399	396,497,145	120,336
Issue of shares, net of costs ⁽¹⁾	318,866,720 ¹	3,639 ¹	430,123,981 ²	6,063 ²
Share based remuneration to KMP and Directors	12,494,869	-	1,204,902	-
Balance as of 31 December 2015 / 30 June 2015	1,159,187,617	130,038	827,826,028	126,399

⁽¹⁾ **31 December 2015**

Issue of 233,333,329 ordinary shares on 4 September 2015 in a private placement, at a price of \$0.012 per share.

Issue of 85,533,391 ordinary shares on 7, 11 and 15 September 2015 under a share purchase plan and subsequent placement of shortfall as an issue price of \$0.012 per share

⁽²⁾ **30 June 2015**

Issue of 110,000,001 ordinary shares in total in two equal tranches on 8 August and 24 September 2014 at a price \$0.027 per share.

Issue of 163,123,980 ordinary shares on 31 December 2014, in a private placement, at a price of \$0.012 per share.

Issue of 157,000,000 ordinary shares on 16 March 2015, in a private placement, at a price of \$0.010 per share.

(c) Movement in unlisted securities

	31 December 2015	30 June 2015
Unlisted options	Number of securities	Number of securities
Balance as at 1 July / 1 January	12,795,847	10,435,847
Unlisted options issued to suppliers	11,000,000 ²	6,500,000
Unlisted options issued to employees	40,746,452 ¹	-
Unlisted options cancelled / expired	-	(4,140,000)
Balance as of 31 December 2015 / 30 June 2015	64,542,299	12,795,847

¹ 14,016,452 Options issued on 2nd December 2015 to the Company's management with vesting periods of between one and three years. Vesting criteria is both serviced based and determined by an individual's performance against set key performance indicators. The exercise price is nil.

26,730,000 Options issued on 2nd December 2015 to management with a vesting period of three years. Vesting criteria is based solely on the Company's underlying share price reaching certain targets. The options have a strike price of \$0.011.

² 11,000,000 options issued to suppliers, vested immediately and exercisable at any time between 2 – 3 years at an exercise price of \$0.012 to \$0.03.

Replacement options

	Number of securities	Number of securities
Balance as at 1 July	320,000	552,500
Replacement options cancelled / expired	(300,000)	(232,500)
Balance as of 31 December 2015 / 30 June 2015	20,000	320,000

IMX RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
HALF-YEAR ENDED 31 DECEMBER 2015

Performance Rights	31 December 2015 Number of securities	30 June 2015 Number of securities
Balance as at 1 July	16,218,654	1,000,000
Performance rights issued	-	16,837,912
Performance rights cancelled / expired	(459,720)	(414,356)
Performance rights vested	(12,494,869)	(1,204,902)
Balance as of 31 December 2015 / 30 June 2015	3,264,065	16,218,654

Share Appreciation Rights

	Number of securities	Number of securities
Balance as at 1 July	29,654,100	-
Share appreciation rights issued	-	29,654,100
Balance as of 31 December 2015 / 30 June 2015	29,654,100	29,654,100

10. Contingent Liabilities

As set out in Note 4, during the period a letter of demand was received from the liquidators of Termite which provided notice of a potential claim against Directors and Officers of Termite including the Company itself.

The quantum of the claim is put in the alternative as the amount of the unsatisfied liabilities to unsecured creditors at the date of administration (mostly made up of damages claims from long term logistics creditors for early termination of their contracts on appointment of the administrators) said to be estimated at \$75 million, alternatively about \$46 million plus interest, being the amount repaid by Termite by way of loan repayment and distributions. The Company's current belief is that such a claim has little merit.

Termite was wholly owned by an incorporated joint venture entity, itself a 51% owned subsidiary of IMX. Termite undertook the operation of the Cairn Hill iron ore mine in South Australia. As a result of the sudden and steep downturn in iron ore prices in the second quarter of 2014, IMX announced on 19 June 2014 that the Directors of Termite had appointed voluntary administrators to Termite. Subsequently, on 15 September 2014, creditors of Termite voted to place that company into liquidation.

Set out below are the potential impacts on the Company of any potential claim against the Company and against the Directors and Officers of Termite:

Potential claim against the Directors and Officers of Termite

Discussions with the Company's insurers in relation to its Directors and Officers Insurance Policy have confirmed the policy will respond to cover the ongoing legal cost of defending the claim against Directors. At this point in time it is not known whether the policy will respond to potential future liability should the claim eventuate and be successful, however given the facts the Company is confident it will. As a result, it is not expected that the Company would incur any economic loss as a result of a potential claim against the Directors and Officers of Termite.

In the event that the Directors and Officers Policy does not cover some or all of any liability, the individual Directors and Officers are indemnified by the Company which would result in an economic loss to the extent the policy does not cover those costs. It is the Company's belief however that this situation is unlikely due to the claim having little merit and the expectation that the policy will cover Directors and Officers.

IMX RESOURCES LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
HALF-YEAR ENDED 31 DECEMBER 2015

Potential claim against the Company

The Company is not covered by the Directors and Officers Insurance Policy. As such, any legal costs or liability incurred as a result of the potential claim against the Company would result in an economic loss to the Company. The Company has signed a standstill agreement with the Liquidator of Termite, meaning IMX will not be named as a defendant should a claim be filed against the Directors and Officers. However, the liquidator reserves the right to do so at a later stage at its sole discretion. IMX's opinion however is that the claim against IMX is weak and unlikely to result in an economic outflow except for payment of legal costs which are expected to be immaterial under current circumstances and capable of being absorbed by cash reserves.

The Company is of the opinion that no liability exists at 31 December 2015 on the basis that the claim will be vigorously defended, and legal advice supports the Directors' view that if a claim were to proceed, it would most likely fail.

11. Operating Segments

Segment Products and Locations

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker. Following the closure of the Cairn Hill Mine, the Group is solely focussed on exploration and hence has only one operating segment.

In respect of the exploration operating segment, geographically the Company's primary focus is exploration in Tanzania.

12. Subsequent Events

Subsequent to 31 December 2015:

- The Company completed a non-renounceable entitlement offer, and the subsequent placement of the shortfall of 386,395,872 shares at a price of \$0.004 to raise approximately \$1.54 million before costs.
- Under the Ntaka Hill Joint Venture Agreement the Company's joint venture partner did not make the second payment of US\$4 million under the Joint Venture Agreement to increase their share of Ntaka Hill from 30% to 70%. By not making this payment the Company then entered a buy-out period whereby it could buy back the 30% interest at the higher of Fig Tree's investment cost and fair market value. This period expired on the 7th January 2016 and the Company did not exercise its buy-out option. Under the terms of the agreement Fig Tree was granted a further two month period to make the US\$4 million cash payment. At the expiry of the two month period Fig Tree did not complete the second payment. By not making payment the Joint Venture has now crystallised the Group's 70% share of the Ntaka Hill joint venture which gives it ultimate control.
- Further to the announcement on the 21 December 2015, outlining its plan to demerge its Chilalo Project and other Graphite tenements, the Company announced on 15 March 2016 the terms of the transaction to be voted on by existing shareholders post the date of this report. Consideration for the demerged assets comprise \$4 million in shares in the Company's current subsidiary Graphex Mining Limited (Graphex), which is acquiring the assets, and \$1 million in cash. The proceeds from the acquisition are contingent upon the successful listing and capital raising by Graphex. IMX intends to perform an in-specie distribution of the Graphex shares to existing IMX shareholders upon Graphex listing on the ASX. After the demerger IMX will solely be focused on its base and precious metals portfolio of prospecting and exploration tenements.

**IMX RESOURCES LIMITED
DIRECTORS' DECLARATION**

In accordance with a resolution of the Directors of IMX Resources Limited (the "Directors"), I state that:

In the opinion of the Directors:

- (a) The financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001* and:
- (i) give a true and fair view of the financial position as at 31 December 2015 and the performance for the half-year ended on that date of the consolidated entity
 - (ii) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors made pursuant to Section 303(5) of the *Corporations Act 2001*.

On behalf of the Board



Derek Fisher
CHAIRMAN
PERTH, WA

15 March 2016



Independent auditor's review report to the members of IMX Resources Limited

Report on the interim financial report

We have reviewed the accompanying interim financial report of IMX Resources Limited (the company), which comprises the condensed consolidated statement of financial position as at 31 December 2015, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, Notes 1 to 12 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of IMX Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of IMX Resources Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty regarding continuation as a going concern

Without modifying our conclusion expressed above, we draw attention to the following matter. As a result of the facts set out in Note 4 and 10, there is a material uncertainty which may cast significant doubt regarding the ability of the company to continue as a going concern and therefore whether it will be able to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

KPMG

KPMG

Denise McComish

Denise McComish
Partner

Perth

15 March 2016