IMX Resources
PERTH | TANZANIA

10 May 2016

CHILALO GRAPHITE RESERVE CONFIRMS ROBUST POTENTIAL

IMX Resources Limited (**ASX: IXR**) (‘**IMX**’ or the ‘**Company**’) is pleased to announce the declaration of the maiden Ore Reserve for its Chilalo Graphite Project located in south-east Tanzania. The Ore Reserve estimate was prepared primarily to assist in addressing concerns raised by the Australian Securities and Investments Commission (‘**ASIC**’) in relation to a prospectus lodged by Graphex Mining Limited (‘**Graphex**’) on 4 April 2016 (the ‘**Original Prospectus**’) (see ASX announcements 27 April 2016 and 3 May 2016).

The Ore Reserve estimate was prepared by CSA Global Pty Ltd (‘**CSA**’), an experienced and respected mining engineering consultancy with appropriate graphite experience.

The Ore Reserve estimate is based only on the Indicated Resources at the Chilalo Project of 5.1 Mt grading 11.9% TGC for 613,800 tonnes of contained graphite included in the high-grade Mineral Resource estimate that also includes Inferred Resources of 4.1 Mt grading 9.1% TGC for 370,300 tonnes of contained graphite (see ASX announcement 13 October 2015).

The Ore Reserve estimate, together with a replacement prospectus lodged with ASIC by Graphex on 10 May 2016 (the ‘**Replacement Prospectus**’), is expected to address concerns raised by ASIC regarding forward looking statements included in the Original Prospectus. The Company expects to provide an update later today on ASIC’s consideration of the Replacement Prospectus.

The Ore Reserve estimate for the Chilalo project as at May 2016 is outlined in Table 1 below:

Table 1. Chilalo Project Ore Reserve

Reserve Category	Tonnes (Mt)	Grade (TGC%)	Contained Graphite (Kt)
Proved	-	-	-
Probable	4.7	11.0%	516
Ore Reserves total	**4.7**	**11.0%**	**516**

Managing Director Phil Hoskins commented, “*The declaration of a maiden Ore Reserve continues to support our view that Chilalo is an outstanding project. We are particularly pleased that almost 85% of the Indicated Resources were converted to Probable Reserves, which demonstrates the predictability of the ore body and the robust nature of the project. We expect that this will support our ongoing discussions with China Gold and CN Docking during this period of exclusive due diligence to assess the potential for the joint development of the Chilalo Project. It will also allow us to proceed with the Graphex spin-off which has built strong momentum in anticipation of concluding a transaction with China Gold in the coming months and resulting in investor interest well in excess of the planned maximum raising.*”

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CSA Global Pty Ltd recently prepared a second project plan that contained only Indicated Resources. This plan was established using an adjusted mine design and schedule while maintaining the same key technical and economic parameters contained in the PFS, including the same processing plant, production rates, capital costs and unit operating costs.

A project financial model, generated for the smaller Ore Reserve plan and using the same financial parameters as the PFS, demonstrated that the outcome for the Ore Reserve project case was economically viable with a positive NPV (although less than the PFS), the same payback period as the PFS (within two years) and retaining a pre-tax Internal Rate of Return (IRR) greater than 50% (see Section 4 of Appendix 1).

Information required under ASX Listing Rule 5.9.1

In accordance with ASX Listing Rule 5.9.1, the Company provides the following information:

- A PFS was completed by IMX for the Chilalo Project, (see ASX announcement 23 November 2015) for full details of assumptions employed.
    - The study proposed an operation processing 630 ktpa of ore to produce a nominal 69ktpa of graphite concentrate, comprising 51ktpa of coarse graphite flake concentrate and a further 18ktpa of fines for a mine life of approximately ten years. The PFS found that the project is physically and economically viable, with a strong Internal Rate of Return (IRR) and a pre-tax payback of less than two years.
    - The PFS is based on production from Indicated and Inferred Resources and for this reason the full amount mined in the PFS is not appropriate to be included in an Ore Reserve estimate.
    - A Probable Ore Reserve estimate was developed considering only the Indicated portion of the mineral resource that underpins the Chilalo Project, applying all of the Modifying Factors, parameters and considerations of the PFS to produce a mine life of approximately eight years at the same production rates and with the same product specifications as the PFS. As only Indicated material was used to estimate the Ore Reserve, there is a smaller volume of production.
    - Production from the Ore Reserve's eight years of the project is very similar to the first eight years of the ten-year PFS. Many key financial measures are very similar, with the post-tax payback period for both cases less than two years and the post-tax IRR for the Ore Reserve case is greater than 50%.
- Classification
    - Classification of the Mineral Resource estimates was carried out taking into account the level of geological understanding of the deposit, quality of samples, density data and drill hole spacing.
    - The Mineral Resource estimate has been classified in accordance with the JORC Code, 2012 Edition using a qualitative approach. All factors that have been considered have been adequately communicated in Section 1 and Section 3 of this Table.
    - The Mineral Resource estimate appropriately reflects the view of the Competent Person.
    - No Measured Resources have been estimated for the Chilalo project.
    - The Ore Reserve estimate considers only Indicated Resources and does not include any quantity of Inferred or unclassified material. Thus, the Ore Reserve estimate comprises only Probable Ore Reserves.

- The mine plan used in the Ore Reserve estimate includes approximately 7% of inferred material that is mined during the process of accessing the Indicated ore. This Inferred Resource is not considered material to the value of the project and is not included in the estimation if the Probable Reserve.
  - The result appropriately reflects the Competent Person's view of the deposit.
- Mining
  - The mining method for the Chilalo Graphite Project is conventional open pit mining, using excavators and trucks for load and haul operations. Drill and blast operations will be conducted as required.
  - The Chilalo deposit is a generally planar, steeply dipping deposit with clearly defined contacts. Mining dilution and recovery is based on typical values for this style of deposit and mining method. Mining recovery of 95% of tonnes has been applied, with a dilution component of 5% (at zero grade)
- Processing
  - A representative testwork program demonstrated that the ore from the Chilalo Graphite Project is amenable to the production of high-grade graphite concentrates, at coarse flake sizes, using relatively simple flotation processes. These processes are an established process of recovery for graphite, used successfully in the industry.
  - Consideration for deleterious elements was completed on a general level suitable for a Probable Reserve. Further consideration on a more specific level will be completed as product specifications are refined.
- Cut-off Grade
  - The revenue generated from a graphite operation is primarily driven by the flake size distribution of the product. The flake proportion over a series of size categories determines the basket price of the product. The carbon grade (TGC) is not directly related to flake size.
  - This Ore Reserve estimate is based on a cut-off grade of 8% TGC. This cut-off grade is based on a distinct population step in the Mineral Resource estimate at this grade and a link identified in the mineralogy of the deposit where flake size distribution has a step improvement above 8% TGC.
  - Project economics from the total project have been considered at the end of the full project iteration to confirm that the cut-off criteria support economic operations for the Chilalo Graphite Project.
- Estimation Methodology
  - The Chilalo Ore Reserve estimate is based on a detailed block model of the Mineral Resource and a detailed mine design. The Ore Reserve is based on a spatially supported and explicit mining schedule.
- Material Modifying Factors
  - Material modifying factors including land access, infrastructure requirements and logistics have been addressed in the Chilalo Graphite Project PFS (see ASX announcement 23 November 2015) to an adequate level of confidence for a Probable Ore Reserve.

- The Chilalo Graphite Project has been issued with an Environmental Certificate by the National Environment Management Council of Tanzania. This certificate is a pre-requisite for the granting of a Mining Licence.

PHIL HOSKINS
Managing Director

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Competent Person's Statement

The information in this report that relates to Chilalo Ore Reserves is based on information compiled by Mr Karl van Olden, a Competent Person, who is a Fellow of The Australasian Institute of Mining and Metallurgy. Karl van Olden is employed by CSA Global Pty Ltd, an independent consulting company. Mr van Olden has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr van Olden consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Previously reported Information

- This news release includes information that relates to the Mineral Resource estimate announced on 13 October 2015. 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.

- This news release includes information that relates to the results of the PFS announced on 23 November 2015. Since announcing the results of the PFS announced on 23 November 2015, IMX confirms that 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 results of the PFS continue to apply and have not materially changed).

APPENDIX 1: JORC 2012 TABLE 1 REPORTING

Section 1 Sampling Techniques and Data

Criteria	Commentary
Sampling techniques	• Reverse Circulation • Reverse Circulation (RC) drilling was used to collect 1 m downhole samples for assaying. • Typically, a 1 to 2 kg sample was collected using a cone splitter. Samples were composited to 2 m and sent for LECO analyses as well as for ICP Multi-element analyses. All RC samples were submitted for analysis. • Certified Reference Materials (CRM's) and field duplicate samples were used to monitor analytical accuracy and sampling precision. • Sampling is guided by IMX Resources' standard operating and QA/QC procedures. • Diamond • Samples were composited to 2 m and sent for LECO analyses as well as for ICP Multi-element analyses. All core samples were submitted for analysis. • CRM's and field duplicate samples were used to monitor analytical accuracy and sampling precision. • Sampling is guided by IMX Resources' standard operating and QA/QC procedures. • HQ diamond core is geologically logged and sampled to corresponding RC intervals when twinning an RC hole, otherwise sampling is to geological contacts with nominal samples lengths between 0.25 and 1.5 m. Core is quarter cored by diamond blade rock saw, numbered and bagged before dispatch to the laboratory for analysis. • Core is routinely photographed.
Drilling techniques	• Diamond and RC holes were drilled in a direction to intersect the mineralisation orthogonally. • RC holes were drilled using a 140 mm face sampling hammer button bit. • The RC drilling is completed using a Schramm 450 drill rig with additional booster and auxiliary used as required to keep samples dry and produce identifiable rock chips. • Diamond drilling (HQ) with standard inner tubes. HQ diameter (63.5mm) to target depth.
Drill sample recovery	• Diamond core recoveries in fresh rock are measured in the core trays. Rock Quality Designation (RQD) is also recorded as part of the geological logging process. • Core recoveries were good – typically >95%. • Sample quality and recovery of RC drilling was continuously monitored during drilling to ensure that samples were representative and recoveries maximised. • RC Sample recovery was recorded using sample weights. • There is no discernible relationship between sample recovery and TGC grade. Diamond twinning of RC holes has demonstrated a minimal downwards bias in RC TGC grade.
Logging	• Detailed geological logging of all diamond holes captured various qualitative and quantitative parameters including mineralogy, colour, texture and sample quality. • Detailed geological logging of all RC holes captured various qualitative and quantitative parameters including mineralogy, colour, texture and sample quality.

Criteria	Commentary
	• RC holes were logged at 1 m intervals. • Logging data is collected via rugged laptops. The data is subsequently downloaded into a dedicated Datashed database for storage, hosted by a database consultant. • All diamond core has been geologically and geotechnically logged to a level of detail to support Mineral Resource estimation.
Sub-sampling techniques and sample preparation	• RC samples are drilled dry and are routinely taken in 1 m intervals with a 1–2 kg sample retrieved from a regularly cleaned cone splitter. The remainder is recovered in a larger plastic bag. 1 m samples are then composited into a 2 m sample using a laboratory deck splitter. • A small fraction of samples returned to the surface wet. These samples were dried prior to compositing. All samples were submitted for assay. • Samples were stored on site prior to being transported to the laboratory. • Samples were sorted, dried and weighed at the laboratory where they were then crushed and riffle split to obtain a sub-fraction for pulverisation. • Core is cut with a diamond saw into half core and then one half into quarter core. A quarter of the core is sent for assay, a quarter for archive and a half for metallurgical testwork. Generally, one of each of the 2 control samples (blank or standard) is inserted into the sample stream every twentieth sample.
Quality of assay data and laboratory tests	• All RC and diamond samples were submitted to ALS for both the sample preparation and analytical assay. • Samples were sent to the ALS laboratory in Mwanza (Tanzania) for sample preparation. Samples are crushed to >70% passing -2 mm and then pulverised to >85% passing -75 microns. • For all samples a split of the sample is analysed using a LECO analyser to determine graphitic carbon (ALS Minerals Codes C-IR18). • QC sample insertion rates are every 20th sample (1 standard, 1 blank, 1 site duplicate). Additionally 1 standard, 1 blank and 1 site duplicate will be inserted for every 20 m of mineralisation intersected. A mineralised zone is a zone greater than 5 m with a visual estimate of more than 5% graphite. Internal dilution of non-mineralisation (up to 5 m) can be included in the mineralised thickness. • Laboratory duplicates and standards were also used as quality control measures at different sub-sampling stages. • 76 samples were sent for umpire laboratory testing, with the results validating the accuracy of the primary laboratory assay results. • Examination of all the QA/QC data indicates that the laboratory performance has been satisfactory for both standards, with no failures and acceptable levels of precision and accuracy. CSA Global believes that laboratory accuracy and precision has been sufficiently demonstrated to use the drill assay data with a reasonable level of confidence in a MRE.
Verification of sampling and assaying	• Senior IMX geological personnel supervise the sampling, and alternative personnel verified the sampling locations. External oversight is established with the contracting of an external consultant to regularly assess on site standards and practices to maintain best practice. • Some RC holes have been twinned by diamond drilling core holes to assess the degree of intersection and grade compatibility between the dominant RC samples and the twinned

Criteria	Commentary
	core. • Assay data is loaded directly into the Datashed database which is hosted by and managed by an external database consultancy. • Visual comparisons will be undertaken between the recorded database assays and hard copy records at a rate of 5% of all loaded data. • No adjustments have been made to assay data.
Location of data points	• Drill hole collar locations have been surveyed using a handheld GPS with an accuracy of <5 m for easting, northing and elevation coordinates. • Drill hole collars were re-surveyed using a Differential GPS with an accuracy of <5 cm at the end of the program. • Collar surveys are validated against planned coordinates and the topographic surface. • Downhole surveys are conducted during drilling using a Reflex single shot every 30 m. • The primary (only) grid used is UTM WGS84 Zone 37 South datum and projection. • The topographic surface used in resource modelling has been generated a Differential GPS with an accuracy of <5 cm over the resource
Data spacing and distribution	• The Shimba deposit has been sampled using RC and diamond core drilling over a number of drilling campaigns, with drilling completed on a nominal 200 m by 200 m grid. • Infill drilling has been completed to a grid of roughly 100 m by 50 m over the high graphite grade zone. A total of 50 RC holes for 3,809.8 m and 22 diamond holes for 2,031.35 m have been drilled and assayed for graphite content at the Project. • Six pairs of diamond core and RC twinned holes are included in the drilling totals.
Orientation of data in relation to geological structure	• All holes have been orientated to intersect the graphitic mineralisation as close to perpendicular as possible. • From surface mapping of the area and VTEM modelling, the regional foliation dips at angles of between 50 and 60 degrees to the south to south-south-west. The drilling was hence planned at a dip of -60/65 degrees oriented 315 to 360 degrees.
Sample security	• The samples are packed at the drill site and sealed prior to daily transport to the local field office which has 24 hour security prior to transport by locked commercial truck carrier to ALS Mwanza. The laboratory (ALS) ships the sealed samples after preparation, to Brisbane in Australia.
Audits or reviews	• An independent consultant from CSA Global, with expertise in graphite, completed a site visit prior to and upon commencement of drilling to ensure the sampling protocol met best practices to conform to industry standards.

Section 2 Reporting of Exploration Results

Criteria	Commentary
Mineral tenement and land tenure status	• The exploration results reported in this announcement are from work carried out on granted prospecting licences PL 6073/2009 which are owned by Warthog Resources Limited, a wholly owned subsidiary of IMX. • The tenements are the subject of a joint venture agreement with MMG Exploration Holdings Limited which hold an interest in the Nachingwea Property of approximately 15%.
Exploration done by other parties	• Exploration has been performed by an incorporated subsidiary company of IMX, Ngwena Limited. • Stream sediment surveys carried out historically by BHP were not assayed for the commodity referred to in the announcement.
Geology	• The regional geology is comprised of late Proterozoic Mozambique mobile belt lithologies consisting of mafic to felsic gneisses interlayered with amphibolites and metasedimentary rocks. The mineralisation consists of a series of intercalated graphitic horizons within felsic gneiss (aluminous rich sediments), amphibolites (mafic sourced material) and rarely high purity marble horizons.
Drill hole Information	• All relevant drill hole information has been previously reported to the ASX. No material changes have occurred to this information since it was originally reported. • All relevant data has been reported.
Data aggregation methods	• Not relevant when reporting Mineral Resources. • No metal equivalent grades have been used.
Relationship between mineralisation widths and intercept lengths	• Not relevant when reporting Mineral Resources.
Diagrams	• Refer to figures within the main body of this report.
Balanced reporting	• Not relevant when reporting Mineral Resources.
Other substantive exploration data	• A VTEM geophysical survey was initially completed over a large portion of the Nachingwea Property. It identified numerous anomalies which were likely to be associated with graphite mineralisation. Based on the VTEM data a number of the identified targets were drilled in 2014 and the Shimba high grade deposit was discovered. • DHEM surveys were carried out on 18 of the reverse circulation (RC) drill holes completed in 2014 and nine diamond holes completed in 2015. The DHEM survey data were acquired by IMX's in house survey crew and equipment. The aim of the DHEM survey campaign was to detect known and off-hole EM responses associated with graphite mineralisation. • FLEM surveys were carried out during the 2015 field season to collect ground EM data over multiple linear conductive graphitic schist horizons identified in the existing versatile time-domain EM (VTEM) survey data. IMX's in-house Zonge GGT-10 transmitter, a SmartEM 24 receiver and a Smart Fluxgate 3-component B-Field sensor and personnel were used for the FLEM surveying. • All other meaningful exploration data concerning the Chilalo Project has been reported in previous reports to the ASX.

Criteria	Commentary
	• No other exploration data is considered material in the context of the Mineral Resource estimate which has been prepared. All relevant data has been described in Section 1 and Section 3 of JORC Table 1.
Further work	• Extensional drilling to the east to test for strike extent based on surface geology mapping indications and on section to test depth extent. • Figures are provided within the main body of this report.

Section 3 Estimation and Reporting of Mineral Resources

Criteria	Commentary
Database integrity	• Data used in the Mineral Resource estimate is sourced from a database export. Relevant tables from the data base are exported to MS Excel format and converted to csv format for import into Datamine Studio 3 software. • Validation of the data import include checks for overlapping intervals, missing survey data, missing assay data, missing lithological data, and missing collars.
Site visits	• Representatives of the Competent Person (CP) have visited the project on several occasions, most recently in June 2015. The CP's representatives were able to review drilling and sampling procedures, as well as examine the mineralisation occurrence and associated geological features. All samples and geological data were deemed fit for use in the Mineral Resource estimate.
Geological interpretation	• The geology and mineral distribution of the system appears to be reasonably consistent through the core high grade zone. Data density is currently not sufficient to define potential structural influences along strike from the high grade core zone and modelling will need to be refined as more data is collected. Any structural influences are not expected to be significant through the high grade zone of the deposit, where the drilling and geophysical data have shown good geological and grade continuity. The CP has taken a conservative approach to Mineral Resource classification along strike where continuity of geology and grade has a lower confidence level. • Drill hole intercept logging, assay results, DHEM and FLEM modelling have formed the basis for the mineralisation domain interpretation. Assumptions have been made on the depth and strike extents of the mineralisation based on drilling and geophysical information. • The extents of the modelled zones are constrained by the information obtained from the drill logging and geophysical data. Alternative interpretations are unlikely to have a significant influence on the global Mineral Resource estimate. • An overburden layer with an average thickness of 4 m has been modelled based on drill logging and is depleted from the model. A geological model for the core high grade zone of Chilalo Project area has been generated by IMX. A mineralisation interpretation based on a nominal TGC% cut-off grade of 5% for the core higher grade lenses and a nominal 2% for the surrounding lower grade lenses has been generated by CSA Global and correlated with the geological model reasonably well. • Continuity of geology and grade can be identified and traced between drill holes by visual, geophysical and geochemical characteristics. The effect of any potential structural or other influences have not yet been modelled as more data is required. Confidence in the grade and geological continuity is reflected in the Mineral Resource classification.
Dimensions	• The core high grade mineralisation (>5% TGC) interpretation consists to two lenses. The

Criteria	Commentary
	main footwall lens strikes towards 070°, dipping roughly 50° towards 160°, with a strike length of roughly 1.3 km. The average interpreted depth is approximately 140 m below surface and the true thickness is approximately 25 m for the eastern half and 10 m for the western half. The secondary high grade lens is interpreted to be 800 m long in the hangingwall of the western half of the main lens. It is interpreted to be between 25 m and 90 m in depth and between 2 m and 15 m in true thickness with a similar strike and dip. The low grade mineralisation (>2% TGC) lenses enclose the high grade lenses and are in the hangingwall above them and have similar strike and depth extents over the classified portions of the model. Some of the low grade lenses are interpreted to continue along strike to the west for approximately 800 m, but these portions of the model are not classified due to insufficient data and therefore lower confidence. These lenses are generally about 5 m to 15 m in thickness.
Estimation and modelling techniques	• The mineralisation has been estimated using ordinary kriging (OK). • Two >5% TGC high grade lenses and five >2% low grade lenses were interpreted. • Samples were selected within each lens for data analysis. Statistical analysis was completed on each lens to determine if any outlier grades required top-cutting. • Statistical analysis to check grade population distributions using histograms, probability plots and summary statistics and the co-efficient of variation, was completed on each lens for the estimated element. The checks showed there were no significant outlier grades in the interpreted cut-off grade lenses. The few modestly outlying values were visually assessed and found to reflect true higher grade zones, having some continuity, but which were not large enough to separately model. These areas were checked during the model validation process to verify they did not unduly influence the grade estimation. • An inverse distance to the power 2 (IDS) grade estimate was completed concurrently with the OK estimate in a number of estimation runs with varying parameters. Block model results are compared against each other and the drill hole results to ensure an estimate that best honours the drill sample data is reported. • No mining has yet taken place at these deposits. • No mining assumptions have been made. • Sulphur has been estimated into the model but is not reported. • Interpreted domains are built into a sub-celled block model with a 10 m N by 50 m E by 10 m RL parent block size. Search ellipsoids for each lens have been orientated based on their overall geometry. Sample numbers per block estimate and ellipsoid axial search ranges have been tailored to geometry and data density of each lens to ensure the majority of the model is estimated within the first search pass. The search ellipse is doubled for a second search pass and increased 20 fold for a third search pass to ensure all blocks are estimated. Sample numbers required per block estimate have been reduced with each search pass. • Hard boundaries have been used in the grade estimate between each individual interpreted mineralisation lens. • Validation checks included statistical comparison between drill sample grades, the OK estimate and the IDS estimate results for each zone. Visual validation of grade trends along the drill sections was completed and trend plots comparing drill sample grades and model grades for northings, eastings and elevation were completed. These checks show reasonable correlation between estimated block grades and drill sample grades. • No reconciliation data is available as no mining has taken place.

Criteria	Commentary
Moisture	• Tonnages have been estimated on a dry, *in situ* basis, and samples were generally dry. No moisture values could be reviewed as these have not been captured, with core samples being dried before density measurements.
Cut-off parameters	• Visual analysis of the drill assay results demonstrated the higher grade zones interpreted at the nominal lower cut-off grade of 5% TGC corresponds to a natural grade change from lower to higher grade mineralisation. The lower cut-off interpretation of 2% TGC corresponds to natural break in the grade population distribution. IMX verbally confirmed that early indications from metallurgical testing show that the lower grade material is capable delivering good quality flake material. Since this material is also primarily located in the hangingwall, and it would need to be mined in an open cut to access deeper portions of the higher grade zones, it has been classified as Inferred as it may be possible to economically beneficiate.
Mining factors or assumptions	• It has been assumed that these deposits will be amenable to open cut mining methods and are economic to exploit to the depths currently modelled using the cut-off grade applied. • No assumptions regarding minimum mining widths and dilution have been made.
Metallurgical factors or assumptions	• Thirty two quarter-core samples from four boreholes were selected for thin section examination by Townend Mineralogy, mainly to identify weathering zones and to assess graphite flake size and likely liberation characteristics. • Minerals such as jarosite, opaline silica and goethite have replaced pyrite, marcasite and pyrrhotite to depths of 20 to 30 metres down-hole. This mineral assemblage is interpreted to define the Oxidised Zone. • There is significant weathering / alteration in the high grade graphite domain, resulting particularly in the breakdown of sillimanite to kaolin which occurs to depths of approximately 50 metres down-hole. The occurrence of kaolinised sillimanite (plus Fe sulphides is interpreted to define the Transitional Zone. • There appears to be two graphite populations in terms of flake width: i) thin flakes generally less than about 100 micron width and up to about 1mm in length, in lithologies with between about 2 and 5% TGC and ii) flakes up to 1mm thick and several mm in length in rocks with more than about 5% graphite. • Metallurgical composites were prepared at SGS laboratory in Perth from diamond drill core, to form representative fresh and transitional ore samples. • The metallurgical composites were crushed to minus 3.35 mm and demonstrate that highest TC grades are in the coarse size fractions greater than about 0.25 mm; • Cleaner flotation test work on fresh and transitional composites using five stages of cleaning produced final graphite concentrates at target grade TGC>94% and up to 95% graphite recovery, maintaining a favourable coarse PSD (40 to 70% of the flakes are >150 micron). • Test work on oxide composites using a standard flotation procedure has demonstrated high graphite recovery. • The preliminary test work program demonstrated that the mineralisation is amenable to the production of high grade graphite concentrates, at coarse flake sizes, using relatively simple flotation processes. • Additional metallurgical testwork on each mineralisation and weathering domain is required to verify and refine the initial findings

Criteria	Commentary
Environmental factors or assumptions	• No assumptions regarding waste and process residue disposal options have been made. It is assumed that such disposal will not present a significant hurdle to exploitation of the deposit and that any disposal and potential environmental impacts would be correctly managed as required under the regulatory permitting conditions.
Bulk density	• *In situ* dry bulk density values have been applied to the modelled mineralisation based on the average measured values for each of the weathering zones. Of the 1,145 measurements taken, 224 fall within the interpreted weathered zone, 442 in the transitional zone and 476 in the fresh zone. • Density measurements have been taken on drill samples from all different lithological types, using water displacement methods. • Weathered material was wax coated prior to immersion, while the non-porous competent rock did not require coating. • It is assumed that use of the average measured density for each of the different weathering zones is an appropriate method of representing the expected bulk density for the deposit.
Classification	• Classification of the Mineral Resource estimates was carried out taking into account the level of geological understanding of the deposit, quality of samples, density data and drill hole spacing. • The Mineral Resource estimate has been classified in accordance with the JORC Code, 2012 Edition using a qualitative approach. All factors that have been considered have been adequately communicated in Section 1 and Section 3 of this Table. • Overall the mineralisation trends are reasonably consistent over numerous drill sections. • The Mineral Resource estimate appropriately reflects the view of the Competent Person.
Audits or reviews	• Internal audits were completed by CSA Global which verified the technical inputs, methodology, parameters and results of the estimate. No external audits have been undertaken.
Discussion of relative accuracy/ confidence	• The relative accuracy of the Mineral Resource estimate is reflected in the reporting of the Mineral Resource as per the guidelines of the 2012 JORC Code. • The Mineral Resource statement relates to global estimates of *in situ* tonnes and grade.

Section 4 Estimation and Reporting of Ore Reserves

<table>
<tr><th>Criteria</th><th>Commentary</th></tr>
<tr><td>Mineral Resource estimate for conversion to Ore Reserves</td><td>
The Shimba Mineral Resource estimate, which relates to the specific deposit within the Chilalo Graphite Project, was completed by CSA Global in October 2015 is provided in the table below, with the model reported for all classified estimated blocks within the >5% TGC (“high grade zone”) and >2% TGC (“low grade zone”) domains under the guidelines of The JORC Code[1].
Shimba deposit Mineral Resource estimate combined zones (Chilalo Graphite Project)
<table>
<tr><th>Domain</th><th>JORC Classification</th><th>Million Tonnes (Mt)</th><th>TGC (%)</th><th>Contained Graphite (Kt)</th></tr>
<tr><td>High Grade</td><td>Indicated</td><td>5.1</td><td>11.9</td><td>614</td></tr>
<tr><td></td><td>Inferred</td><td>4.1</td><td>9.1</td><td>370</td></tr>
<tr><td></td><td>Indicated + Inferred</td><td>9.2</td><td>10.7</td><td>984</td></tr>
<tr><td>Low Grade</td><td>Inferred</td><td>15.9</td><td>3.3</td><td>523</td></tr>
<tr><td>Total</td><td>Indicated + Inferred</td><td>25.1</td><td>6.0</td><td>1,507</td></tr>
</table>
*Note: The Mineral Resource was estimated within constraining wireframe solids using a core high grade domain defined above a nominal 5% TGC cut-off within a surrounding low-grade zone defined above a nominal 2% TGC cut-off. The resource is quoted from all classified blocks within these wireframe solids. Differences may occur due to rounding.
The information in this report that relates to in situ Mineral Resources for Chilalo is based on information compiled by Mr Grant Louw under the direction and supervision of Dr Andrew Scogings, who are both full-time employees of CSA Global Pty Ltd. Dr Scogings, takes overall responsibility for the report. Dr Scogings is a Member of both the Australian Institute of Geoscientists and Australasian Institute of Mining and Metallurgy and has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, to qualify as a Competent Person in terms of the ‘Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves’ (JORC Code 2012 Edition).1 Dr Scogings consents to the inclusion of such information in this report in the form and context in which it appears.
The Shimba Mineral Resource estimation is classified based on wireframes reflecting the confidence in the interpreted mineralisation continuity, structural and weathering profile controls, data quality and quantity, and sufficient metallurgical data to provide sufficient confidence for recovery.
CSA Global objectively considers the Mineral Resource has reasonable prospects for eventual economic extraction. Work completed to date allows a sufficient level of confidence to classify the majority of the high grade Mineral Resource as Indicated. The low-grade zones are currently all classified as Inferred. Further flotation testwork to evaluate production of graphite concentrates is needed to upgrade this classification.
</td></tr>
<tr><td>Site visits</td><td>

A site visit was undertaken by the Competent Person (Karl van Olden) in May 2015.
The site visit comprised an inspection of the deposit outcrops and drill sites. The proposed project area including access roads, proposed process plant site and surrounding areas were visited and inspected on foot by the competent person.
Drill core from selected holes and outcrop mapping were also inspected during the site visit.
The site visit confirmed the status of the project area and location as reported in the various

</td></tr>
</table>

[1] Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. The JORC Code, 2012 Edition. Prepared by: The Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC).

Criteria	Commentary
	studies and estimates that support this Ore Reserve Statement for the Chilalo project.
Study status	• A PFS was completed by IMX for the Chilalo project. • The study proposed an operation processing 630 ktpa of ore to produce a nominal 69ktpa of graphite concentrate comprising 51ktpa of course graphite flake concentrate and a further 18ktpa of fines for a mine life of approximately ten years. • The PFS addressed key technical and economic parameters relating to the Chilalo project to an appropriate level of confidence. • The PFS found that the project is physically and economically viable with a strong Internal Rate of Investment and a Pay-Back of less than two years. • The PFS is based on production from Indicated and Inferred Resources and for this reason the full amount mined in the PFS is not appropriate to be included in an Ore Reserve estimate. • This Ore Reserve estimate considers the Indicated only portion of the Chilalo Project, applying all of the Modifying Factors, parameters and considerations of the PFS to produce a mine life of approximately eight years at the same production rates and with the same product specifications as the PFS.
Cut-off parameters	**Cut-off grade** • The revenue generated from a graphite operation is primarily driven by the flake size distribution of the product. The flake proportion over a series of size categories determines the basket price of the product. The carbon grade (TGC) is not directly related to flake size. • This Ore Reserve estimate is based on a cut-off grade of 8% TGC. This cut-off grade is based on a distinct population step in the Mineral Resource estimate at this grade and a link identified in the mineralogy of the deposit where flake size distribution has a step improvement above 8% TGC. • Project economics from the total project have been considered at the end of the full project iteration to confirm that the cut-off criteria support economic operations for the Chilalo graphite project.
Mining factors or assumptions	**Mining Approach** Processing rates and stripping ratio have driven mine production. A traditional excavator and articulated dump truck configuration has been selected based on a maximum annual production rate of 5 Mt including ramp up and down. Process production rates, bench height, equipment performance specifications and reducing capital and operation costs have informed the mining equipment selection. The selected mining approach is typical for a small to medium scale open pit mining operation. The production rate requires a single primary excavator loading 40 tonne articulated dump trucks. A front-end loader will be used on the ROM pad and to assist in production activities as necessary. Operations include drill and blast activities for the majority of the pit. Haulage units increase over the mine life in correlation with increasing haulage distances. A detailed haulage investigation will add confidence to the number of trucks required over the life of mine. In addition to the mining fleet, an ancillary fleet to support mine production is included **Operational and production inputs** Whittle optimization software has been used to generate a series of economic shells. Input data including the financial, mining and processing inputs is shown in the table below.

Whittle Input Parameters		
Input	**Unit**	**Value**

Criteria	Commentary

Financial		
Currency	$	US$
Discount Rate	%	10%
Graphite	Basket Price/t conc	$ 1,217.00
Total Royalties' @ 3%	t con	$ 28.50
Selling Cost	US$/t con	$ 75.00
Concentrate Grade	%	94%
WHITTLE SELLING COST	US$/t con	$ 103.50
Mining		
Dilution	%	5%
Recovery	%	95%
MCAF	US$/t	$ 2.74
Elevation Factor	USS/t/m	$ 0.01
Reference Elevation	mRL	220
Processing		
Cut-Off Grade	% TGC	8%
Production Rate	tpa	630,000
PCAF	USD/t ore	29.06
Recovery	%	94%

Mining Dilution and Recovery

The Chilalo deposit is a generally planar, steeply dipping deposit with clearly defined contacts. Mining dilution and recovery is based on typical values for this style of deposit and mining method. Mining recovery of 95% of tonnes has been applied, with a dilution component of 5% (at zero grade).

Minimum mining dimensions

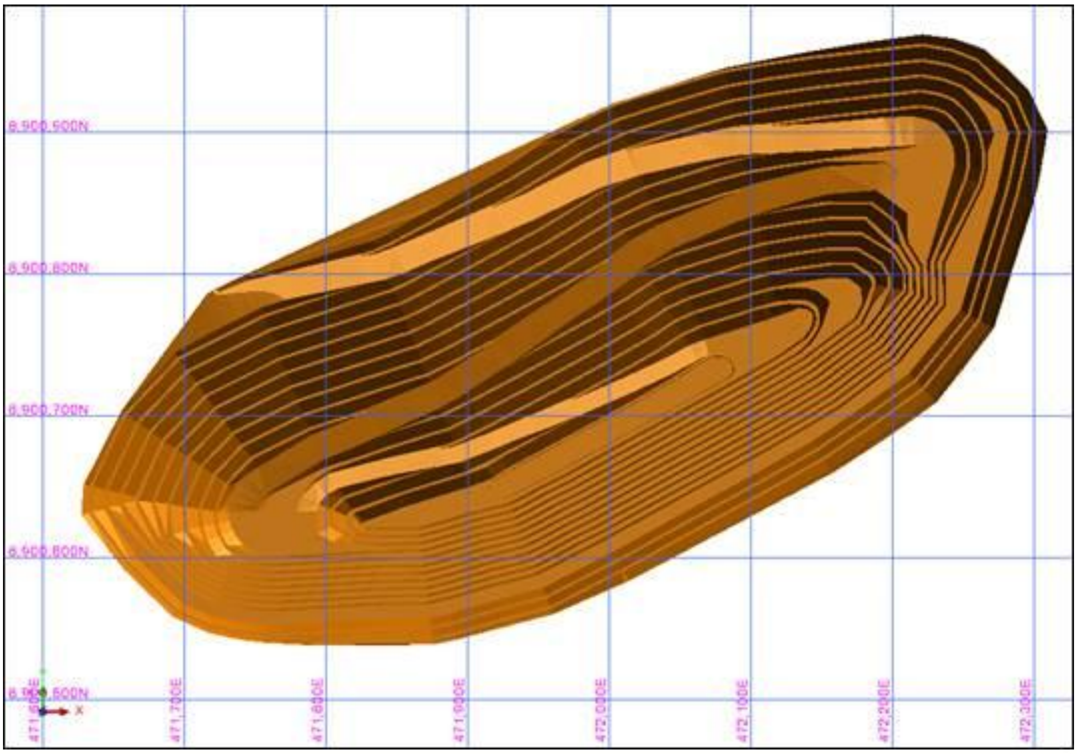
Additional mine design parameters include:

- Minimum mining width of 25 m
- Minimum cutback width of 30 m
- Single lane for final 3 benches (30 m vertical)
- Switchback radius of 12 m
- Switchbacks are flat and allow room for dewatering staging tanks and storage
- Final pit design and staging maintains the ramp on the footwall

The footwall ramp accounts for reduced berm width while maintaining the overall wall angle

Geotechnical Parameters

Geotechnical parameters for the project been based on the Chilalo Geotechnical Report supplied by

Criteria	Commentary
	OHMS geotechnical consultants. The report represents geotechnical investigation and stability assessment of pit slopes for the Chilalo Graphite Mine. The specified parameters have been used in both the optimisation and design of the Chilalo pit. Mine design parameters based on the geotechnical advice have been generated including the addition of a catch berm on the hanging wall of 10 m width at the base of oxidation (190 mRL). (see Figure)  Figure 1 Modified Chilalo Pit design for Ore Reserve Estimate JORC Table 1 section 4 has two bullet points in this Segment relating to: • use of Inferred and sensitivity of outcome, and • infrastructure. These points are addressed subsequently in the Segment on Classification (use of Inferred and Sensitivity) and Segment on Infrastructure.
Metallurgical factors or assumptions	**Metallurgy testwork** Drill programs for the Chilalo project, consisting of 3,566 m of RC drilling and 443 m of diamond drilling was undertaken in the late-2014 and 1,461 m of diamond drilling in mid-2015. The drilling returned extensive high-grade intersections of graphite that showed coarse graphite through visual inspection. From this drill program, sampling and compositing was undertaken to generate representative samples to assess the ore's amenability to beneficiation by froth flotation, and also to identify the nature, flake size and occurrence of the graphite in a selection of drill core samples and flotation products. This testwork was completed by SGS in 2015. **Product Characterisation** Consideration for deleterious elements was completed on a general level suitable for a Probable Reserve. Further consideration on a more specific level will be completed as product specifications are refined. Based on latest attrition grinding, flotation recleaning strategies (including consideration for

Criteria	Commentary
	potential deleterious elements) the estimated product flake size and grade distribution was estimated. This distribution defines the product basket produced by the Chilao Project. This is the product specification that has been used to generate the basket price for revenue calculations in the Ore Reserve estimation. **Process Design** Overall the testwork program demonstrated that the ore is amenable to the production of high grade graphite concentrates, at coarse flake sizes, using relatively simple flotation processes. These processes are an established process of recovery for graphite, used successfully in industry. As a result of the testwork program the basis of the proposed process flowsheet is as follows: • The ROM ore will be crushed in two stages • Grinding comminution will take place using a rod mill at a target grind P80 of 600 µm • Rougher and scavenger flotation concentrates will go through multi-stage cleaning with polishing mill regrind prior to each cleaner step • Final concentrate will be dewatered prior to being dried, sized and packaged • Tailings to be thickened for water recovery with tailings discharged to a tailings storage facility The plant has been designed with the following general philosophy: • Designed as fixed plant, using modular plant where practical • Capability to process oxide, transitional and fresh ore types • Use of mineral industry proven methods and equipment • Utilisation of single processing lines including single grinding line and flotation lines and minimising parallel operations • Open air construction with minimal covered plant buildings • The plant is designed to operate on a 24-hour basis • 10 year minimum life • Area immediately adjacent to the proposed plant site to expand the plant at a later stage if required.
Environmental	• The company has prepared and submitted to the Tanzanian government for approval, an Environmental and Social Impact Assessment (ESIA) and an Environmental Management Plan (EMP) as part of the process of granting mining licenses for the project. • The Chilalo Graphite Project has been issued with an Environmental Certificate by the National Environment Management Council of Tanzania. This certificate is a pre-requisite for the granting of a Mining Licence. • The appropriate environmental considerations of the project are included in the project planning.
Infrastructure	**Infrastructure, Power, Water and Logistics** The Chilalo PFS addressed the requirements for all site based infrastructure, power, water and logistics to establish, build and operate the project. The planning of these requirements in the PFS comprised design, budget estimates from suppliers and detailed cost estimates to a PFS level of confidence. The appropriate costs of infrastructure and logistics for the establishment and support of the proposed operation are included in the cost estimates for the project.

Criteria	Commentary
Costs	**Capital cost estimate** The capital cost estimate used in the PFS has been compiled based on the design, supply, fabrication, construction and commissioning of a new graphite plant in Tanzania and includes mining equipment, supporting infrastructure and indirect costs. The estimate for the process plant facility is based on the preliminary process design, process design criteria and equipment list, and process flowsheets. Estimate have been based upon budget price quotations for major equipment, in-house data from recent projects, and industry standard estimating factors for equipment and installation costs. The estimate incorporates direct costs and indirect costs and excludes escalation, working capital, financing costs, rehabilitation and closure costs. The capital cost estimates presented in this document are considered to have an overall accuracy of ±25%. The estimates were made in the third quarter of 2015 (3Q15) and are presented in US dollars. **Operating cost estimate** The operating cost estimate used in the PFS includes all costs associated with mining, processing, infrastructure and site-based general and administration costs. The operating costs have been developed in US$ unless otherwise stated and unit rates and prices included have a base date of Q3 2015 with no allowance for escalation or inflation. The operating cost estimate is based on an annual throughput of 0.67 Mtpa, operating schedule of 24 hours per day, seven days per week with a milling operating time of 90%. The operating cost estimate is presented on an annualised basis and there has been no allowance for initial ramp-up periods or contingencies applied. The operating cost estimate has been prepared to an accuracy of ±20%. Industry standards, quotations from vendors or information from the operating cost database and information from the process design criteria underlie the basis of the estimate. The operating costs have been compiled from a variety of sources, including: • Budget quotations received from suppliers • Operating cost database • Wages and salaries provided by IMX Resources and industry sources • Estimates based on industry standards from similar operations • First principle estimates based on typical operating data • The mining operating cost estimates have been prepared by CSA Global.
Revenue factors	• Graphite does not trade on a designated metal exchange, nor does it have a benchmark index. Prices are negotiated directly between buyers and sellers. Given the graphite industry has historically been dominated by private companies, access to reliable graphite pricing data is difficult to obtain. There are also numerous products across a number of grades and flake sizes and prices differ depending on these characteristics. • Pricing applied for the PFS and for this Ore Reserve estimate was determined from a range of sources. Graphite sector analyst forecasts were the basis of pricing in conjunction with indicative prices sourced from ongoing discussions with potential customers and offtake partners. The price for the flake size categories was then compared to a peer group to determine if they were within a reasonable range.

Criteria	Commentary
Market assessment	**Market** IMX engaged Benchmark Mineral Intelligence to provide a strategic graphite market report for the Chilalo project. Benchmark Mineral Intelligence is an independent publishing business focused on critical mineral supply chains and disruptive technologies. Benchmark Mineral Intelligence has prepared a report for IMX, "Independent flake graphite market study in relation to the Chilalo Project, Tanzania – July 2015", that is referenced in this statement. **Flake size analysis and market** Graphite from each flake size category has different markets and applications and these are addressed in the following sections. <u>Jumbo and Super Jumbo Flake</u> Super Jumbo flake graphite (+35 mesh or >500 micron) and Jumbo flake graphite (-35 mesh+50 mesh or 300-500 micron) are the coarsest flake graphite products in the market. Chilalo's higher proportion in these categories creates a competitive advantage compared to most other graphite companies and will represent the high margin portion of the business. The major market for jumbo and super jumbo flake graphite is the expandable graphite market. Expandable graphite is flake graphite that has been washed in sulphuric acid and then heated causing rapid expansion to 250 to 750 times its original size (the expansion ratio). The rate of expansion is dependent on the level of impurities in the flake graphite. The main markets for expandable graphite are: • Graphite foil / sheets • Gaskets • Flame Retardants Supply restrictions from the Shandong Province have resulted in a squeeze for jumbo and super jumbo flake graphite. Chinese firms are currently importing from Madagascar but new sources of supply are required. New supply of jumbo and super jumbo flake graphite is expected to come from Tanzania and Mozambique, as well as from Heilongjiang Province and Inner Mongolia Province in China. The main target markets for IMX by country would be: • China • Germany • USA <u>Large Flake</u> Large flake graphite (-50 mesh+80 mesh or 180-300 micron) represents a substantial portion of Chilalo product. Large flake graphite is primarily sold direct as a concentrate to the world's leading refractory producers such as RHI AG (Austria), Vesuvius (UK), Calderys / Imerys (France), Magnesita Refractarios (Brazil), Magnezit (Russia), and ANH Refractories (USA). These are the major producers of magnesia-carbon bricks that are sold into the steel industry – the only sector which uses graphite-based refractory bricks. Refractories are high temperature resistant linings for steel furnaces, ladles and other products that come in contact with molten metal and are the leading consuming market for flake graphite, consuming 180 ktpa of large and medium flake graphite in 2014. Whilst it is the largest market, it is

Criteria	Commentary
	growing slowly at approximately 3% per annum. There is a market trend towards producing higher quality, longer lasting refractories requiring better quality raw materials. It is expected that demand for large flake graphite will strengthen in coming years, particularly as Chinese refractory manufacturers increase the quality of their raw materials. Large flake graphite can also be processed into a number of value-added products including purified graphite and uncoated spherical graphite. However, large flake graphite is not as economically competitive as finer flake graphite in the spherical graphite production process. <u>Medium Flake</u> Medium flake graphite (-80 mesh+100 mesh or 150-180 micron) is also sold into the refractory market, especially the Chinese domestic refractory market. China is the largest producer of medium flake graphite, with 70% of its product either medium flake or fines. As a result, the price of medium flake can be volatile. Medium flake graphite is also used as a feedstock into a number of value-added products such as uncoated spherical graphite and micronised graphite. Uncoated spherical graphite is produced mainly using fine and medium flake graphite with 95% of output originating in China. Micronised graphite is finely milled (<75 micron) graphite powder that can be sold into a variety of end markets including: • Lubricants • Powder metallurgy • Coatings • Fuel cells • Carbon brushes • Pencils • Plastics • Friction materials Micronised graphite has a number of competing carbon products including synthetic graphite, calcined petroleum coke, amorphous graphite, and carbon black. <u>Small Flake</u> Small flake graphite (-100 mesh+200 mesh or 75-150 micron) is also used in the manufacture of uncoated spherical graphite described above. Small flake can also be used as a feedstock into purified graphite and micronised graphite if it can be purified to >94% TGC. <u>Fines</u> Fines (-200 mesh or <75 micron) can be used to produce micronised graphite if it can be purified to >94% TGC. Fines can also be used in industrial lubricants or the recarburiser markets, but given that competition exists with cheaper forms of carbon such as petroleum coke, competition is fierce and margins are tight. The Base Case in this Study assumes that fines graphite is sold, and the Alternate Case assumes that fines are stockpiled separately in the Tailings Storage Facility remaining unsold.

Criteria	Commentary

Product Map

IMX has prepared a Product Map (Figure 2) that shows usage of the different graphite flake sizes.

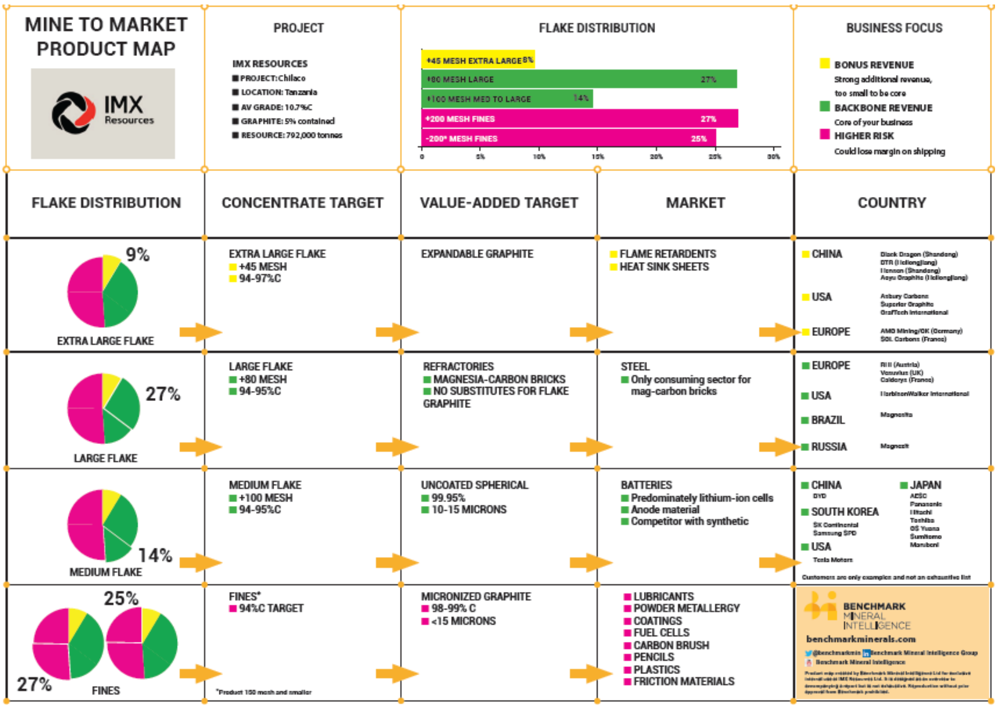


Figure 2 Graphite Mine to Market Product Map

Graphite does not trade on a designated metal exchange, nor does it have a benchmark index. Prices are negotiated directly between buyers and sellers. Given the graphite industry has historically been dominated by private companies, access to reliable graphite pricing data is difficult to obtain. There are also numerous products across a number of grades and flake sizes and prices differ depending on these characteristics.

Pricing applied for the PFS was determined from a range of sources. Graphite sector analyst forecasts were the basis of pricing in conjunction with indicative prices sourced from ongoing discussions with potential customers and offtake partners. The price for the flake size categories was then compared to a peer group to determine if they were within a reasonable range.

Purity

There is a positive correlation between graphite purity and price. Higher purity graphite concentrate demands a higher price because it requires more processing on the producer side to remove impurities/volatiles within the graphite and opens up the product to more applications.

For the majority of flake graphite applications, carbon purity of 92% TGC or above is required, while refractory consumers will generally demand between 94-96% TGC – a trend that has moved from a 92% product over the last ten years.

Price increases accelerate when flake graphite reaches a purity above 97% TGC, due to the higher costs involved with processing flake concentrate to this level and the applications it can be sold into. This acceleration in prices is most extreme when material is processed to purities of 99% and above, the purity required for some high-tech and specialist applications.

The premium for purity is generally not as high as the premium for coarser flake size, and increased purity generally requires additional grinding of the graphite which would sacrifice coarse flake generation. It is also difficult to achieve a graphite concentrate product consistently higher than

Criteria	Commentary
	97% TGC from a Tanzanian open-air graphite processing plant. For these reasons IMX has chosen through its metallurgical optimisation to focus on improvements in flake size, provided that a purity level >94% TGC is achieved.
	Flake Size
	In general, larger flake sizes demand a premium price due to tighter supply conditions.
	Larger flake material offers greater strength to products due to the structure of the particles. This is a primary reason for its market use.
	The scarcity of graphite with a flake size exceeding +80 mesh means there is an escalation in prices above this size, particularly in +50 and +35 mesh products. As new supply of these size categories becomes available this price disparity is expected to decrease, however significant premiums will remain for the foreseeable future.
	Chilalo Basket Price
	The weighted average price per tonne of Chilalo product for the Base Case in the PFS is shown in the table below The Base Case assumes sale of all of the fractions produced including the -75 micron material.

Weighted average basket price – Chilalo Base Case

Flake Size	Microns	Mesh	Mass Dist. %[1]	Grade TGC %[1]	Price (US$/t)[2]	Basket Sales Price (US$/t)[2]
Super Jumbo	> 500	+35	1.9	94-97	2,500	47.5
Jumbo	300 – 500	+50	24.0	94-97	2,000	528
Large	180 – 300	+80	22.5	94-97	1,400	315
Medium	150 – 180	+100	6.0	94-97	950	57
Small	75 – 150	+200	20.6	94-97	700	144.2
Fines	<75	-200	25.0	90	500	125
Weighted Basket Sales Price (Mass Dist. % x Price)						**$1216.70**

1. PFS product specifications.
2. Q3 2015 FOB prices. Source: Benchmark Mineral Intelligence provided CIF Europe prices, +35 mesh price from market sources,

Criteria	Commentary
Economic	**Financial Model**
	• During the PFS, a financial model was built for the purpose of analysing the cashflows that would be generated by the Chilalo project. The model was used to evaluate the cashflow effects of the mining schedule and process plant design, as well as the relative sensitivities of major cashflow components.
	• The initial PFS financial model has now been used to evaluate the Ore Reserve component of the project.
	• The production generated from the Indicated portion of the Chilalo Resource makes up a subset of the total project considered in the PFS. The Indicated portion of the Resource used in the Ore Reserve version of the project plan comprises approximately eight years of production which can be compared to the 10 years of production from the PFS.
	• The smaller volume of production has produced lower final values, but as the production from

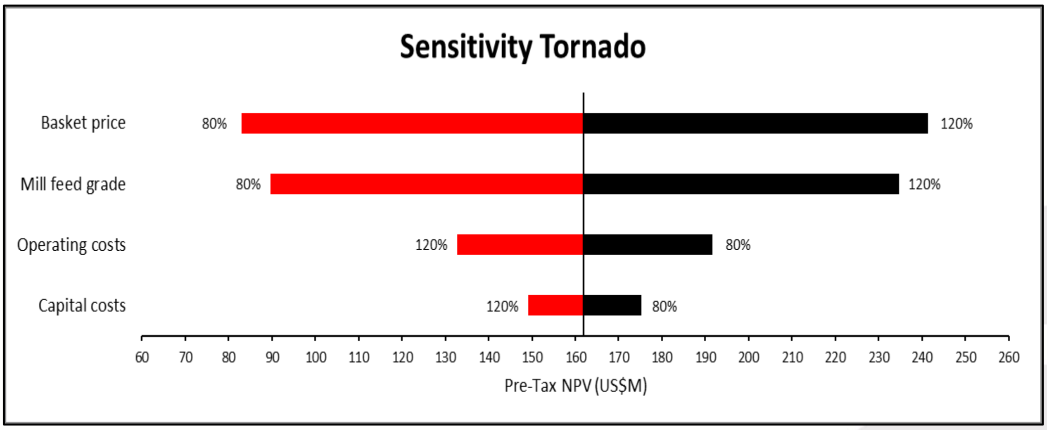
Criteria	Commentary
	the initial eight years of the project are very similar to the first eight years of the ten-year PFS, many key financial measures are very similar. The payback period, after consideration of tax, for both cases is less than two years. The post-tax Internal Rate of Return (IRR) for the Ore Reserve case is greater than 50% which meets the company's investment hurdle (see table below). Note that the IRR has increased due to the mined material in the Ore Reserve case being a higher grade than the material in the PFS case.

Chilalo primary financial metrics – Ore Reserve Case (Indicated only)

Item	Unit	Ore Reserve Case (v1.7)
LOM revenue	US$M	631
LOM pre-tax cashflow	US$M	282
EBITDA per year (average)	US$M	44
Operating cost per tonne of concentrate	US$	501
Pre-production capital cost	US$M	73.8
Post-tax payback period	Years	1 year 11 months
Pre-tax NPV (10% discount)	US$M	162
Pre-tax IRR	%	66

- The project has been tested in a sensitivity analysis where the pre-tax NPV has been assessed while changing key parameters such as basket price, mill feed grade, capital cost and operating cost (see figure below).

Chilalo financial model sensitivity tornado – Ore Reserve Case (Indicated only)



Criteria	Commentary
Social	• Local, regional and national stakeholders have been engaged in the development and planning of the project. • A relocation action plan (RAP) has been established to address the relocation and compensation of community members who are affected by mining operations • Appropriate permitting for issues such as dewatering and river diversions are being addressed through the appropriate processes.
Other	• The company is conducting advanced discussions with potential buyers of the product regarding offtake agreements and potential investment in the company. • The listing of the independent company Graphex to hold the Chilalo asset is also a key component of securing funding, investment and marketing agreements.
Classification	• The Ore Reserve estimate considers only Indicated Resources and does not include any quantity of Inferred or unclassified material. Thus, the Ore Reserve estimate comprises only Probable Ore Reserves.

Criteria	Commentary
	• No Measured Resources have been estimated for the Chilalo project. • The mine plan used in the Ore Reserve estimate includes approximately 7% of inferred material that is mined during the process of accessing the Indicated ore. This Inferred Resource is not considered material to the value of the project and is not included in the estimation if the Probable Resource. • The result appropriately reflects the Competent Person's view of the deposit.
Audits or reviews	• The Ore Reserve estimate has been subject to internal review within CSA Global. It has not yet been subject to independent third party review.
Discussion of relative accuracy/ confidence	• The estimates in this study relating to mining, processing and cost performance are underpinned by a comprehensive PFS which has a confidence range of +/- 25% • A key parameter of the estimate is the value of the basket price received for the product. This is based on reliable metallurgical testwork to determine the proportions of each flake size category in the product. The estimated price received for the combined product is based on a credible estimate of the expected price as of the project base date. As with all commodities, the actual price received will depend on market conditions and contractual arrangements at the time of sale. A sensitivity analysis was completed in the financial model for basket price reductions of 20% and the project value remains positive at this point. • The estimate is based on a detailed block model of the Resource and a detailed mine design. The Ore Reserve is based on a spatially supported and explicit mining schedule.