

IMX Managing Director Comments on Joint Venture With MMG

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Open Briefing interview with Managing Director Neil Meadows

PERTH, WESTERN AUSTRALIA--(Marketwired - Sep 19, 2013) - [IMX Resources Ltd.](#) (ASX:IXR)(TSX:IXR) has nickel sulphide exploration and development assets in Tanzania as well as producing iron ore assets in South Australia. Its flagship project is the Nachingwea Exploration Project in southern Tanzania, which hosts the Ntaka Hill Nickel Sulphide Project. The Tanzanian exploration programs and project development works are supported by cash flow from the company's Cairn Hill Mining Operation in South Australia (51% IMX, 49% Sichuan Taifeng) which produces 1.8 Mtpa iron-copper DSO product.

In this Open Briefing®, Neil discusses:

- MMG to earn-in to Nachingwea project in Tanzania
- US\$60 million staged funding development of Nachingwea
- MMG to pursue new exploration model targeting deeper high grade mineralisation

Record of interview:

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[IMX Resources Ltd.](#) (ASX:IXR)(TSX:IXR) has announced a very significant agreement with MMG where MMG will earn-in to your highly prospective Nachingwea Property in Tanzania, including the Ntaka Hill Nickel Sulphide Project, by spending up to US\$60 million over the next 5 years. Can you explain how this deal is structured and what the key milestones are?

MD Neil Meadows

MMG have agreed to spend US\$60 million to earn a 60% interest in the JV over 5 years, and will be the manager of the JV:

- **Stage 1:** MMG have agreed to sole fund \$10 million within the first year to earn a 15% interest
- **Stage 2:** MMG has the option to fund a further \$25 million within 18 months to earn an additional 25% stake, to increase its net interest to 40%
- **Stage 3:** MMG has the option to fund an additional \$25 million to acquire a further 20% interest, to bring its total interest up to 60%

Subsequently, upon a decision to develop being made, MMG has the option to increase its JV interest to 80%, through purchasing an additional 20% interest for cash, with the price to be determined at fair market value at that time. If MMG exercises this option, this would provide IMX with its required equity funding for project development.

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Why has IMX sought this agreement with MMG rather than develop the project on its own?

MD Neil Meadows

The Nachingwea Project, and particularly the Ntaka Hill Nickel Sulphide Project, has increased substantially in terms of resource size and grade since IMX took full control of the project 12 months ago. The growth in the size and scope of the project prompted MMG to approach us with a conceptual exploration model focused on the deeper high grade mineralisation at Ntaka Hill.

We recognised that if we were going to pursue the deeper high grade mineralisation, we needed a partner with deeper pockets and greater technical capabilities.

MMG were the logical partner to team up with, given their strong interest in the Nachingwea Property and their position as a growing base metals explorer and producer. More importantly, they have the requisite financial and technical resources to aggressively pursue the deeper high grade mineralisation exploration model at Ntaka Hill, and also conduct a systematic and comprehensive regional exploration soil sampling program over the entire Nachingwea Property.

In short, we needed to take a fresh look at the project and we realised that without a major partner to help drive the exploration and inject more funds into drilling, the project wouldn't progress as quickly as it should.

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Cash flow from Cairn Hill has been utilised to fund Nachingwea to this stage. Why have you chosen to seek an alternate development funding option rather than self-funding the development via cash flow and capital raising options?

MD Neil Meadows

The cash flow we are generating from Cairn Hill is very strong and looks likely to continue that way for at least another 18 months, should iron ore prices remain strong, but even so, it wouldn't be sufficient to fund the increased scale of exploration drilling necessary to prove up the deeper, high grade potential of the Ntaka Hill Nickel Sulphide Project within a reasonable time frame.

The only other means of possibly raising sufficient funds to do the drilling ourselves would have been through a highly dilutive capital raising, which I doubt our existing shareholders would have approved. This agreement prevents any dilution to our shareholders, enables IMX to be free-carried through the next 5 years of exploration expenditure and ensures we retain a substantial exposure to the exploration upside at Ntaka Hill and across the broader Nachingwea Property.

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What will be the exploration focus at Nachingwea for the IMX/MMG JV over the next five years?

MD Neil Meadows

Firstly, it's worth pointing out that MMG is a major global base and precious metals producer with a market cap of US\$1.35 billion, and they consider Nachingwea to be one of the best undeveloped nickel sulphide projects in the world. MMG will be bringing its technical expertise and considerable resources to accelerate the discovery of high grade mineralisation at Ntaka Hill by focussing on the deeper zones starting with those suspected to be present below the Sleeping Giant deposit. They will also be able to test the extent of nickel sulphide mineralisation across the 8km Ntaka-Lionja mafic/ultramafic intrusion, the existence of which has

been proven by the intersection of nickel sulphides at Lionja.

They will also be taking a fresh look at the regional prospectivity across the entire 7,000 km² Nachingwea Property. For instance they will continue and possibly accelerate the large scale soil geochemistry testing campaign that we have initiated this season to correlate with the other geophysical analysis that has been done or is planned to occur during the next several months. MMG's interest in Nachingwea is equally due to the regional prospectivity as it is to the exciting potential of the Ntaka Hill Project.

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As part of this agreement, IMX will retain some of the exploration upside on the Nachingwea Property and does have the ability to pursue its own exploration targets, subject to the MMG JV. What is the basis of this part of the agreement and how will IMX exploit these other targets?

MD Neil Meadows

As part of our agreement with MMG, IMX has retained the ability to pursue its own exploration agenda on the Nachingwea property within areas covered by the JV, subject to the approval of our JV partners. If IMX proposes to undertake alternative exploration activities to the JV, MMG can choose to either:

- Include the alternative activities in the sole funded JV exploration program;
- Allow IMX to manage the alternative activities but funding to be provided in accordance with proportionate JV interests;
- Allow IMX to manage and sole fund the alternative activities; or
- Disapprove the alternative activities if they are incompatible with the sole funded JV exploration program.

The Nachingwea property remains largely unexplored and highly prospective. We have previously identified a number of gold prospects, graphite potential and other occurrences of base metals, so the retained exploration upside for IMX is substantial and important. The inclusion of these terms in the agreement recognise that mineralisation may be discovered within the project area that will not be sufficiently significant for MMG to develop into a project but nonetheless may represent significant value to IMX's shareholders.

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When IMX completed its acquisition of Continental Nickel last year, the strategic aim was to gain 100% control of the Nachingwea Project. Why are you now planning to dilute your interest in the project through another JV?

MD Neil Meadows

IMX took control of the Nachingwea Project 12 months ago when it became obvious that we needed to inject new ideas into the exploration strategy, bring more financial resources to bear in terms of drilling and geophysical surveys and to broaden the focus of exploration to include some of the highly prospective regional structures and targets that had been identified.

I'm pleased to say that the success we have achieved over the past 12 months I believe vindicated this decision and demonstrated beyond doubt that we made the right decision to take over the project and bring that fresh set of eyes onto the exploration model.

The consequence of this decision and the work we have done has not only led to a substantial increase in the size and grade of the mineral resources at Ntaka Hill and Sleeping Giant, but has identified the potential for deeper, high grade massive sulphide mineralisation that lies beneath the existing mineral resources.

The overwhelming success of this strategy resulted in the scope and scale of the project growing to a point

where IMX needed a bigger balance sheet and greater technical resources to take the project to the next level. The success of our strategy to engage with MMG and reach the point where they would make a US\$60 million investment in exploring the Nachingwea Property over the next five years clearly demonstrates that our strategy has been successful in creating value for our shareholders, without diluting them.

This agreement is an example how a fluid strategy and nimble management team can make the best of changing circumstances, even in a difficult market.

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This earn-in agreement by a major global base metals company clearly represents recognition of the value of the Nachingwea property and the Ntaka Hill Nickel Sulphide Project. What is your view on the potential for the market to re-rate the value inherent in IMX Resources?

MD Neil Meadows

The Stage 1 expenditure alone demonstrates an implied value for Nachingwea of A\$61 million, which is double our current market capitalisation. Clearly we believe our shares are significantly under-valued and we have been saying this for quite some time.

This deal with MMG provides the evidence of our belief in the commercial value of this project in the medium to long term and what its value is for IMX shareholders. It also demonstrates the ability of IMX management to execute a smart corporate transaction that creates value for our shareholders, which will hopefully lend weight to our efforts to commercialise our investment in the Mt Woods Magnetite Project.

It is my belief that the value of our investment in Nachingwea will continue to rise, even as our interest in the JV decreases, thanks to MMG's expenditure on exploration and ability to increase the size and grade of the project through its accelerated focus on the deeper, high grade mineralisation under Ntaka Hill and along the Ntaka - Lionja intrusion.

IMX is significantly undervalued and highly leveraged to the rise in value of the Nachingwea Property, our ability to add value to our Mt Woods Magnetite Project in South Australia, and also on a general improvement in market sentiment towards junior resources stocks.

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With the exploration expenditure at Nachingwea now fully funded by MMG, what will IMX now be focussed on?

MD Neil Meadows

Careful management of Cairn Hill will remain a key focus for IMX management. However, without the need to fund our exploration activities at Nachingwea, IMX can now look to generating other opportunities for its shareholders.

Based on our current mining rate and mine plan, we expect to have exhausted our Phase 1 ore reserves at Cairn Hill by the end of the first quarter of 2015. However, as we have previously indicated, our intention is to complete the assessment of the proposal to mine Cairn Hill Phase 2 ore, which involves mining and upgrading lower grade magnetite ore, with the view that this material would enable us to extend mining at Cairn Hill for a further 12 to 18 months after mining Cairn Hill Phase 1 ore has ended.

In respect to the Mt Woods Magnetite Project, we have completed a very positive scoping study which demonstrated a clearly economic development option utilising existing transport infrastructure used by the current Cairn Hill Mining Operation. We have no plans however to shift course on the funding for that project

ie. we are still actively seeking a partner to buy into its development. That strategy is now well advanced.

The cash flow generated from Cairn Hill will also provide IMX with funding that could be used to pursue other opportunities that could add substantially to shareholder value in either of the two key jurisdictions in which we operate ie eastern Africa and South Australia.

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Thank you Neil.

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