



IMX MAKES NICKEL IN TANZANIA ITS MAIN GAME

After some recent corporate shuffling and with cash flowing from its South Australian iron ore project, **IMX Resources Ltd (ASX/TSX:IXR)** is redoubling exploration and development activity at its potentially world-class Ntaka Hill nickel sulphide project in Tanzania.

With above-nameplate capacity iron ore production at its Cairn Hill Mine ensuring a positive cash flow in challenging market conditions, IMX has turned its focus to its Ntaka Hill nickel sulphide project in Tanzania, where an updated preliminary economic assessment (PEA) has presented two viable development options.

IMX managing director Neil Meadows said further drilling and completion of a pre-feasibility study were the company's immediate goals for Ntaka Hill.

Ntaka Hill, located approximately 250km west of the port town of Mtwara, is part of IMX's broader Nachingwea exploration property and has a combined JORC measured and indicated resource of 12.8 million tonnes at 1.21 per cent nickel.

"We will look to conduct further drilling at Ntaka Hill over the next drilling season with an expectation of establishing a JORC Reserve that will underpin the completion of a bankable feasibility study in 2013," Meadows said.

"The PEA indicated that the project has two viable development options; open pit only, or an open pit followed by underground mining. The Ntaka Hill project is viable primarily because of the high tenor of the nickel sulphide which means we have excellent metallurgy. These high tenors mean we have higher nickel mineralisation in the sulphides than most other nickel projects around the world. We've already proven up a very large amount of disseminated nickel sulphide in inferred resources, and we now know that there are higher grade pods within the disseminated ore zones, so we expect the grade and tonnes to increase as we expand the resource base of the project."

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Neil Meadows
MANAGING DIRECTOR



project could make positive cash flow even at historically low nickel prices," Meadows said.

"Even at the current spot price for nickel, which is 11 per cent below the three-year trailing average price, the project is robust.

"The primary indicators of global supply and demand suggest that nickel prices will increase over the coming years in response to a reduction in supply, as a number of major nickel mining operations reach the end of their productive mine life, and demand increases as stainless steel production in both India and China grows."

"The major opportunity for improving project economics will come from a significant increase in the size of the resource base with the potential for the discovery of further nickel sulphide resources in the broader 8km long Ntaka-Lionja ultramafic trend.

"We've confirmed the presence of significant zones of mineralised ultramafics at the Ntaka Hill end of the trend and we have recently extended the mineralised ultramafics at the Lionja end in the south. We are very keen to determine if the ultramafics are mineralised all the way along the 8km length of the trend. If they are, then we potentially have one of the world's largest nickel projects on our hands here. This would almost certainly lead to reductions in the estimated operating

costs at Ntaka Hill, resulting from increased throughput and economies of scale."

Recent results from the Sleeping Giant infill drilling program at the Ntaka Hill returned multiple nickel intersections including:

- 13.75m at 1.42% Ni and 0.36% Cu from 158.25m
- 5m at 2.14% Ni and 0.39% Cu from 235m including 0.6m at 14.75% Ni and 2.57% Cu
- 9m at 1.06% Ni and 0.38% Cu from 188m including 0.55m at 4.95% Ni and 2.29% Cu

"We continue to discover significant new zones of mineralisation at Ntaka Hill, including the Zeppelin Zone, which demonstrates the excellent exploration potential in the area," Meadows said.

"These results will be included in an updated resource estimate due for release in the first quarter of 2013."

IMX is also confident of further mineral discoveries within its Tanzanian property.

"First and foremost, our focus is on nickel sulphide mineralisation, however we're keen to see what else may be on our ground and to determine if it has further economic potential.

"We've barely scratched the surface in exploration terms at the Nachingwea property. A number of targets of interest

have been identified, including the Chilalo copper prospects and the HOG gold and base metal prospect, both of which lie to the north of Ntaka Hill. We're also aware of potentially significant graphite mineralisation to the south of Ntaka Hill. We will be stepping up our regional exploration efforts to more fully define the mineral potential in the coming year."

Meadows said the support from the Tanzanian government at all levels added an extra layer of confidence to the company's development plans.

"The Tanzanian government is very supportive of the Ntaka Hill project and is keen to promote economic development, particularly in the southern parts of the country. Ntaka Hill could turn out to be the first nickel sulphide project in the region, so we are pioneering an entirely new industry in the area. This is very important to the Tanzanian government and is expected to bring growth and economic development to the nation and its people," he said.

Meadows said the government was aware of the importance of its planned expansion of the Mtwara power station electricity grid to the development of Ntaka Hill.

The expansion being considered includes a 132 kV power line from the power station in Mtwara to the town of Masasi, 90km from the project.

"Should the extension of the grid not be completed in time, the alternatives would include working with third party investors to get it done or the provision of power for the operation on-site," Meadows said.

FUNDING

The estimated capex for the Ntaka Hill Nickel Sulphide Project is US\$227 million. Meadows said IMX hadn't settled on a preferred funding pathway.

"We would be looking at all possible funding mechanisms, including debt and/or equity and possibly joint ventures," he said.

As at September 30, IMX had a cash balance of A\$19 million, which Meadows said would probably need to be topped up to meet the cost of exploration activities and studies over the coming 12-18 months.

"We recently conducted an Australian investor roadshow to meet with current and potential investors and to discuss our plans with potential financiers," he said.

"What sets us apart from other aspiring project developers is that we have cash flow from our Cairn Hill iron ore mining operation to underpin our funding arrangements, which provides security to investors and potential financiers.

"Our experience of building and, for the past two years, operating Cairn Hill also demonstrates that we have the required mining and project development expertise in-house."

In September, IMX gained full control of the Ntaka Hill project and a dual listing on the Toronto Stock Exchange (TSX) through a merger with Continental Nickel Ltd (CNI).

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Meadows said the acquisition gave IMX access to the Canadian markets' appetite for nickel sulphide projects, better share liquidity and a broader spread of institutional investors.

"Also, with the project now under the ownership and control of one company, we have a single focus on developing the Ntaka Hill Project and bringing it into production as soon as possible."

SOUTH AUSTRALIA

IMX recently reported a 10 per cent reduction in cash costs at its Cairn Hill Mine in South Australia where it continues to achieve forecast production rates of 150,000 tonnes a month, which equates to an above-nameplate capacity rate of 1.8 Mtpa.

The coarse-grained magnetite-copper direct shipping ore from Cairn Hill is crushed on site before being trucked and railed to Port Adelaide, from where it is shipped to China.

IMX said that by working with major contractors and suppliers, in particular Flinders Ports and Exact Mining Services, and through making some modifications to the mine plan it had reduced CIF costs during this period to approximately \$93/t, which was the equivalent of \$77/t on a FOB basis. This provides for a forecast margin in the range of \$10-20 per tonne for the December quarter.

Meadows said IMX had worked actively in the market to establish a broader base for sales while maintaining at a minimum the existing pricing structures with existing customers.

"The ability to reduce costs during the September quarter whilst maintaining our targeted shipping rate has enabled the operation to continue to be cash flow positive. We will continue to look for opportunities to further reduce operating cash costs to generate sustainable positive cash flow for the company."

A recently reported concept study on IMX's Snaefell Project, which is part of the broader Mt Woods magnetite project, has further validated its potential to become one of South Australia's largest iron ore projects.

The study found the project offered the opportunity for large-scale, low-cost production of a highly marketable premium iron concentrate.

Snaefell is 12km from IMX's Cairn Hill iron ore mine near Coober Pedy in South Australia. It has a JORC inferred mineral resource of 569M

tonne at 27.1 per cent iron, using an 18 per cent cut-off, and remains open at depth.

Meadows said the coarse grained nature of the Snaefell ore was comparable with only a few of the very best Chinese domestic magnetite concentrates and could be sold at a premium into the north Asian steelmaking markets of South Korea, Japan and China because of its potential to be directly fed into iron sintering.

Meadows said the other major advantage of coarse grained magnetite ore was that it could be liberated from the host rock at a larger particle size, which eliminated the need for complex and technologically challenging ultra-fine grinding equipment which represents a major point of difference to other Australian magnetite projects.

IMX has initiated discussions with potential partners for the development of Snaefell, which will continue while the company proceeds with studies of power, water and metallurgy to support a pre-feasibility study.

With its eye firmly fixed on developing its nickel sulphide project in Tanzania, IMX Resources is transitioning from an explorer into a project developer, with the benefit of having done so before.

