

30 April 2015

Execution of MOU with Murray Zircon and Orient Zirconic - clearing a path for production.

Image Resources NL (**Image**) has signed a non-binding Memorandum of Understanding (**MOU**) with Murray Zircon Pty Ltd (**Murray Zircon**) and its parent, Guangdong Orient Zirconic Ind Sci & Tech Co., Ltd (**Orient Zirconic**) which has a market capitalisation of A\$1.6BN. The MOU is directed at fast-tracking the development of Image's 100%-owned high grade Boonanarring mineral sands deposit in 2016 followed by the Atlas deposit.

The MOU outlines an asset purchase transaction subject to Image Shareholders' approval and independent expert opinion. Key elements include:

- The acquisition of a wet plant together with certain ancillary equipment (all of which Murray Zircon operated for 3 years until April 2015);
- Orient Zirconic to take 90% of all zircon products at market prices;
- Orient Zirconic to provide a US\$8M downstream working capital facility;
- Murray Zircon to provide, for drawdown following completion of the acquisition, a short term loan in the amount of A\$4M. If Image does not get into production within 3 years then this loan, subject to certain exceptions, is not repayable.
- Securing Murray Zircon's key operational and managerial expertise for the purpose of rapidly developing Image's flagship high grade mineral sands deposits in the North Perth Basin in Western Australia;
- Murray Zircon to provide a purchase option for Murray Zircon's mineral separation plant at its South Australian Mindarie project;
- Murray Zircon to receive shares representing 42% of the expanded share capital of Image at completion. If a decision to mine is reached and project finance secured within 2 years of completion then Murray Zircon will receive a further 5%;
- Image's board for a period of 2 years to be comprised of 2 nominees of Image and 2 nominees of Murray Zircon plus an independent chairman;
- Various protective mechanisms for minority shareholders such as Murray Zircon not to increase its shareholding in Image other than in terms of the MOU for 2 years, Murray Zircon's shareholding to be escrowed for 2 years, and Murray Zircon to support non change of control resolutions put to shareholders by the board.

Murray Zircon owns and operates the Mindarie Mineral Sands Project which it redeveloped in 2012. MZ developed positive relations with local landholders, the community and regulatory authority and developed a strong reputation as an innovative and efficient mineral sands producer.

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Orient Zirconic, which owns 65% of MZ and is one of China's largest zircon processing companies, claims to manufacture the most comprehensive range of zirconium products in the world. The company is listed on the Shenzhen Stock Exchange (Code: 002167) with a market capitalisation of approximately RMB 8.15 Billion (exceeding AU\$1.6 billion). Orient Zirconic is subject to an investigation by the China Securities Regulatory Commission (CSRC) a Chinese Investigative authority. Image will maintain a watching brief during the period of due diligence.

Preliminary indications are that MZ's ore processing equipment is of the right capacity and processing capability to accommodate Image's Boonanarring ore with only minor adjustments. This means the project will benefit by getting access to a complete package of pre-engineered and proven ore processing equipment and infrastructure that is available immediately for transfer to Boonanarring.

MZ equipment to be provided includes an in-pit mine slurry unit; pipelines and booster pump skids; poles and wires; complete Primary Concentration Plant including slimes thickener, associated water tanks and HMC dewatering equipment; maintenance equipment and critical spares; laboratory equipment; rolling stock and miscellaneous office/ablution buildings. Image and MZ estimate the total value of the plant and equipment to be approximately \$20M.

Initial production is planned from the Boonanarring deposit, located near the township of Gingin, approximately 65km north of Perth in an area with significant existing infrastructure.

The MOU outlines incentives related to the Boonanarring project being brought quickly into production. Murray Zircon has the right to be issued an additional 5% of Image's share capital if production is achieved within 2 years. If Image does not get into production within 3 years then the \$4M short term loan, subject to certain exceptions, is not repayable.

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