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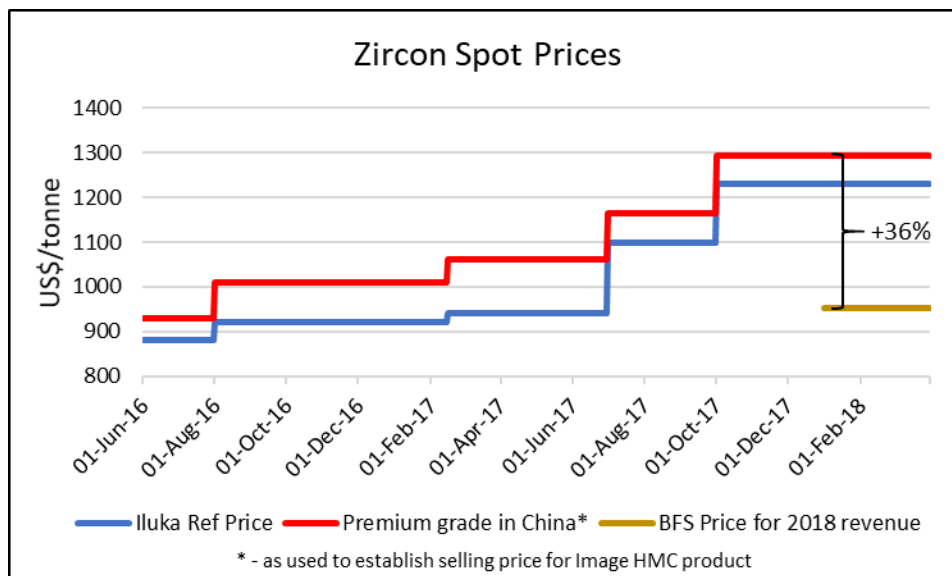
## ZIRCON PRICE CONTINUES TO RISE; BOONANARRING PROJECT SPOT PRICE NPV INCREASES 47%

Image Resources NL (ASX: IMA) (“Image” or “the Company”) is pleased to announce another significant increase in the price for zircon, effective 1 October 2017, which brings the total increase in the price of zircon to 22% since Image announced to the ASX the results of its bankable feasibility study (BFS) on 30 May 2017. Importantly, the higher zircon spot price increases the Boonanarring Project Spot Price NPV (used to determine borrowing limits) by 47% (relative to the AU\$58M reported in the BFS) to AU\$85M and therefore should serve to support a higher debt carrying capacity for the project. *Note: The overall project NPV as announced in the BFS remains unchanged at AU\$135M since changes in commodity spot prices do not affect BFS commodity price projections until those price projections are updated by TZMI.*

Iluka Resources recently announced another increase in its zircon reference price effective 1 October 2017. The price increased US\$130 to US\$1,230 per tonne. In addition, published prices by FerroAlloyNet (subscription basis) for premium grade zircon, corroborate the Iluka price increase with similar increases in prices for zircon from various sources globally.

The zircon reference price that will be used by Image to calculate the selling price for its heavy mineral concentrate (HMC) is also published by FerroAlloyNet, and this price also increased by US\$130 to US\$1,295 per tonne. This new zircon reference ‘spot’ price is now 36% higher than the projected zircon price used for 2018 revenue determination in the Company’s BFS announced on 30 May 2017 (see Figure 1). The potential significance of this price differential is that Boonanarring HMC product will be sold based on pricing calculated from then-current commodity spot prices, and zircon is estimated to represent 70% of the total revenue for the Boonanarring project.

Figure 1.



The increase in zircon spot prices also affects the financial modelling results of the BFS spot price case, which is used as the guide to determine the borrowing base for the project. At the time of publication of the Company's BFS (30 May 2017), the BFS spot price case NPV was estimated at AU\$58 million, indicating the project would be profitable and that project cashflows would support a significant portion of the project funding being sourced as debt. *[Note: The spot price case incorporates then-current commodity spot prices and the USD:AUD foreign exchange (FX) rate, with these prices and FX fixed at those levels for the duration of the project.]* **Using the latest zircon spot price and FX rate, in a revised spot price case, the NPV increases by 47% to AU\$85 million, and the implied increased cashflows are likely to improve the debt carrying capacity of the project.**

## Background

Image is **fast-tracking the development of its 100%-owned Boonanarring Mineral Sands Project** in the infrastructure-rich West Perth Basin, 80km north of Perth. **Boonanarring is arguably one of the highest heavy mineral (HM) grades, zircon-rich, undeveloped deposits globally and 70% of total project revenue will be from the zircon component in the HMC.** Therefore, even small increases in zircon prices can add substantial value to the project.

Image published the positive results of a BFS encompassing the Company's 100%-owned Boonanarring and Atlas minerals sands projects on 30 May 2017. Results included a **project NPV of AU\$135 million (pre-tax at 8% discount rate) and an IRR of 64% resulting in a payback of only 22 months and project capital requirements of AU\$52 million.** As indicated above, the project NPV of AU\$135M remains unchanged at this time since changes in commodity spot prices do not affect BFS commodity price projections used in the BFS until those price projections are updated by TZMI and those revised price projections are used to update the BFS financial model. When the TZMI price projections are revised, it is anticipated the BFS NPV will likely increase.

**The Company already owns the capital plant and equipment required to develop the project and produce an HMC product. In addition, the Company has secured a binding off-take agreement for 100% of production for the life of the mine.** HMC pricing will be based on a transparent pricing model endorsed by TZMI and based on then-current market prices for contained zircon, rutile, leucoxene and ilmenite, on a shipment by shipment basis.

## Project Funding

**The Company's current focus is on securing funding for the development of the Boonanarring project.** Funding is likely to be through a combination of debt and equity. The debt component has attracted attention from a range of banks in Australia and China. PCF Capital is serving as the Company's financial advisor with respect to the debt component and has been actively engaged in discussions with potential financiers, as well as managing data room services and assisting Image with financial modelling. **Image and PCF are in discussions with a range of financing groups and remain confident an appropriate debt provider or providers will be selected in the coming weeks.**

The Company has also been actively marketing the project for the purpose of securing the equity component of project capital and is in the final stages of selecting a broker or brokers to assist the company with its equity raising efforts.

## Project Approvals and Service Providers

Progress continues on a number of other fronts including project approvals and final tendering for major services including mining contractor, plant and equipment relocation and product transport.

**The Company has recently received final approvals of its Project Management Plan and Radiation Management Plan from the Department of Mines, Industry Regulation and Safety**

**(DMIRS). The final remaining project approval required is a Works Permit from the Department of Water and Environmental Regulation (DWER) and is expected in the coming weeks.**

**Mining contractor tenders have been finalized and a preferred mining contractor has been selected** and final contract negotiations are underway. Other major tenders for project services have been initiated and are in various stages of completion.

### **Project Schedule**

Whilst the project development schedule has proven to include an overly optimistic timeline for securing project funding, the project construction timeline (post-project funding) remains at only 6 months. Consequently, **first production currently remains scheduled for 2<sup>nd</sup> quarter 2018.**

**For further information, please contact:**

**Patrick Mutz**

*Managing Director*

+61 8 9485 2410

[info@imageres.com.au](mailto:info@imageres.com.au)

[www.imageres.com.au](http://www.imageres.com.au)