

**QUARTERLY REPORT - for the Quarter Ended 31 March 2011**

**Image Resources NL**  
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**Issued Capital:**  
**Shares - Quoted:**  
88,388,959 fully paid  
ordinary shares  
**Options - Unquoted:**  
2,500,000 options  
exercisable at \$1.80 by  
16.11.2011  
2,200,000 options  
exercisable at \$2.12 by  
20.11.2012  
2,500,000 options  
exercisable at \$1.50 by  
19.11.2011  
2,345,000 options  
exercisable at \$1.12 by  
18.12.2014

**Cash:** \$3.7 million

**Directors:**

**Peter Thomson**  
Chairman  
**George Sakalidis**  
Managing Director  
**Roger Thomson**  
Executive Director

## HIGHLIGHTS

### NORTH PERTH BASIN

- Detailed mineralogical analysis has identified zircon concentrations up to 20% of the heavy minerals (HM) in the southern 2.5km of the Atlas deposit, coinciding with high grade HM zones averaging over 10%HM.
- The overall Atlas HM grade has increased from 7.4%HM to 7.8%HM, with the Measured Resource grade increasing to 8.4%HM.
- An intersection of 30m @ 7.7%HM from 27m, including 3m @ 34.7%HM at the north end of the Bidamina deposit, indicating potential for a high grade core to what was previously thought to be a low grade deposit.
- Acquisition of four Mining Leases from Iluka Resources containing an estimated total of 955,000t of HM and giving Image control of a 65km strike length of the Gingin Shoreline.
- Resources from two of the Iluka tenements extend into Image's adjacent resource areas; namely the Gingin South ML situated directly north of Image's Gingin South resource and the elevated zircon Boonanarring ML showing a 7.7km ground magnetic extension to the north.
- Infill drilling of the Gingin South deposit has confirmed continuity from visual HM estimates and is expected to result in estimation of a Measured Resource in the June quarter.
- Drilling of targets in the Chandala area has identified a 2.4km-long mineralised zone at Chandala North and another potentially mineralised zone to the south.

### COMMODITY PRICES

- Further predictions by industry analysts of product price increases suggest zircon will reach US\$2,000 per tonne by the end of 2011, two years ahead of Image's previous forecasts.
- The same analysts have also forecast significant ilmenite price increases with Sulphate Ilmenite predicted to reach US\$180 - US\$200 per tonne by year end.

## NORTH PERTH BASIN

### Cooljarloo (Image 70%)

The preliminary Atlas resource statement issued in the December 2010 quarter required additional mineralogical data to fully estimate the mineral assemblage. The results of QEMSCAN analyses of 47 mineralogy composites have now been received and these have been integrated with the existing composites, bringing the total mineralogical analyses to 81 composites spread at 400m line intervals along the strike of the deposit. This data was combined with the October resource model to produce an updated Measured and Indicated Resource for the Atlas deposit. The HM component of this resource estimate is tabulated at various cut-off grades in Table 1, with the mineral assemblages at the same cut-offs shown in Table 2.

The zircon content of the HM increases from north to south with a zone of +10% zircon evident in the southern 2.5km of the Atlas deposit. This distribution is shown in Figure 1, where the zircon content can be seen to vary up to 20% of the HM in the southern zone, correlating with increased HM content. Image expects that this increased grade will have significant economic implications for the exploitation of the deposit, potentially allowing the scheduling of high value ore at the start of mining.

The mineral assemblage results show that a small zone included in the October resource estimate contained significantly higher levels of iron-oxides than had been expected and therefore this zone has been excluded from the updated estimate, reducing the overall resource at a 2.5% HM cut-off by 1.4Mt to 10.8Mt and increasing the grade from 7.4%HM to 7.8%HM containing 844,000t of HM at 10.7% zircon, 7.0% rutile and 55.8% ilmenite. The Measured Resource at 2.5% HM cut-off is similarly reduced to 9.7Mt @ 8.3%HM, containing 810,000t of HM at 10.9% zircon, 7.1% rutile and 55.5% ilmenite.

Table 1  
Atlas HM Resource April 2011

Category	HM Cut-off	Volume	Tonnes	HM %	HM Tonnes	Slimes %	OS %
Indicated	5.0	4,900	9,800	5.6	500	15.7	10.2
Indicated	4.0	40,000	80,000	4.4	3,600	16.0	5.4
Indicated	3.0	309,000	635,000	3.5	22,000	19.0	4.1
Indicated	2.5	524,000	1,079,000	3.2	34,000	19.2	3.8
Indicated	2.0	807,000	1,663,000	2.9	48,000	19.4	3.4
Indicated	1.5	1,050,000	2,140,000	2.6	56,000	19.1	3.5
Indicated	1.0	1,240,000	2,530,000	2.4	61,000	18.9	3.3
Measured	5.0	2,980,000	6,120,000	11.0	670,000	16.2	4.0
Measured	4.0	3,660,000	7,460,000	9.8	730,000	15.8	4.2
Measured	3.0	4,410,000	8,930,000	8.8	790,000	15.5	4.4
Measured	2.5	4,800,000	9,700,000	8.3	810,000	15.3	4.5
Measured	2.0	5,300,000	10,700,000	7.7	830,000	15.2	4.7
Measured	1.5	6,400,000	12,800,000	6.8	860,000	15.0	5.1
Measured	1.0	9,100,000	17,900,000	5.2	930,000	14.5	5.5
Total	5.0	2,980,000	6,130,000	11.0	671,000	16.2	4.0
Total	4.0	3,700,000	7,540,000	9.8	734,000	15.8	4.2
Total	3.0	4,720,000	9,560,000	8.4	812,000	15.7	4.4
Total	2.5	5,300,000	10,800,000	7.8	844,000	15.7	4.4
Total	2.0	6,100,000	12,400,000	7.1	878,000	15.8	4.5
Total	1.5	7,400,000	14,900,000	6.2	916,000	15.6	4.9
Total	1.0	10,300,000	20,500,000	4.8	991,000	15.1	5.3

Slimes: minus 63 micron fraction OS: oversize, plus 1mm fraction

Table 2  
Atlas Mineral Assemblage by Cut-off Grade

Category	HM Cut-off	HM Tonnes	Zircon (% of HM)	Ilmenite (% of HM)	HiTi (% of HM)	Leucoxene (% of HM)	Rutile (% of HM)	Garnet (% of HM)
Indicated	5.0	500	7.8	65.3	3.5	2.3	4.9	2.3
Indicated	4.0	3,600	6.9	62.4	3.2	1.7	6.0	3.2
Indicated	3.0	22,000	6.9	63.8	3.6	1.3	6.6	3.7
Indicated	2.5	34,000	6.8	63.8	3.6	1.3	6.7	3.7
Indicated	2.0	48,000	6.8	63.6	3.6	1.3	6.7	3.7
Indicated	1.5	56,000	6.8	63.7	3.6	1.3	6.7	3.7
Indicated	1.0	61,000	6.9	63.8	3.6	1.3	6.7	3.7
Measured	5.0	670,000	11.1	55.5	2.9	1.0	7.0	4.8
Measured	4.0	730,000	11.0	55.5	3.0	1.0	7.0	4.8
Measured	3.0	790,000	10.9	55.5	3.0	1.0	7.1	4.8
Measured	2.5	810,000	10.9	55.5	3.0	1.1	7.1	4.7
Measured	2.0	830,000	10.8	55.5	3.0	1.1	7.1	4.7
Measured	1.5	860,000	10.8	55.5	3.1	1.1	7.0	4.6
Measured	1.0	930,000	10.9	55.5	3.1	1.2	7.0	4.4
Total	5.0	671,000	11.2	55.5	2.9	1.0	7.0	4.8
Total	4.0	734,000	11.0	55.5	3.0	1.0	7.0	4.8
Total	3.0	812,000	10.8	55.7	3.0	1.0	7.1	4.7
Total	2.5	844,000	10.7	55.8	3.0	1.1	7.0	4.7
Total	2.0	878,000	10.6	56.0	3.0	1.1	7.0	4.6
Total	1.5	916,000	10.6	56.0	3.1	1.1	7.0	4.5
Total	1.0	991,000	10.6	56.0	3.2	1.2	7.0	4.3

The majority of the HM results for the Rhea deposit were received during the quarter, with laboratory analyses substantially confirming the visual estimates. Assessment of the significance of these results is underway and resource estimation will commence in the June quarter. Visual estimates of mineralogy conducted by an established mineralogical laboratory suggest that the mineral assemblages will be similar to Atlas. Results of QEMSCAN analyses to confirm these estimates are expected during the June quarter.

Magnetic mapping of the newly acquired Munbinia tenement (E70/3997), which covers the southern strike extension of the Atlas deposit has identified a potential 3.5km extension to the Atlas deposit. Image views this as a significant outcome as the potential extension lies in the direction of increasing grade and increased zircon content.

**Gingin** (Image 100%) and **Chandala** (Image 60% earning up to 80%)

Resource definition drilling on the Gingin South deposit and first pass drilling on the Chandala tenement was completed during the quarter with a total of 333 holes drilled for 10,114m from which 5,380 samples were selected for laboratory processing. The locations of the drill hole collars are shown in Figure 2. The samples are awaiting analysis at the laboratory and a release will be made once the results have been received and assessed. However, based on visual estimates, the mineralisation in the Gingin South deposit has been confirmed by the infill drilling. The Chandala North drilling has also identified a 2.4km-long mineralised zone and the Target 3 zone has been shown to contain mineralisation in the southernmost line. Over the next quarter Image will progress its assessment of the Gingin and Chandala drilling as drilling results become available, with the aim of estimating a Measured Resource for Gingin South and designing resource drilling for Chandala North.

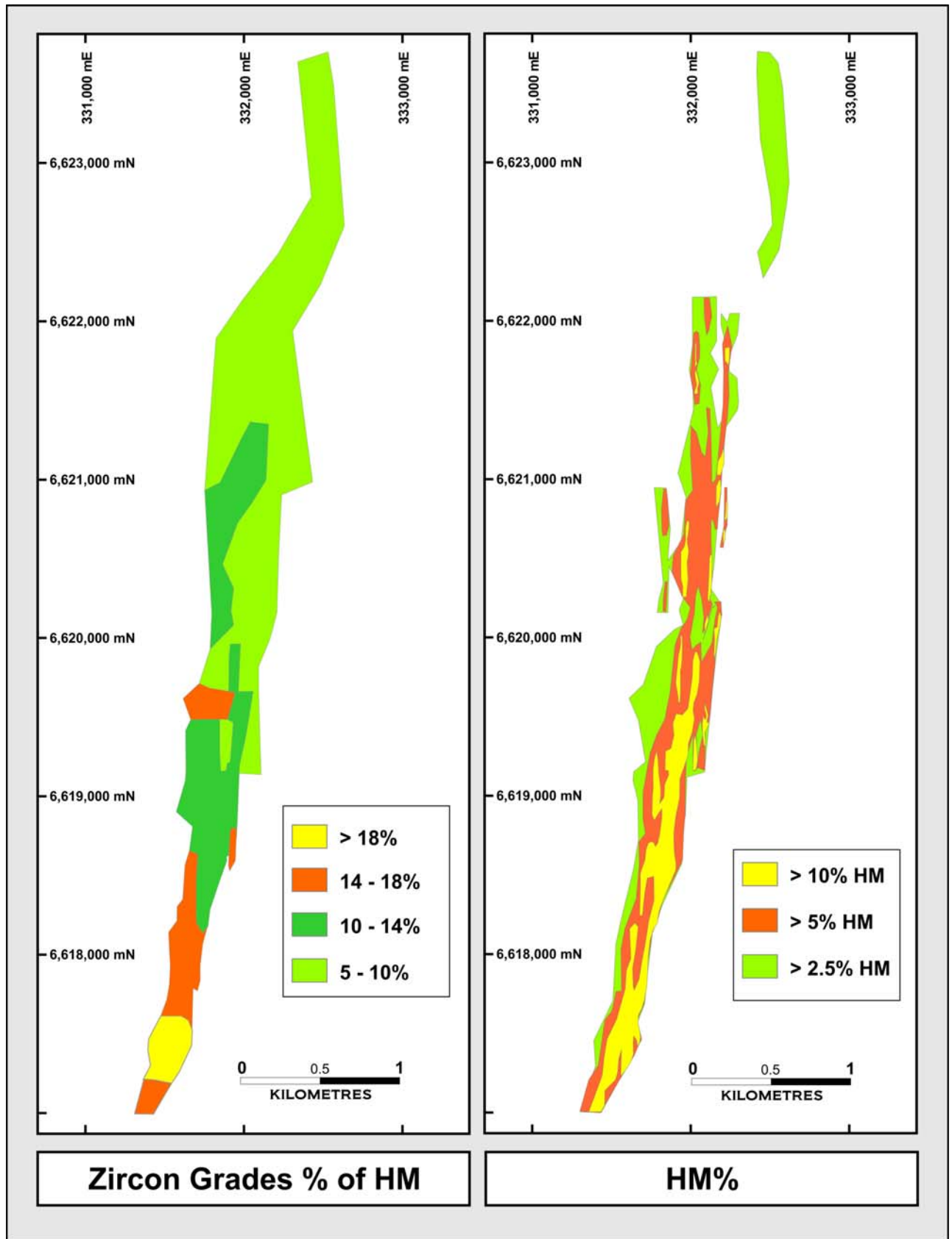


Figure 1  
Atlas Resource

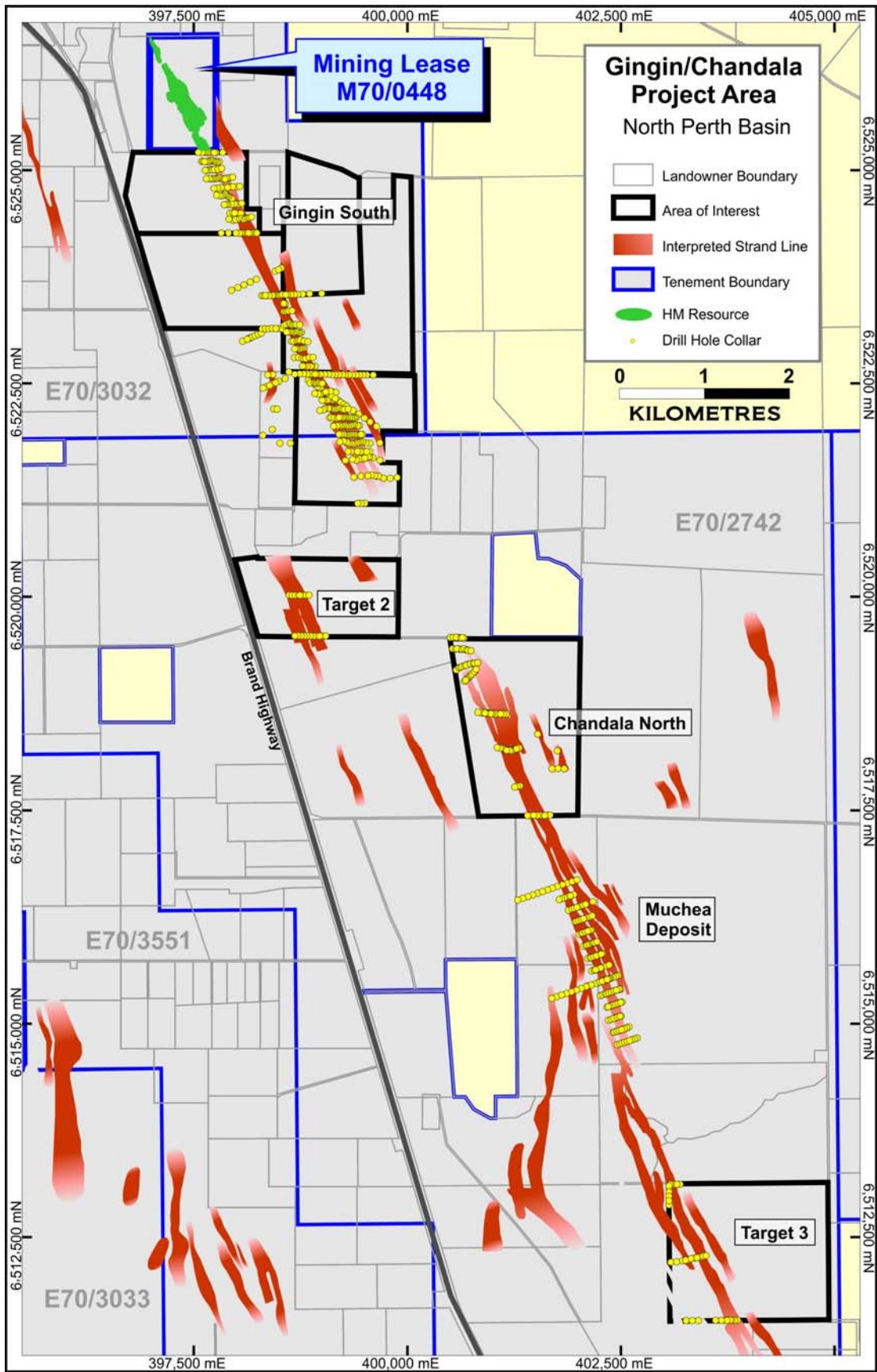


Figure 2  
Gingin and Chandala Drilling

## Iluka Tenement Acquisition (Image 100%)

During the quarter Image finalised an agreement with Iluka Resources (ASX:ILU) to acquire a 100% interest in four granted Mining Leases, shown in Figure 3. Three of these tenements are surrounded by exploration licences comprising Image's 100%-owned Gingin project, with the fourth adjacent to Image's Cataby West and Quinns Hill projects.

This acquisition gives Image control of a 65km strike length of the Gingin Scarp. Image has recognised the Gingin Scarp as a high grade/high priority target area based on its drilling at Gingin South; the presence of the high grade 2.5km-long Gingin Mine owned by Iluka; and on detailed ground magnetic surveys carried out over the last two years by Image.

The Iluka Mining Lease resources have been analysed as part of a due diligence process and Table 3 summarises Image's estimates of the resources at a 2.5%HM cut-off. The fact that the mining leases are granted is considered significant as it will facilitate the fast track of these resources through the permitting process to development, subject to the completion of appropriate agreements with landowners.

Table 3  
New Acquisition Resource Inventory (2.5%HM cut-off)

Project	Ore (Mt)	HM (%)	HM (kt)	Ilmenite	Leuc	Rutile	Zircon
Gingin South	2.8	5.1	144	54.1	14.2 *	5.3	7.8
Boonanarring	3.1	7.2	221	48.5	0.9	2.65	15
Gingin North	2.4	5.5	130	57.3	10.2 *	3.45	5.7
Red Gully	6.0	7.7	460	65.8	8.3 *	3.1	12.4
Total	14.3	6.7	955	58.9	7.7	3.4	11.3

\* Leuc = N/Magnetic Leucoxene + Magnetic Leucoxene

This acquisition significantly increases Image's Dry Mining resource inventory from 1.8Mt of HM to 2.8Mt, an increase of 55% and increases the total Dry Mining + Dredge Mining resource to 7.53 Mt of HM. The elevated zircon content of the Boonanarring resource has been shown by ground magnetics to have the potential to extend at least a further 7.7km to the north on existing Image tenure. This anomaly remains open to the north and will be subjected to ground magnetic surveys. The Gingin South Mining Lease lies directly to the north of Image's Gingin South deposit (see Figure 2), which extends into the Mining Lease.

## Bidaminna (Image 100%)

Late in the quarter, Image began drilling at its Bidaminna project and has completed a total of 6 lines of drilling for 57 holes and 3,035 metres (Figure 4). Two lines were drilled on the northern end of the Bidaminna deposit that was identified by previous explorers in 1990. Image has included the Bidaminna deposit in its resource inventory as an Inferred Resource of 44.6M tonnes at 3.0%HM, containing 1.4M tonnes of HM at a 1%HM cut-off.

The current program was designed principally to test new magnetic targets to the north and east of the Bidaminna deposit. However, two lines were drilled into the northern extent of the known deposit and one hole in the southernmost line (BN018) was found to contain a 30m-thick mineralised zone from 27m depth which averaged 7.7%HM using a 1%HM cut-off and includes a 3m intersection averaging 34.7%HM. This grade is significantly higher than reported in adjacent historical drill holes and was confirmed visually by a twinned hole and holes drilled 20m either side across strike. Laboratory processing results for all holes on this line are awaited with interest and will enable Image to put this unexpected high grade intersection in context. However, this intersection has encouraged Image to re-assess the prospectivity of the Bidaminna deposit and more drilling will be scheduled to follow up the potential for a high-grade core to the deposit.

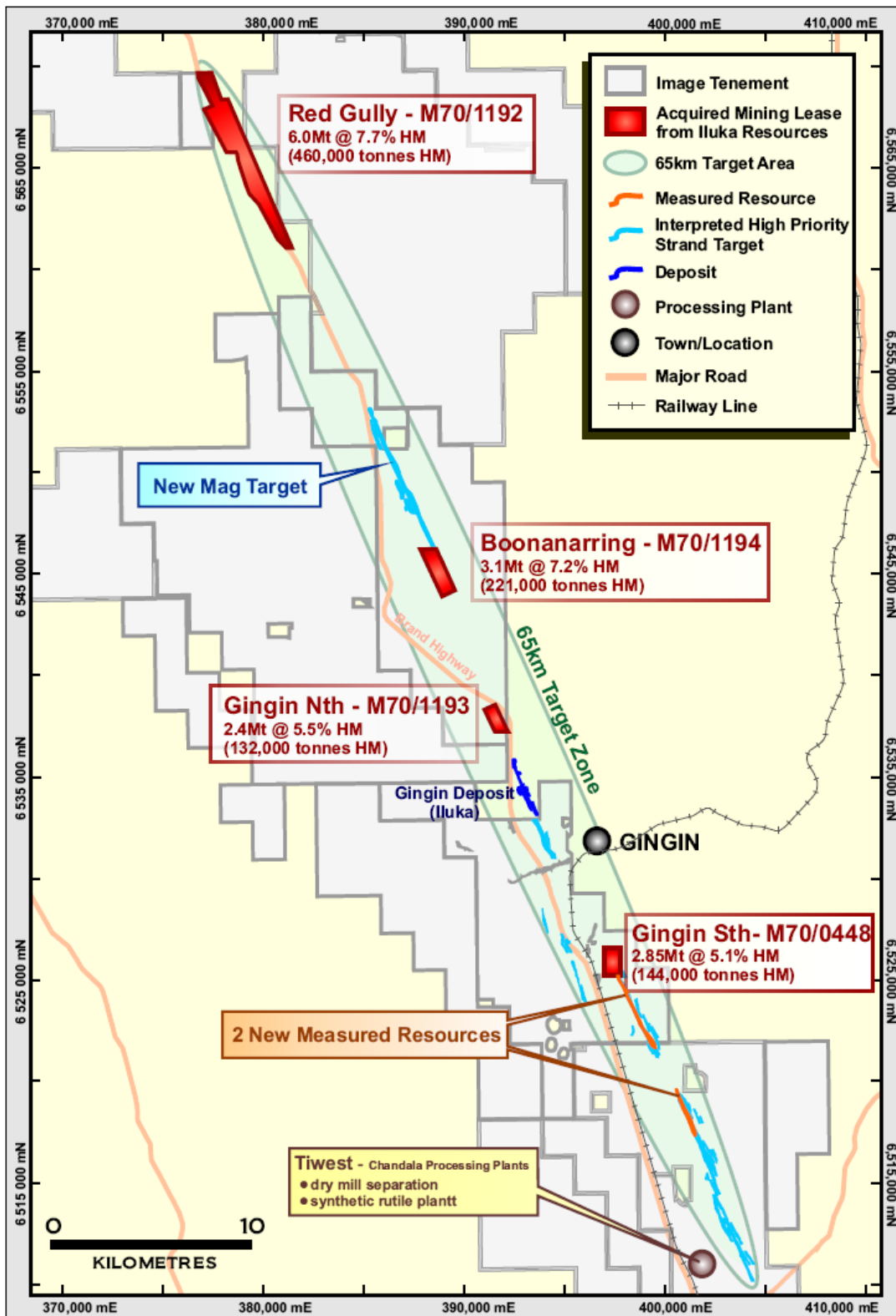


Figure 3  
Gingin Target Corridor and New Acquisitions

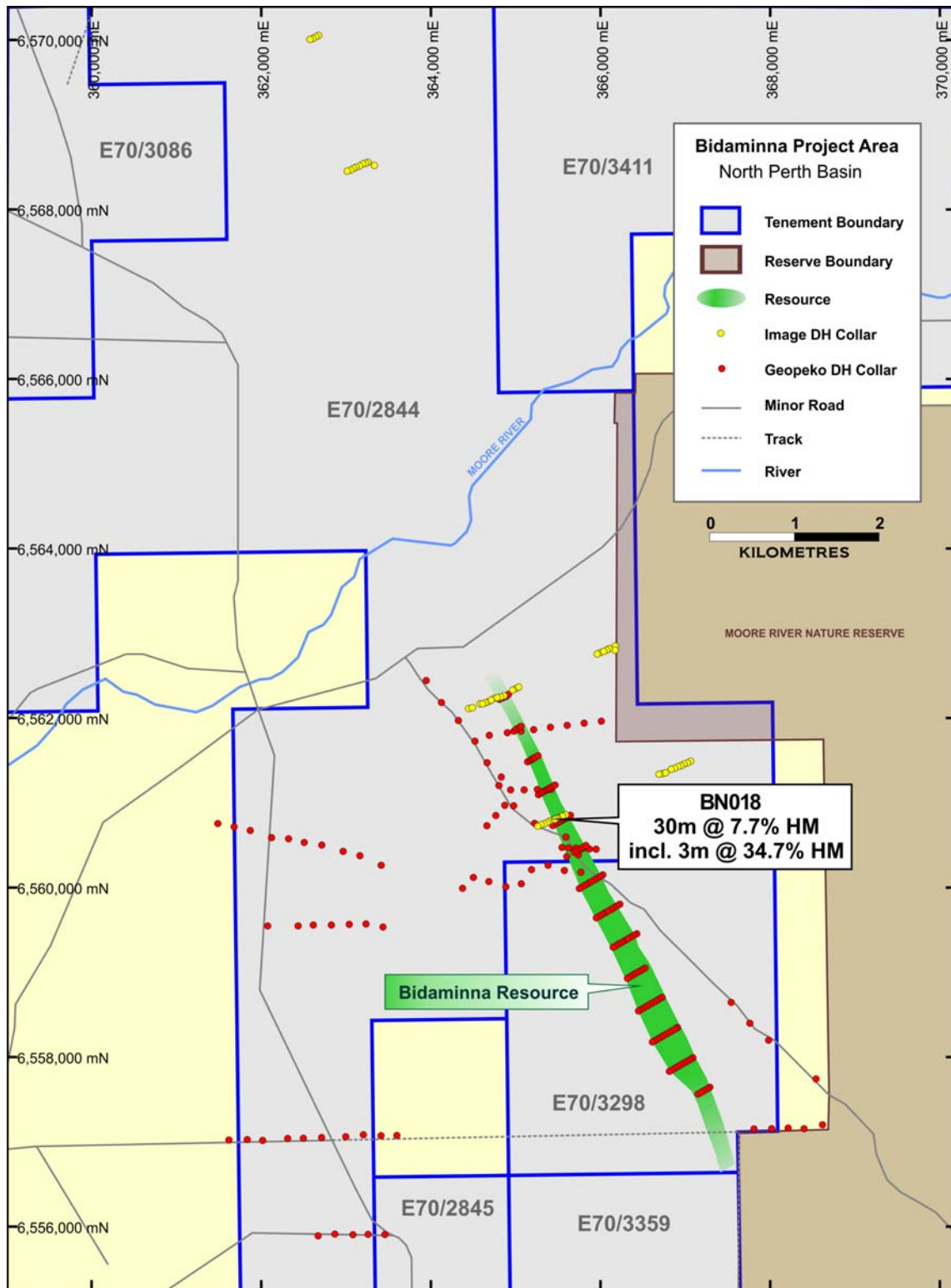


Figure 4  
Bidamina Drilling

## **EUCLA BASIN (Image 100%)**

Drilling at the Serpentine Lakes project was delayed by unseasonal wet weather preventing access until the end of March. A Work Area Clearance was conducted by the Traditional Owners and drilling has been rescheduled for June 2011.

## **COMMODITY PRICE INCREASES**

Recent market research released by Goldman-Sachs and industry consultants TZMI has predicted greater increases in zircon and sulphate ilmenite prices than those forecast in Image's December Quarterly Report, leading Image to revise its product pricing. In the short term TZMI is reportedly predicting zircon prices to reach US\$2,000/t by the end of calendar 2011 and to maintain this level to at least 2015. Table 3 shows the product pricing that Image believes is now justified based on this new data.

Table 3  
**Forecast Product Pricing 2009 – 2014 (US\$/t)**

<b>Product</b>	<b>2010</b>	<b>2011</b>	<b>2014</b>
<b>Zircon</b>	<b>850</b>	<b>1500</b>	<b>&gt;2000</b>
<b>Rutile</b>	<b>600</b>	<b>820</b>	<b>&gt;950</b>
<b>Chloride Ilmenite</b>	<b>110</b>	<b>180</b>	<b>190</b>
<b>Sulphate Ilmenite</b>	<b>110</b>	<b>180</b>	<b>200</b>

The predicted increased sulphate ilmenite pricing is significant in the context of Image's Atlas deposit, where approximately 35% of the ilmenite is likely to be sold to this market. It is also significant for other Image deposits such as Bidaminna which is primarily a sulphate ilmenite deposit.

For more information on the company visit [www.imageres.com.au](http://www.imageres.com.au)  
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The information in this report that relates to exploration results and mineral resources is based on information compiled or reviewed by Paul Leandri BAppSc is a full time employee of Image Resources NL. Paul Leandri 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 Persons as defined in the 2004 edition of the 'Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Paul Leandri consents to the inclusion of this information in the form and context in which it appears in this report.

## MINING EXPLORATION ENTITY QUARTERLY REPORT

### APPENDIX 5B

Name of entity:

**IMAGE RESOURCES NL**

ABN:

**57 063 977 579**

Quarter ended ("current quarter")

**31/3/2011**

### Consolidated statement of cash flows

	Current quarter \$AUD'000	Year to date (9 months) \$AUD'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales, related debtors, GST Credits	56	199
1.2 Payments for:		
(a) exploration and evaluation	(505)	(1,279)
(b) development		
(c) production		
(d) administration	(256)	(828)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	36	144
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
<b>Net Operating Cash Flows</b>	<b>(669)</b>	<b>(1,764)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	(23)	(97)
(b) equity investments	49	(261)
(c) other fixed assets	1	(6)
1.9 Proceeds from sale of:		
(a) prospects		
(b) equity investments	68	534
(c) other fixed assets		1
1.10 Loans to other entities		
1.11 Loans advanced by/repaid to other entities		
1.12 Other (Loan repayments to associated company)		
<b>Net investing cash flows</b>	<b>95</b>	<b>171</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(574)</b>	<b>(1,593)</b>

1.13	Total operating and investing cash flows (brought forward)	(574)	(1,593)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.		1,306
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material) – Share issue expenses		(68)
	<b>Net financing cash flows</b>	-	1,238
	<b>Net increase (decrease) in cash held</b>	(574)	(355)
1.20	Cash at beginning of quarter/year to date	4,268	4,049
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	3,694	3,694

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$AUD'000
1.23	Aggregate amount of payments to the parties included in item 1.2	59
1.24	Aggregate amount of loans to the parties included in item 1.10	
1.25	Explanation necessary for an understanding of the transactions	

**Non-cash financing and investing activities**

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

**Financing facilities available**

		Amount available \$AUD'000	Amount used \$AUD'000
3.1	Loan facilities		
3.2	Credit standby arrangements		

### Estimated cash outflows for next quarter

		\$AUD'000
4.1	Exploration and evaluation	500
4.2	Development	
4.3	Administration	150
<b>Total</b>		<b>650</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$AUD'000	Previous quarter \$AUD'000
5.1	Cash on hand and at bank	40	73
5.2	Deposits at call		
5.3	Bank overdraft		
5.4	Other (provide details) – Short Term Deposits	3,654	4,195
<b>Total: cash at end of quarter (item 1.22)</b>		<b>3,694</b>	<b>4,268</b>

### Changes in interests in mining tenements

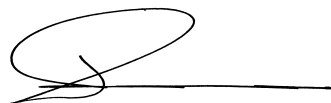
	Tenement reference	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
6.1	E37/745	Relinquished	100%	0%
	E70/4002	Relinquished	100%	0%
	E39/1059	Relinquished	0%	0%
	E28/1400	Relinquished	60%	0%
6.2	E46/938	Application	0%	90%
	E70/4075	Application	0%	100%
	E70/4077	Application	0%	100%
	E28/1656	Granted	100%	100%
	E70/3418	Granted	100%	100%
	E70/3889	Granted	100%	100%
	E70/4000	Granted	100%	100%

### Issued and quoted securities at end of current quarter

	Total number	Number quoted	Issue price per security (cents)	Amount paid-up per security (cents)
7.1 <b>Preference securities</b>	N/A			
7.2 Issued during quarter				
7.3 <b>Ordinary securities</b>				
Fully paid	88,388,959	88,388,959		
7.4 Issued during quarter	Nil			
7.5 <b>Convertible debt securities</b>	N/A			
7.6 Issued during quarter				
7.7 <b>Options</b>			<i>Exercise price</i>	<i>Expiry date</i>
	2,500,000	Not Quoted	\$1.80	16.11.2011
	2,500,000	Not Quoted	\$1.50	19.11.2011
	2,200,000	Not Quoted	\$2.12	20.11.2012
	2,345,000	Not Quoted	\$1.12	18.12.2014
7.8 Issued during quarter	Nil			
7.9 Exercised during quarter	Nil			
7.10 Expired during quarter	Nil			
7.11 <b>Debentures</b>	N/A			
7.12 <b>Unsecured notes</b>	N/A			

### Compliance statement

1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX.
2. This statement does give a true and fair view of the matters disclosed.



**Rudolf Tieleman**  
**Company Secretary**

Date: 29 April 2011