

QUARTERLY REPORT - for the Quarter Ended 31 December 2010

Image Resources NL
ABN 57 063 977 579

ASX Code: IMA

Level 2, 16 Ord Street
West Perth WA 6005

T +61 8 9485 2410
F +61 8 9485 2840
E info@imageres.com.au

PO Box 644
West Perth WA 6872

Issued Capital:
Shares - Quoted:
86,313,958 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
2,150,000 options
exercisable at \$1.12 by
18.12.2014

Cash: \$4.2 million

Directors:

Peter Thomson
Chairman
George Sakalidis
Managing Director
Roger Thomson
Executive Director

HIGHLIGHTS

COMMODITY PRICES

- Significant increases in all commodity prices due to supply shortfalls. Zircon predicted to reach \$1200 per tonne by 2014 (up from \$850/t in 2009), Rutile \$750/t up from \$550 and Ilmenite \$190/t from \$130/t.

NORTH PERTH BASIN

- Rhea drill-out completed resource estimation in progress.
- Metallurgical testing of Atlas composite samples completed showing approximately 65% of ilmenite product likely to be of synthetic rutile feedstock quality.
- New ground acquisition covering the Atlas extension, with potential to significantly increase the size of this resource.
- Drilling commenced on the Chandala HM targets.

EUCLA BASIN

- Planning and permitting in progress for further drilling to test extensions to Cyclone Extended.

COMMODITY PRICES

Commodity analysts specialising in mineral sands, as well as major producer Iluka Resources, are consistently forecasting significant price increases all products over the next five years, due to increased demand from China and India and reduced supply, especially in the zircon market. The pricing outlook is shown below in Table 1.

Table 1
Forecast Product Pricing 2009 – 2014 (\$US/t)

Product	2009	2011	2014
Zircon	850	1000	1200
Rutile	550	600	750
Chloride Ilmenite	120	160	190

NORTH PERTH BASIN

Cooljarloo (Image 70%)

As previously foreshadowed, Image Resources has completed a drill out of its Rhea prospect at Cooljarloo designed to define a resource to Measured status and to test potential channel mineralisation indicated by the previous ground magnetic surveys. A 401-hole, 11,154m aircore drilling program was completed during the quarter bringing the drilling pattern across the Rhea and Middle Strands to an average spacing of 100m x 20m as shown in Figure 1.

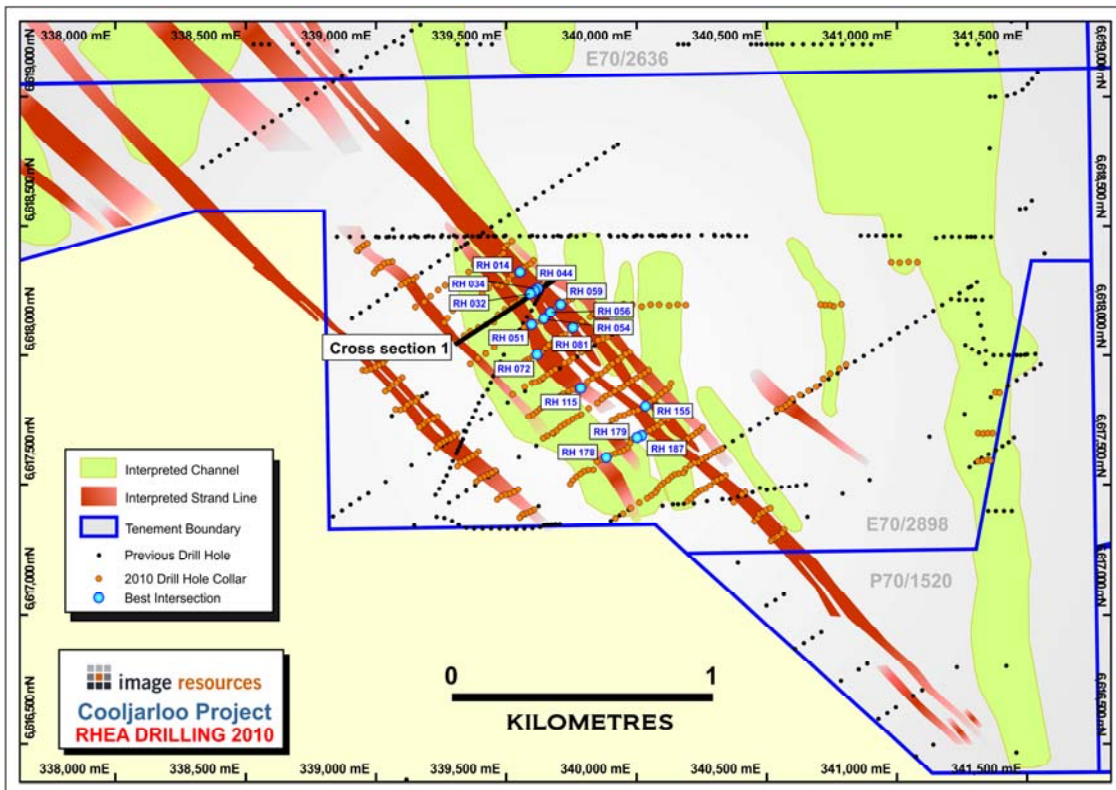


Figure 1
Rhea Resource Drilling

Within this program 40 drill holes were targeted at channel targets lying to the east of the main Rhea target, whilst the remaining 361 holes tested a mixture of channel and strand targets within the Rhea and Main Strand targets (Figure 1).

The drilling confirmed the presence of shallow high grade deposits with a more extensive sheet like deposit forming a central layer close to the basement. The channel mineralisation underlies the higher level mineralisation and where they overlap the middle layer is often enriched. A total of 8,664 samples have been submitted to heavy minerals specialist laboratory Western Geolabs and to date 3,105 results have been received. Significant intersections are summarised in Table 3 and a typical cross-section is attached in Figure 2.

Table 2
High Grade Rhea Drill Results

Hole Number	MGA East	MGA North	From m	To m	Interval m	% HM
RH179	340002	6617683	12	15.0	3	4.98
RH115	339787	6617874	10	14.0	4	5.00
RH056	339645	6618144	14	16.0	2	5.16
RH032	339609	6618249	0	4.0	4	5.18
RH051	339709	6618198	11	16.0	5	5.36
RH034	339593	6618239	14	17.0	3	5.50
RH072	339757	6618109	10	15.0	5	5.50
RH081	339619	6618003	13	17.0	4	5.71
RH059	339597	6618120	12	15.0	3	5.73
RH178	340020	6617690	15	17.0	2	5.82
RH014	339553	6618324	0	8.0	8	6.24
RH044	339622	6618259	0	3.0	3	6.27
RH187	339883	6617606	12	16.0	4	6.79
RH155	340034	6617804	1	5.0	4	7.41
RH054	339671	6618167	3	5.0	2	7.49

1m samples, HM grade determined by TBE heavy liquid separation

Visual estimates suggest a similar mineral assemblage to other deposits in the area and mineralogy composites will be submitted for analysis during the March 2011 quarter.

Estimation of a Measured Resource at Rhea will commence once all assays have been received with an updated estimate expected to be available in the June quarter.

The results of the Atlas metallurgical test program were finalised during the quarter with the major results being an average HM recovery of 95% and production of two ilmenite products, one suitable for sulphate feed and the other, representing approximately 65% of the ilmenite production, for chloride or synthetic rutile (SR) feed. The ilmenite has low U+Th content with the SR ilmenite ranging from 114ppm to 185ppm, well below market thresholds. Overall the test work produced sufficient definition to be able to determine a flowsheet for production.

A total of 48 composite samples from the Atlas deposit have been submitted for mineralogical analysis using QEMSCAN in order to upgrade the Atlas mineral assemblage to Measured status, matching the heavy mineral resource status. This work is now expected to be completed by mid-February 2011, with an updated resource estimate to be undertaken shortly thereafter.

Significantly, Image has increased its landholding at the Cooljarloo project to 150sq km by application for a 62sq km tenement (Image 100%) covering the southern extension of the Atlas deposit. The Atlas deposit remains open to the south and reviews of topographical (DEM) and other technical data have identified a target area approximately 5km long, as shown in Figure 3. Magnetic mapping and drilling will be a high priority once this tenement is granted. It is considered that this new target has the potential to significantly increase the size of the existing Atlas resource (895,000 tonnes of contained heavy minerals).

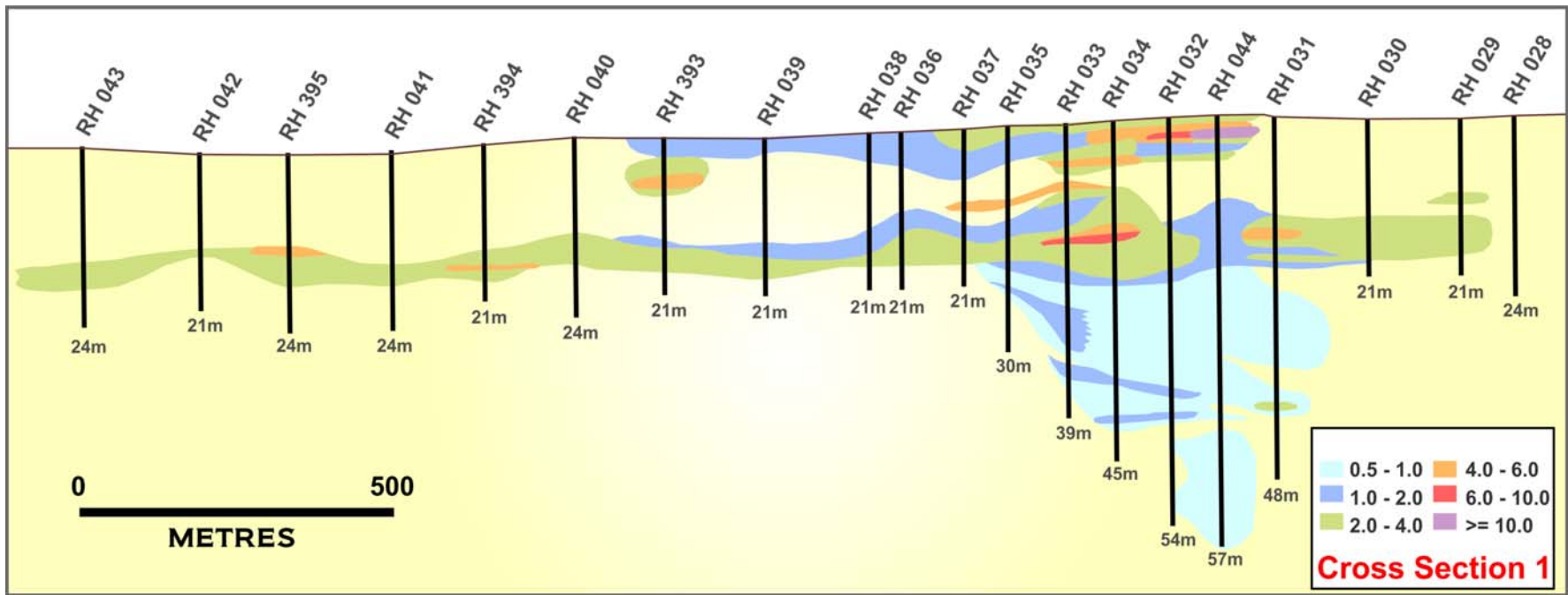


Figure 2
Rhea Cross-Section showing three levels of mineralisation

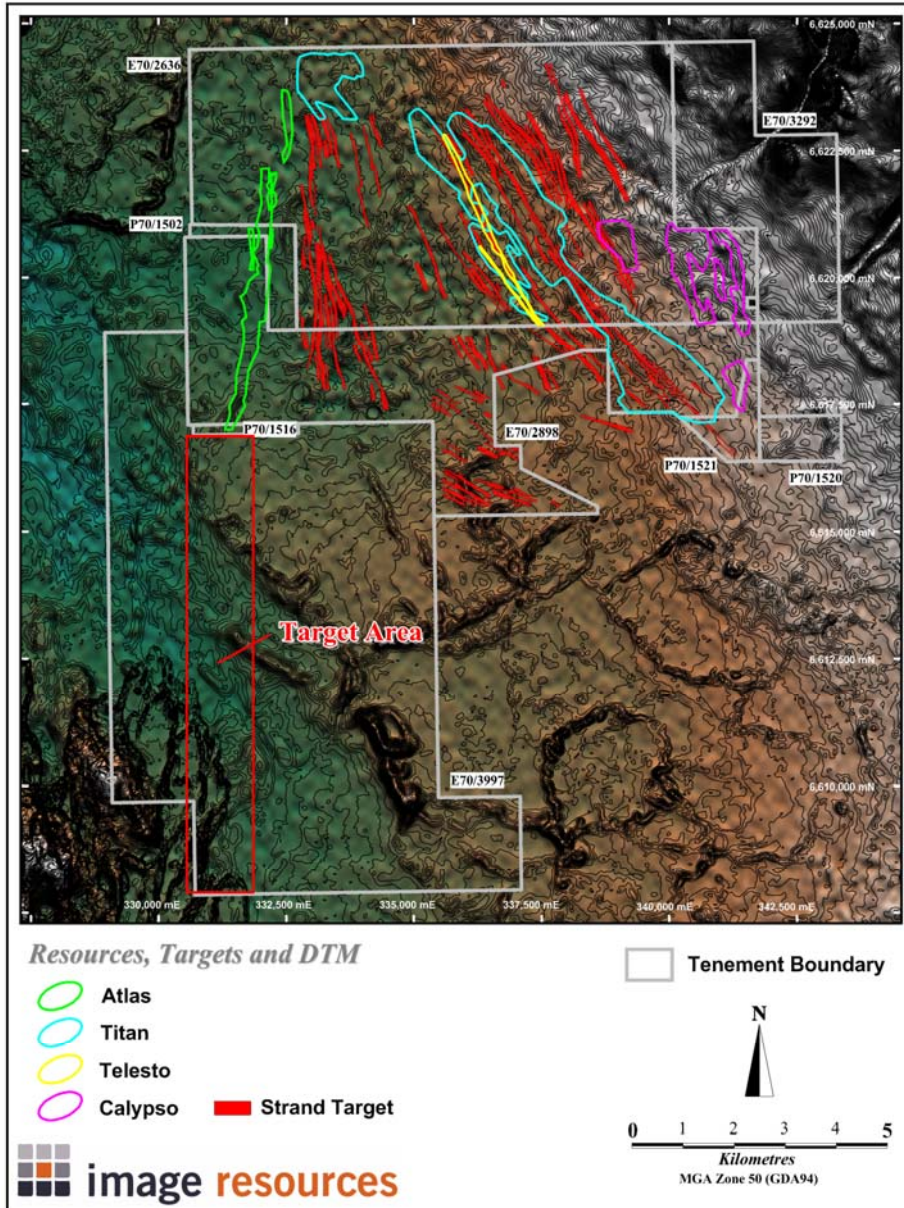


Figure 3
New Tenement Application South of Atlas (Topographic Image)

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

The drilling foreshadowed in the previous quarterly was delayed by the extensive program at Rhea. All permits were received during the quarter for a 10,000m air core program spread across four target areas as shown on Figure 4. Drilling of the first target on the Chandala tenement has commenced and preliminary results are encouraging. Further information will be reported as it becomes available.

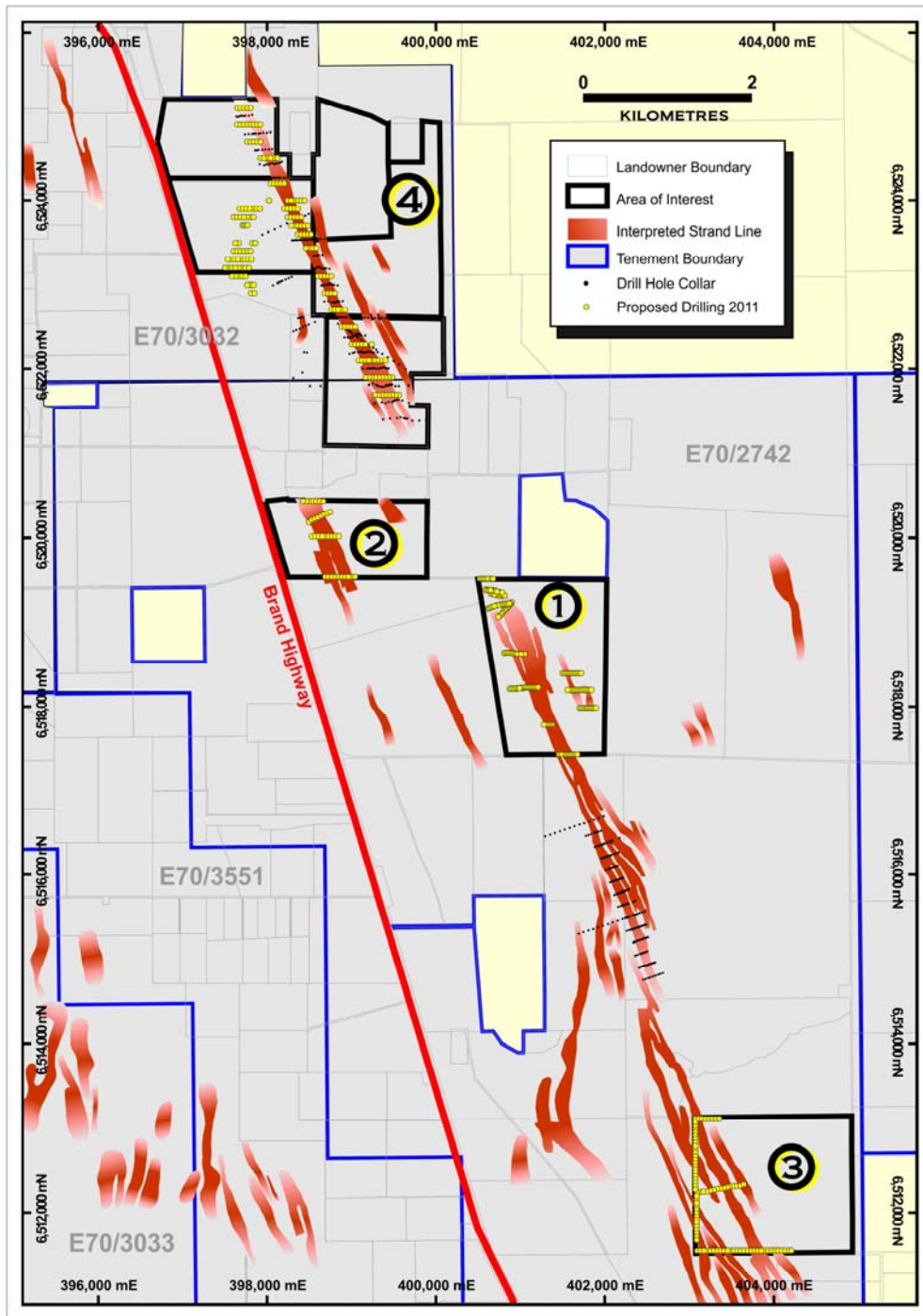


Figure 4
Gingin and Chandala Target Areas

EUCLA BASIN (Image 100%)

As part of its ongoing assessment of the Eucla Basin tenements, Image has spent the quarter integrating all of its drilling information and designing a new drill program to test for extensions to the Cyclone Extended mineralisation. The major focus will be to test for mineralisation between the main Cyclone Extended trend and the previously announced Monsoon discovery to the east. Further work will also be undertaken to better define parts of the Cyclone Extended mineralised zone, thus increasing confidence in the resource. Figure 5 shows the planned drill traverses.

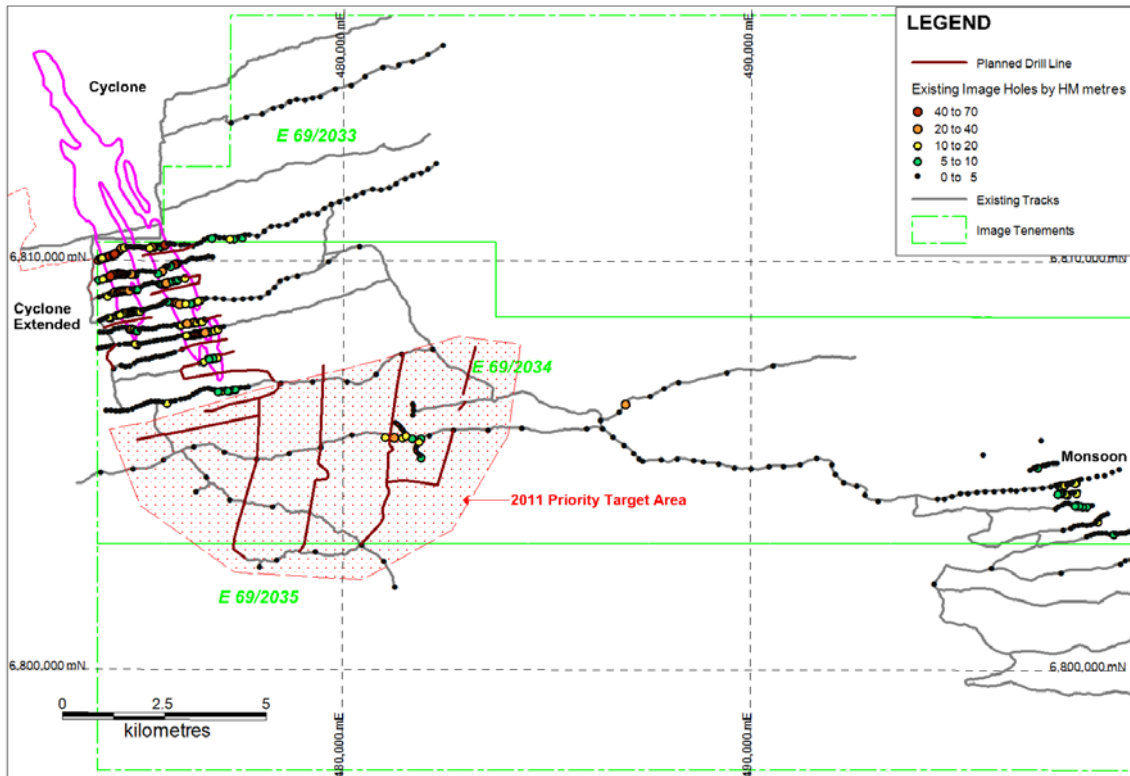


Figure 5
Cyclone Extended Showing Planned Drilling March – April 2011

Table 3
Rhea Aircore Drill Intersections

Hole Number	MGA East	MGA North	From m	To m	Interval m	% HM
RH002	339493	6618418	0	2.0	2.0	2.22
RH002	339493	6618418	13	16.0	3.0	2.26
RH003	339476	6618383	0	5.0	5.0	3.13
RH003	339476	6618383	9	19.0	10.0	3.46
RH005	339404	6618366	14	16.0	2.0	2.60
RH005	339404	6618366	17	20.0	3.0	2.77
RH006	339377	6618349	13	18.0	5.0	3.28
RH007	339329	6618294	15	19.0	4.0	3.99
RH008	339266	6618271	14	18.0	4.0	2.55
RH009	339209	6618228	10	15.0	5.0	2.93
RH010	339185	6618208	11	16.0	5.0	2.95
RH011	339152	6618189	14	16.0	2.0	2.59
RH013	339579	6618347	12	16.0	4.0	2.74
RH014	339553	6618324	0	8.0	8.0	6.24
RH014	339553	6618324	12	20.0	8.0	3.54
RH015	339565	6618338	2	4.0	2.0	2.55
RH015	339565	6618338	12	19.0	7.0	2.70

Hole Number	MGA East	MGA North	From m	To m	Interval m	% HM
RH016	339538	6618316	7	13.0	6.0	2.76
RH016	339538	6618316	14	18.0	4.0	2.74
RH017	339521	6618311	2	5.0	3.0	2.55
RH020	339482	6618267	14	16.0	2.0	2.88
RH021	339466	6618273	12	15.0	3.0	3.38
RH022	339408	6618238	2	5.0	3.0	3.67
RH022	339408	6618238	14	18.0	4.0	2.89
RH023	339433	6618260	13	18.0	5.0	3.05
RH024	339384	6618220	15	18.0	3.0	2.62
RH027	339263	6618127	14	17.0	3.0	2.67
RH029	339693	6618297	10	12.0	2.0	2.50
RH029	339693	6618297	13	15.0	2.0	2.17
RH029	339693	6618297	16	18.0	2.0	2.25
RH030	339664	6618285	12	19.0	7.0	2.83
RH031	339637	6618270	13	19.0	6.0	2.89
RH032	339609	6618249	0	6.0	6.0	4.03
RH032	339609	6618249	18	20.0	2.0	2.74
RH033	339581	6618229	0	2.0	2.0	2.92
RH033	339581	6618229	3	7.0	4.0	2.84
RH033	339581	6618229	14	21.0	7.0	2.96
RH034	339593	6618239	0	7.0	7.0	3.42
RH034	339593	6618239	9	21.0	12.0	3.29
RH035	339567	6618216	0	3.0	3.0	2.57
RH035	339567	6618216	14	18.0	4.0	2.54
RH036	339532	6618204	13	18.0	5.0	2.64
RH037	339551	6618213	0	3.0	3.0	2.23
RH037	339551	6618213	15	18.0	3.0	2.92
RH039	339495	6618179	16	19.0	3.0	2.82
RH040	339453	6618129	13	18.0	5.0	2.58
RH041	339393	6618109	16	18.0	2.0	2.59
RH043	339309	6618050	16	19.0	3.0	2.25
RH044	339622	6618259	0	6.0	6.0	4.39
RH045	339463	6618373	3	5.0	2.0	2.33
RH045	339463	6618373	10	20.0	10.0	3.32
RH046	339490	6618394	0	6.0	6.0	3.71
RH046	339490	6618394	14	16.0	2.0	2.41
RH046	339490	6618394	16	19.0	3.0	3.09
RH047	339775	6618237	12	19.0	7.0	2.69
RH049	339736	6618213	12	18.0	6.0	2.52
RH050	339723	6618208	10	12.0	2.0	2.83
RH051	339709	6618198	10	18.0	8.0	4.11
RH052	339693	6618188	13	15.0	2.0	2.79
RH054	339671	6618167	3	6.0	3.0	5.56
RH054	339671	6618167	13	18.0	5.0	3.07
RH055	339660	6618153	2	6.0	4.0	3.19

Hole Number	MGA East	MGA North	From m	To m	Interval m	% HM
RH056	339645	6618144	14	19.0	5.0	3.50
RH057	339634	6618132	1	4.0	3.0	2.26
RH057	339634	6618132	15	20.0	5.0	2.79
RH058	339614	6618129	13	19.0	6.0	3.85
RH059	339597	6618120	11	18.0	7.0	3.82
RH060	339581	6618119	16	19.0	3.0	2.88
RH061	339567	6618108	11	18.0	7.0	2.98
RH062	339507	6618079	13	19.0	6.0	2.64
RH064	339422	6618006	14	17.0	3.0	2.25
RH066	339362	6617967	14	19.0	5.0	2.95
RH068	339836	6618161	8	10.0	2.0	2.52
RH069	339821	6618150	8	11.0	3.0	2.68
RH069	339821	6618150	12	14.0	2.0	2.52
RH071	339772	6618120	10	17.0	7.0	3.95
RH072	339757	6618109	10	17.0	7.0	4.57
RH073	339745	6618096	10	12.0	2.0	2.61
RH074	339725	6618082	12	17.0	5.0	2.70
RH075	339712	6618075	13	17.0	4.0	3.10
RH076	339697	6618064	12	17.0	5.0	2.90
RH077	339681	6618052	12	18.0	6.0	2.99
RH078	339664	6618041	13	17.0	4.0	4.01
RH079	339649	6618027	12	15.0	3.0	4.68
RH079	339649	6618027	16	18.0	2.0	2.51
RH081	339619	6618003	1	4.0	3.0	3.12
RH081	339619	6618003	13	21.0	8.0	4.02
RH083	339584	6617984	14	18.0	4.0	3.44
RH084	339572	6617977	12	17.0	5.0	2.77
RH085	339553	6617966	13	17.0	4.0	2.51
RH086	339520	6617951	14	18.0	4.0	2.73
RH088	339925	6618089	11	13.0	2.0	2.73
RH089	339888	6618072	8	15.0	7.0	2.63
RH090	339871	6618064	11	17.0	6.0	2.88
RH091	339852	6618060	13	15.0	2.0	2.16
RH092	339820	6618031	11	14.0	3.0	2.68
RH094	339788	6618011	12	19.0	7.0	3.04
RH095	339757	6617990	11	18.0	7.0	3.27
RH097	339724	6617970	14	16.0	2.0	2.59
RH102	339525	6617851	2	4.0	2.0	2.74
RH102	339525	6617851	11	13.0	2.0	2.58
RH103	339974	6618012	11	14.0	3.0	2.80
RH105	339942	6617991	13	15.0	2.0	2.19
RH107	339907	6617967	12	17.0	5.0	2.58
RH108	339893	6617954	12	15.0	3.0	2.60
RH109	339880	6617942	12	17.0	5.0	2.71
RH110	339863	6617929	12	17.0	5.0	3.63

Hole Number	MGA East	MGA North	From m	To m	Interval m	% HM
RH111	339846	6617927	12	17.0	5.0	3.53
RH113	339813	6617901	8	12.0	4.0	2.75
RH114	339801	6617883	7	15.0	8.0	2.76
RH115	339787	6617874	9	15.0	6.0	3.90
RH116	339767	6617871	13	17.0	4.0	2.39
RH118	339718	6617852	15	18.0	3.0	2.77
RH121	339617	6617782	13	16.0	3.0	2.50
RH122	339602	6617771	12	16.0	4.0	2.65
RH124	340046	6617943	13	16.0	3.0	2.56
RH124	340046	6617943	17	19.0	2.0	2.99
RH127	339998	6617913	14	16.0	2.0	2.49
RH127	339998	6617913	17	19.0	2.0	2.29
RH128	339981	6617902	15	19.0	4.0	2.64
RH130	339949	6617880	15	18.0	3.0	2.34
RH131	339935	6617873	14	17.0	3.0	2.67
RH132	339917	6617862	2	4.0	2.0	2.59
RH132	339917	6617862	12	17.0	5.0	2.85
RH133	339899	6617851	12	17.0	5.0	3.12
RH134	339881	6617843	11	13.0	2.0	2.67
RH135	339867	6617831	9	13.0	4.0	2.99
RH136	339849	6617817	11	15.0	4.0	2.95
RH137	339816	6617796	11	17.0	6.0	3.04
RH149	340124	6617876	12	15.0	3.0	2.90
RH143	339707	6617723	14	16.0	2.0	2.29
RH150	340110	6617866	11	16.0	5.0	2.74
RH151	340095	6617854	10	14.0	4.0	2.74
RH151	340095	6617854	15	18.0	3.0	2.40
RH152	340080	6617840	11	18.0	7.0	2.91
RH153	340066	6617830	10	17.0	7.0	2.68
RH154	340050	6617820	11	14.0	3.0	2.80
RH155	340034	6617804	0	5.0	5.0	6.15
RH155	340034	6617804	12	17.0	5.0	2.55
RH156	340024	6617796	10	15.0	5.0	3.42
RH156	340024	6617796	16	18.0	2.0	2.27
RH157	340006	6617788	9	17.0	8.0	3.75
RH158	339987	6617782	12	17.0	5.0	2.74
RH159	339971	6617778	13	17.0	4.0	2.50
RH160	339952	6617769	11	17.0	6.0	3.16
RH161	339934	6617766	10	17.0	7.0	3.02
RH162	339921	6617754	11	17.0	6.0	2.74
RH163	339906	6617750	9	13.0	4.0	2.69
RH164	339897	6617728	13	17.0	4.0	3.09
RH165	339882	6617714	13	16.0	3.0	2.52
RH166	339869	6617702	13	16.0	3.0	2.14
RH169	340151	6617776	12	14.0	2.0	2.73

Hole Number	MGA East	MGA North	From m	To m	Interval m	% HM
RH169	340151	6617776	16	21.0	5.0	2.61
RH170	340134	6617768	14	18.0	4.0	2.89
RH171	340121	6617752	14	20.0	6.0	2.65
RH172	340107	6617754	13	17.0	4.0	2.61
RH173	340092	6617737	15	19.0	4.0	3.40
RH174	340079	6617726	12	15.0	3.0	3.70
RH175	340064	6617717	11	15.0	4.0	3.58
RH175	340064	6617717	17	19.0	2.0	2.48
RH176	340050	6617709	13	16.0	3.0	2.65
RH177	340031	6617700	13	19.0	6.0	3.13
RH178	340020	6617690	15	20.0	5.0	3.69
RH179	340002	6617683	12	15.0	3.0	4.98
RH180	339985	6617676	13	19.0	6.0	2.74
RH181	339976	6617662	13	19.0	6.0	2.79
RH182	339965	6617645	14	18.0	4.0	2.98
RH183	339950	6617634	14	18.0	4.0	2.63
RH185	339918	6617623	12	17.0	5.0	3.05
RH186	339899	6617616	11	15.0	4.0	2.88
RH187	339883	6617606	10	16.0	6.0	5.35
RH188	339863	6617597	11	16.0	5.0	2.72
RH189	339847	6617590	12	17.0	5.0	2.92
RH190	339835	6617558	12	15.0	3.0	2.77
RH191	339814	6617557	5	7.0	2.0	2.85

2% HM cut-off. All 1m samples. HM grade determined by TBE heavy liquid separation

For more information on the company visit www.imageres.com.au
Please direct enquiries to:

Roger Thomson
Executive Director
Phone (08) 9485 2410
Mobile 0419 969 183
Email roger@imageres.com.au

George Sakalidis
Managing Director
Phone (08) 9485 2410
Mobile 0411 640 337
Email george@imageres.com.au

The information in this report that relates to exploration results is based on information compiled or reviewed by Paul Leandri BSc. Paul Leandri 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")

31/12/2010

Consolidated statement of cash flows

	Current quarter \$AUD'000	Year to date (6 months) \$AUD'000
Cash flows related to operating activities		
1.1 Receipts from product sales, related debtors, GST Credits	38	143
1.2 Payments for:		
(a) exploration and evaluation	(284)	(774)
(b) development		
(c) production		
(d) administration	(220)	(572)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	86	108
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
Net Operating Cash Flows	(380)	(1,095)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	(32)	(74)
(b) equity investments	(98)	(310)
(c) other fixed assets	(3)	(7)
1.9 Proceeds from sale of:		
(a) prospects		
(b) equity investments		466
(c) other fixed assets	1	1
1.10 Loans to other entities		
1.11 Loans advanced by/repaid to other entities		
1.12 Other (Loan repayments to associated company)		
Net investing cash flows	(132)	76
1.13 Total operating and investing cash flows (carried forward)	(512)	(1,019)

1.13	Total operating and investing cash flows (brought forward)	(512)	(1,019)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	1,306	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)	(68)
	Net financing cash flows	1,238	1,238
	Net increase (decrease) in cash held	726	219
1.20	Cash at beginning of quarter/year to date	3,542	4,049
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	4,268	4,268

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	88
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	400
4.2 Development	
4.3 Administration	180
Total	580

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	73	93
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details) – Short Term Deposits	4,195	3,449
Total: cash at end of quarter (item 1.22)	4,268	3,542

Changes in interests in mining tenements

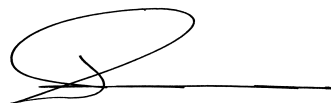
	Tenement reference	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	E70/3417	Relinquished	100%	0%
6.2 Interests in mining tenements acquired or increased	E70/3997	Application	0%	100%
	E70/3999	Application	0%	100%
	E70/4000	Application	0%	100%
	E70/4001	Application	0%	100%
	E70/4002	Application	0%	100%
	E69/2434	Granted	100%	100%
	E70/3720	Granted	100%	100%
	E70/3893	Granted	100%	100%
	E70/3966	Granted	100%	100%
	P70/1595	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 Preference securities	N/A			
7.2 Issued during quarter				
7.3 Ordinary securities				
Fully paid	89,588,959	89,588,959		
7.4 Issued during quarter	3,125,000	3,125,000	\$0.40	\$0.40
	150,000	150,000	\$0.37	\$0.37
7.5 Convertible debt securities	N/A			
7.6 Issued during quarter				
7.7 Options			<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	150,000	Not Quoted	\$0.37	21.11.2010
7.10 Expired during quarter				
Director Options	1,850,000	Not Quoted	\$0.37	21.11.2010
Employee Options	1,000,000	Not Quoted	\$2.38	26.3.2012
7.11 Debentures	N/A			
7.12 Unsecured notes	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: 31 January 2011