

QUARTERLY REPORT

For the Quarter Ended 30 September 2008

HIGHLIGHTS

- The scoping study on Image's initial 6.4Mt North Perth Basin resources due for completion during the December quarter.
- 45km of new HM targets at Gingin, increasing the total cumulative North Perth Basin target length to 292km, with more than 60% of Image's 2,230 sq km holding yet to be surveyed.
- A new joint venture at Cooljarloo covering potential extensions to the Calypso inferred resource.
- Eucla Basin drilling confirms Cyclone strike extension and discovers new heavy mineral concentrations.
- Drilling of gold anomalies in progress at the Woodline joint venture.
- A new joint venture at Bronco Plains (AngloGold and Independence earning 72%) covering gold anomalies on the Tropicana-Beachcomber gold trend.
- Cash reserves of \$5.8 million.

NORTH PERTH BASIN MINERAL SANDS

Activities during the quarter comprised continuation of the scoping study, assessment of drilling results completed during the previous quarter, geophysical surveying and negotiations with landowners regarding access. Image has increased the total cumulative length of identified targets on its North Perth Basin project to 292km (up from 247km, ASX release 24 April 2008). This number is expected to grow as geophysical surveys are progressively carried out on the remaining 66% of Image's 2,230sq km of tenements which have not yet been surveyed – see Figure 1.

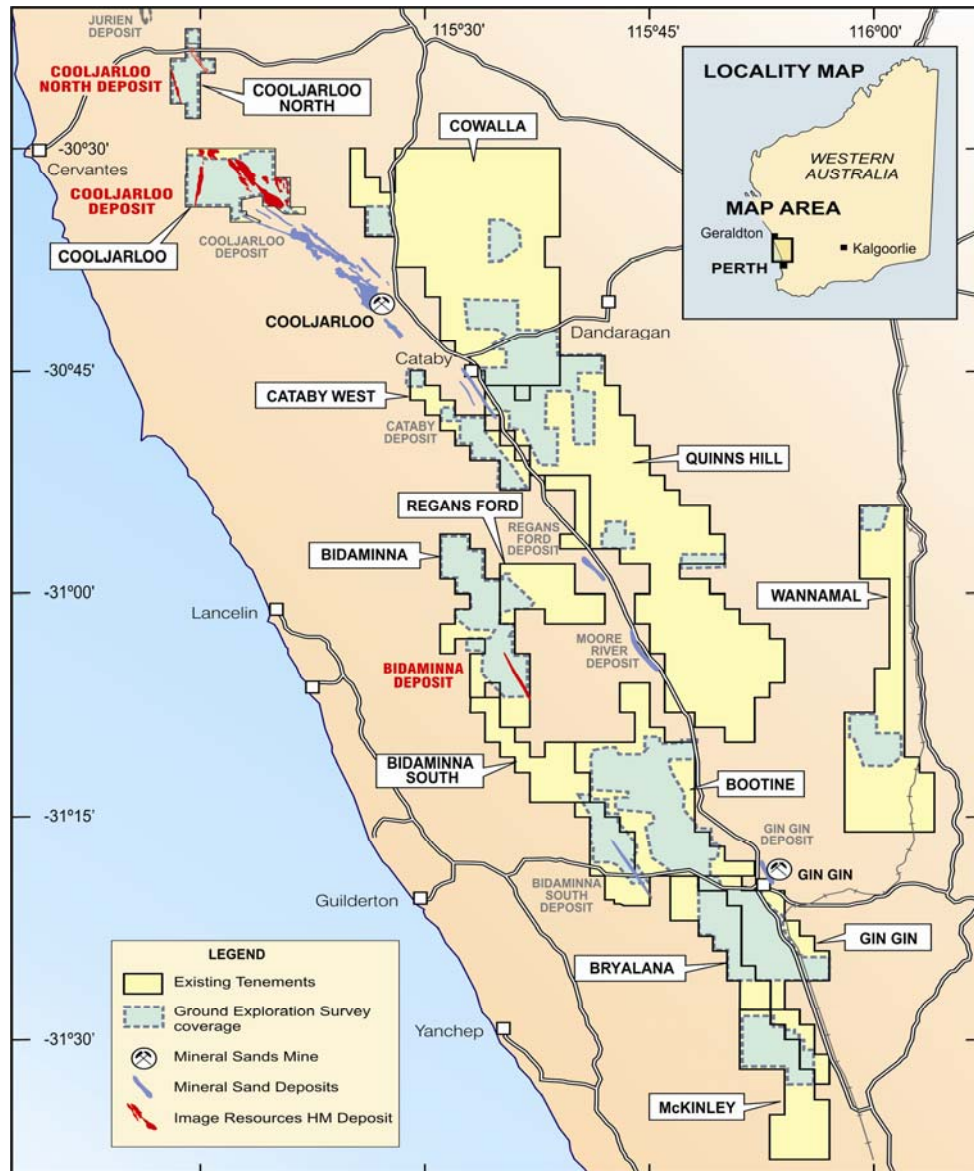


Figure 1
North Perth Basin Project

From previous experience significant proportions of these targets are expected to be mineralised, providing substantial upside for the project. These geophysical targets are interpreted to comprise a combination of both strand and channel style mineralisation. Initially, first pass drilling will be carried out to check the validity of each target prior to selective infill drilling to define resources.

COOLJARLOO NORTH (Image 100%)

The resource estimate for the Helene Indicated Resource is currently being updated to take into account the drilling results reported in the previous quarter.

Drilling and sample processing during the quarter were limited to 8 audit drill holes at Helene. The holes were twinned with historical holes drilled by Iluka Resources with the aim of testing the reliability of Image's sampling method and comparing grade estimates with the previous drilling. The results indicate that Image's sampling method using a rotary splitter is working well. Grade comparisons with the historical drilling indicate that further drilling is required to provide a larger sample base for comparison purposes.

COOLJARLOO EXTENSION (Image earning 70%)

As recently reported (ASX release 24 September 2008) Image has entered into a joint venture with Matilda Minerals (in Voluntary Administration) on an exploration licence application adjoining Image's Cooljarloo joint venture tenements – see Figure 2.

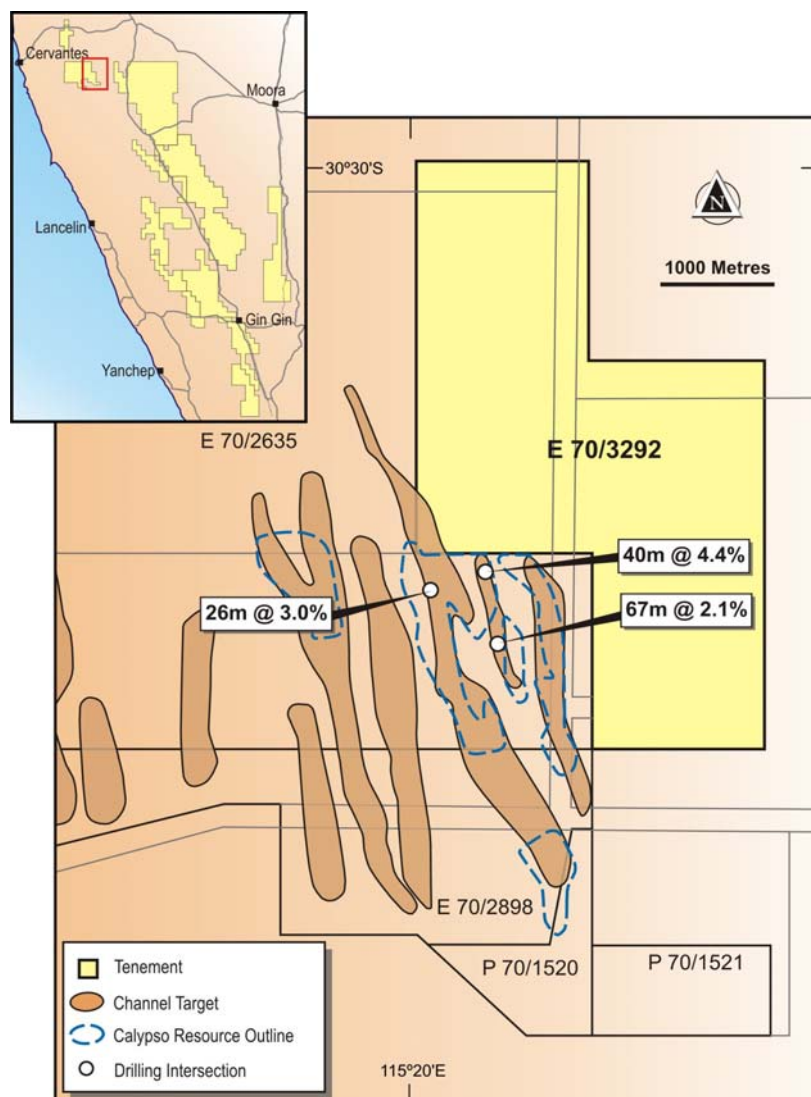


Figure 2
E70/3292 in relation to Calypso Resource and Magnetic Targets

The Matilda tenement is situated along strike from parts of Image's Calypso deposits and is considered to have potential for extensions to this thick channel-style mineralisation.

Under the terms of the joint venture Image may earn a 70% interest in the tenement by expenditure of \$400,000 within five years of grant of the tenement. Exploration will comprise geophysical surveys and drilling upon completion of the necessary permits and access agreements.

GINGIN (Image 100%)

As recently reported (ASX release 21 October 2008), a 95sq km tenement has been granted just south of Gingin townsite – see Figure 1. Several land access agreements have been signed, paving the way for a drilling programme to begin in December. Geophysical surveys carried out by Image have already identified at least 45km of new targets, one of which is more than 8.6km long and 350m wide.

Significantly, these targets are in close proximity to existing mineral separation and synthetic rutile processing plants at Muchea and within trucking distance of other facilities at Bunbury. It is noted that the existing mineral sand mine at Gingin is high grade, averaging 16.7% HM and contains more than 1.1Mt HM. The mineral sand orebody at the Gingin mine is only 2.5km in length which is significantly smaller than the targets recently identified within Image's Gingin tenement.

SCOPING STUDY

As previously reported, Image has commissioned a scoping study to identify the potential mining options for the North Perth Basin resources identified so far. The study will include both dry mining and dredging options and was anticipated to be completed by the end of the September quarter. However recent exchange rate movements have led to a re-evaluation of the scope of the study to include options that were not previously considered. These changes are anticipated to have a significant positive impact on the project economics. The revised date for completion of the study is before the end of the December quarter.

PHOSPHATE PROJECT (Image 100%)

No field work was completed during the quarter pending grant of the more prospective exploration licences.

EUCLA BASIN

As recently reported (ASX release 30 October 2008), first pass aircore drilling was carried out on Image's 100%-owned Serpentine Lakes tenements, situated along strike from the zircon-rich Cyclone prospect discovered by Diatreme Resources (DRX ASX release 15 February 2008; Inferred Resource 60Mt at 3.1%HM containing 1.8Mt HM). The drilling (210 holes totalling 8,497m) was aimed at determining the local stratigraphy of the Barton paleo-shoreline, testing for strike extensions of the Cyclone mineralisation and identifying targets for further drilling.

Laboratory results greater than 1.5%HM from the first batch of drill samples are summarised in Table 1 and shown in Figure 3. Many of these drill results remain open above and below the reported intersections. The results received to date represent about 20% of the samples selected for laboratory processing and Image anticipates further encouraging results in the next few weeks.

Table 1
Serpentine Lakes Drilling Results

Hole Number	MGA East	MGA North	From m	To m	Interval m	HM %
SL002	474310	6810153	4	28	24	3.0
SL082	475629	6810419	20	30	10	5.0
SL014	474771	6808770	8	24	16	2.7
SL094	474729	6808753	10	22	12	3.2
SL015	474845	6808790	10	22	12	2.7
SL087	474427	6810216	17	22	5	5.4
SL001	474001	6810048	10	20	10	2.6
SL017	476437	6809056	18	26	8	2.3
SL095	474692	6808746	17	24	7	2.2
SL089	474890	6808797	18	23	5	2.9
SL088	474126	6810104	18	21	3	3.4
SL056	497548	6804549	16	20	4	3.1
SL043	481031	6805736	16	20	4	3.0
SL048	485973	6805909	22	24	2	5.5
SL076	477317	6810573	10	16	6	1.5
SL044	481903	6805695	22	26	4	2.3
SL086	474592	6810358	19	22	3	2.8
SL090	474934	6808799	18	21	3	2.5
SL091	474971	6808796	19	22	3	2.3
SL092	475008	6808796	18	21	3	2.1

1m or 2m samples, HM grades determined by TBE heavy liquid separation

The drilling intersected mineralisation up to 2.5km along strike from Cyclone indicating potential for a continuation of this resource into Image's tenements, with best intercepts of 24m @ 3.0% HM from 4m and 16m @ 2.7% HM from 8m.

Significantly, mineralisation has been intersected a further 6km and 22km east of the Cyclone extension, suggesting potential for widespread heavy mineral concentrations within the tenements. The most easterly mineralisation occurs on an interpreted "J" shaped paleo-shoreline with heavy minerals intersected on three drill lines over a strike length of 1.1km. Visual examination of the Serpentine Lakes drill samples indicates a high proportion of contained zircon, however this is currently being checked in the laboratory.

Image's tenement holding within the Eucla Basin now totals 2,580sq km. The company is most encouraged by these early drill results and is looking to make the Eucla Basin project a second front in its quest to build a world-class heavy mineral resource base.

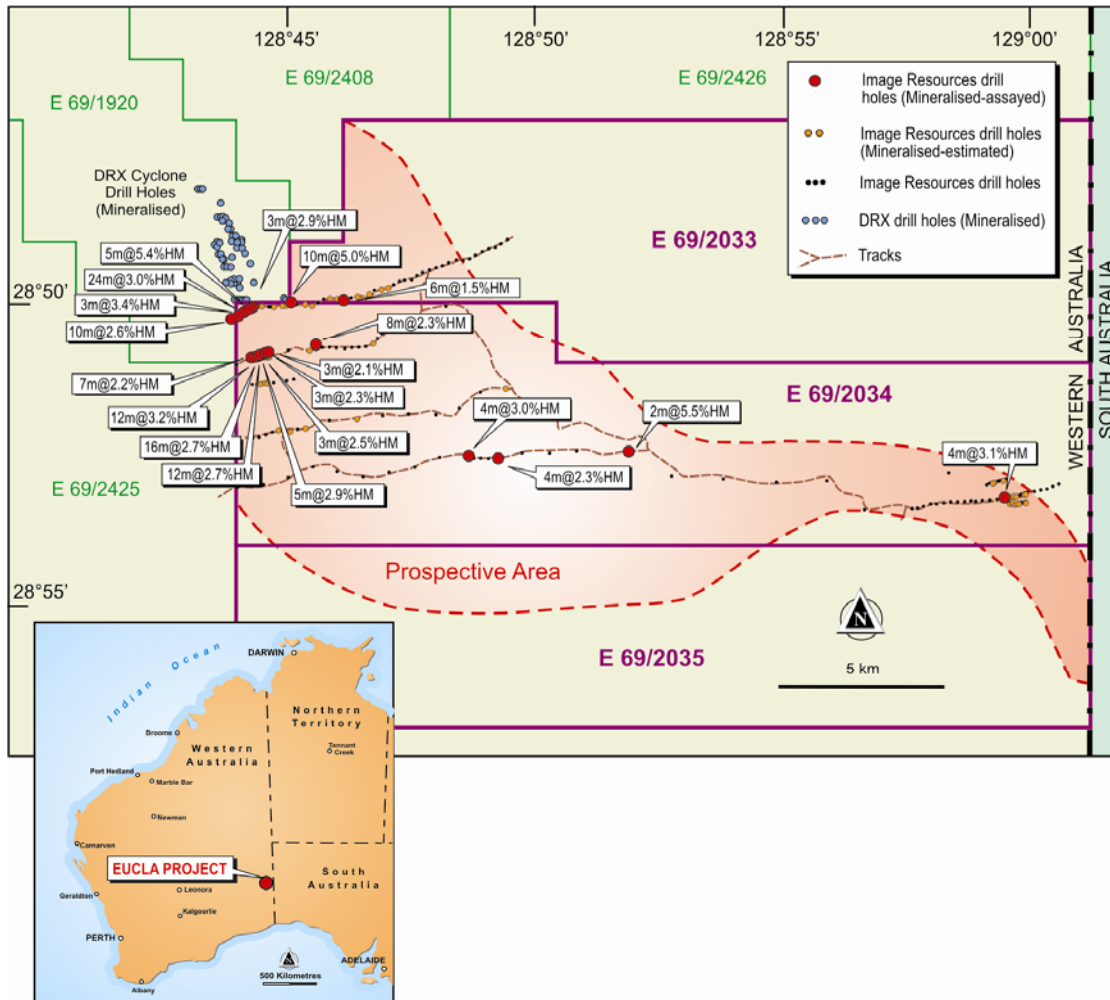


Figure 3
Serpentine Lakes, Eucla Basin

WOODLINE JV (Image 100%, diluting)

Geological and regolith mapping of the joint venture tenements continued during the quarter. A drilling programme to test geochemical anomalies and aeromagnetic targets on all three joint venture tenements (E28/1328, E28/1400 and E28/1496) is in progress following receipt of the necessary permits.

BRONCO PLAINS JV (Image 100%,diluting)

As previously reported (ASX release 20 August 2008), has entered into a joint venture agreement on its 230sq km 100%-owned Bronco Plains project situated 140 km east of Kalgoorlie. The Image tenements occur on the 300km-long Tropicana-Beachcomber trend where AngloGold Ashanti Australia Ltd (AGA) and Independence Group NL (IGO) discovered the 4Moz Tropicana-Havana gold deposits (IGO ASX release 3 December 2007) - see Figure 4.

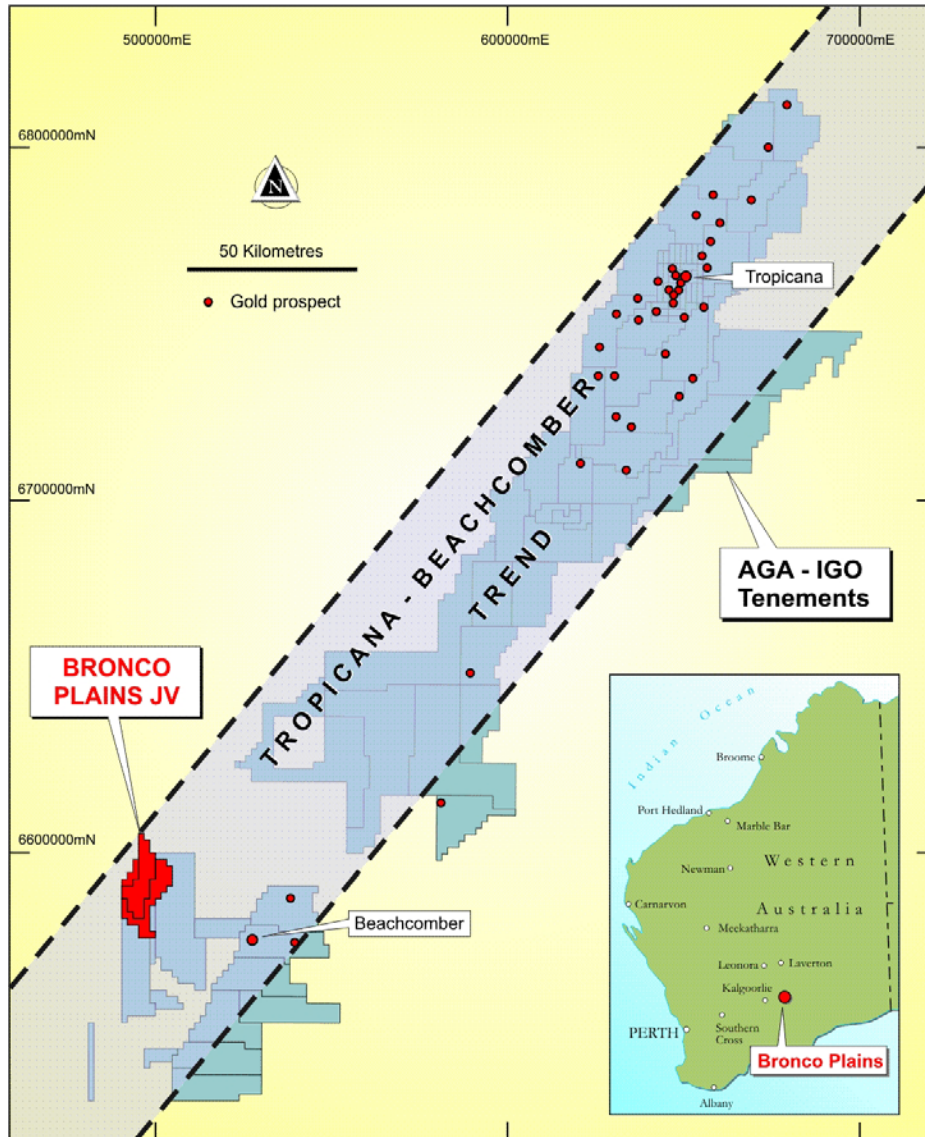


Figure 4
Bronco Plains Joint Venture

Under the terms of the agreement AGA and IGO may earn a combined 72% interest in two contiguous exploration licences by sole funding \$2million of expenditure within four years. A programme of auger soil sampling and aircore drilling of geochemical anomalies has been proposed subject to obtaining the necessary permits for the Coonana Timber Reserve. Image has been encouraged by the identification of extensive gold anomalies adjacent to its tenements (IGO ASX release 15 October 2008) and by the opportunity to participate in exploration of this emerging gold province.

MT HAYS (Image 90%)

Geochemical soil sampling (482 samples) has been carried out over a 10km strike length adjacent or along strike from gold mineralisation previously identified by Image's drilling (best intersection 2m at 52.1g/t Au from 92m (ASX release 5 August 2008). The geochemical survey covered interpreted structural targets along strike from Millenium Minerals' (formerly Wedgetail Mining) Nullagine gold project. Sample analyses are in progress.

CORPORATE

ASX code; IMA

Cash position; \$5.8million

Issued capital; 79,644,246 fully paid ordinary shares

1,214,604 options exercisable at 39 cents by 26 November 2009

2,000,000 options exercisable at 37 cents by 21 November 2010

2,500,000 options exercisable at \$1.80 by 16 November 2011

1,000,000 employee options exercisable at \$2.38 by 26 March 2012

2,200,000 options exercisable at \$2.12 by 20 November 2012

For more information on the company visit www.imageres.com.au
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The information in this report that relates to exploration results is based on information compiled by Scott Carruthers BSc, MSc, MAusIMM. Scott Carruthers is a full time employee of Image Resources NL. Scott Carruthers 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'. Scott Carruthers consents to the inclusion of this information in the form and context in which it appears in this report.