

QUARTERLY REPORT - for the Quarter Ended 31 December 2011

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

Shares - Unquoted:
 1,200,000 fully paid
 ordinary shares escrowed
 until 5.4.2012

3,000,000 fully paid
 ordinary shares escrowed
 until 11.10.2012

Options - Unquoted:

2,200,000 options
 exercisable at \$2.12 by
 20.11.2012

2,345,000 options
 exercisable at \$1.162 by
 18.12.2014

95,000 options exercisable

at \$0.6995 by 21.12.2015

2,600,000 options
 exercisable at \$0.3908 by
 27.12.2016

Cash: \$1.4 million

Directors:

Peter Thomson

Chairman

George Sakalidis

Managing Director

Roger Thomson

Executive Director

HIGHLIGHTS

NORTH PERTH BASIN

- **Increased Titanium Minerals and Zircon product prices have significantly improved expected returns from the project giving an IRR of 47.7%-58.6%, capital payback within first 13-16 months and NPV of \$109M-\$154M for the first six resources.**
- **Flora and Fauna studies completed on Atlas deposit**
- **Consistently high grade HM intersections, some zircon-rich, identified by first pass drilling 3.6km north of the existing Boonanarring resource, confirming the validity of this 7.7km-long magnetic target.**
- **Best intersection at Boonanarring of 15m at 9.9%HM from 24m at 2.5%HM cut-off, including 5m @ 19.7%HM (5%HM cut-off), with encouraging zircon enrichments in two holes.**
- **Infill drilling to 200m spacing completed at Red Gully.**
- **Infill drilling completed on Gingin South Resource, confirming resource continuity.**

EUCLA BASIN

- **Cyclone Extended Mineralisation continuity confirmed**

NORTH PERTH BASIN

Feasibility Study

Price increases of both Titanium Dioxide and Zircon mineral sand products were announced by producers during the quarter and these have significantly improved the expected return from the North Perth Basin Mineral Sands project. A comparison of the effect of these improved product prices on the previously announced scoping study results is shown in Table 1.

Table 1
Updated Project Economics Summary

	Previous Estimate		Updated Estimate	
	1.00	0.90	1.00	0.90
Exchange Rate (A\$:US\$)	1.00	0.90	1.00	0.90
Commodity Prices:				
ilmenite	US\$ 200		US\$ 200	
rutile	US\$ 1,350		US\$ 2,400	
zircon	US\$ 2,240		US\$ 2,400	
leucosene	US\$ 500		US\$ 500	
Life of Mine	12 years			
NPV @ 10% discount	\$ 58.8M	\$ 97.6M	\$ 109.3M	\$ 153.7M
Average Internal Rate of Return	32.1%	42.9%	47.7%	58.6%
Net project cash flow after capital costs	\$ 170M	\$ 259M	\$ 280M	\$ 381M
Total Revenue (life of mine)	\$ 872M	\$ 969M	\$ 992M	\$ 1,102M
Annual average operating costs	\$ 44.1M	\$ 44.7M	\$ 44.9M	\$ 45.6M
Capital Costs	\$ 83.8M			
Capital payback period	22 months	18 months	16 months	13 months

Assumes 400tph Wet Concentrator Plant and 30tph Mineral Separation Plant

The Feasibility Study has commenced with the completion of Level 2 Flora and Fauna surveys over the Atlas deposit, which is the first of the resources to be developed. The environmental permitting process will be further progressed during the next quarter as discussions begin with relevant State and Federal government departments and the survey reports are received.

Preparation of bulk samples has commenced with the calling of tenders for drilling a 25t sample at Atlas and selection of samples for compositing from Red Gully. In the meantime Image is continuing its search for an industry professional to manage this major, company-transforming project.

Regans Ford South (Image 70%)

Drilling was completed on a 2.2km-long section of the northern extension of the Boonanarring deposit, approximately 3.6 km north of the identified Boonanarring resource. This extension lies within the Regans Ford South tenement E70/3041 (see Figure 1). As result of the work undertaken this quarter, Image has earned a 70% interest in the tenement by expenditure and cash payments of \$300,000.

A 156-hole, 6,002m aircore drilling programme was completed during the quarter. The drilling results from the first phase of drilling are summarised on Table 2 with best intersections calculated at a 5%HM cut-off. Preliminary sachet logging has identified elevated zircon content in some areas and this will be confirmed by mineralogical work in the next quarter. Negotiations are continuing with landowners along strike to the north and south of this intersection and Image anticipates further drilling on the northern Boonanarring

extensions late in Q1 or early Q2 2012. Meanwhile permits were granted for the drilling of a 2.3km extension to the south of the Boonanarring deposit.

Table 2
Boonanarring Extension Significant Intersections

Hole ID	Northing	Easting	From (m)	To (m)	Thickness (m)	HM (%)	Slimes (%)
GG773	6549533	386908	24.0	39.0	15.0	9.9	16.3
including			26.0	31.0	5.0	19.7	13.3
GG774	6549551	386942	29.0	38.0	9.0	17.2	29.3
GG816	6550438	386484	30.0	36.0	6.0	10.9	12.6
GG783	6549718	386824	25.0	34.0	9.0	7.2	6.4
including			25.0	33.0	8.0	7.8	6.9
GG815	6550423	386453	23.0	36.0	13.0	7.0	14.6
including			29.0	33.0	4.0	10.5	8.6
GG788	6549617	386611	23.0	30.0	7.0	6.3	9.9
including			26.0	30.0	4.0	8.9	7.8
GG772	6549518	386870	20.0	24.0	4.0	7.6	17.8
including			21.0	24.0	3.0	9.6	16.3
GG841	6550951	386156	23.0	27.0	4.0	7.3	19.0
including			23.0	26.0	3.0	9.0	18.2
GG787	6549630	386643	21.0	32.0	11.0	5.3	13.0
including			28.0	30.0	2.0	10.9	8.1
GG832	6550769	386242	21.0	26.0	5.0	5.7	19.5
including			22.0	25.0	3.0	8.2	18.1
GG802	6550079	386654	31.0	35.0	4.0	10.1	22.9
including			32.0	35.0	3.0	12.8	25.3

Notes:

1. Main intersection calculated at 2.5%HM cut-off, highlight intersection at 5.0%HM cut-off. Where only one interval is quoted for a hole the intersection grade is the same at both 2.5% and 5.0%HM cut-off.
2. Heavy Mineral (HM) determined by TBE heavy liquid separation nominal 2.96 SG
3. Slimes is fraction less than 63 microns

Red Gully (Image 100%)

A total of 152 aircore holes for 5,539m were completed on the Red Gully Mining Lease during the quarter. This drilling was targeted at infilling the drill grid to 200m spacing and duplicating enough of the previous Iluka drilling to provide confidence in resource estimation using both data sets. All laboratory results have now been received and are being assessed.

Gingin South (Image 100%)

In October the 800m gap in the Gingin South resource was infilled to 200m hole spacing, which will allow the Inferred portion of the resource to be upgraded to Indicated status. Figure 2 shows the drill hole locations and Table 3 summarises the significant intersections.

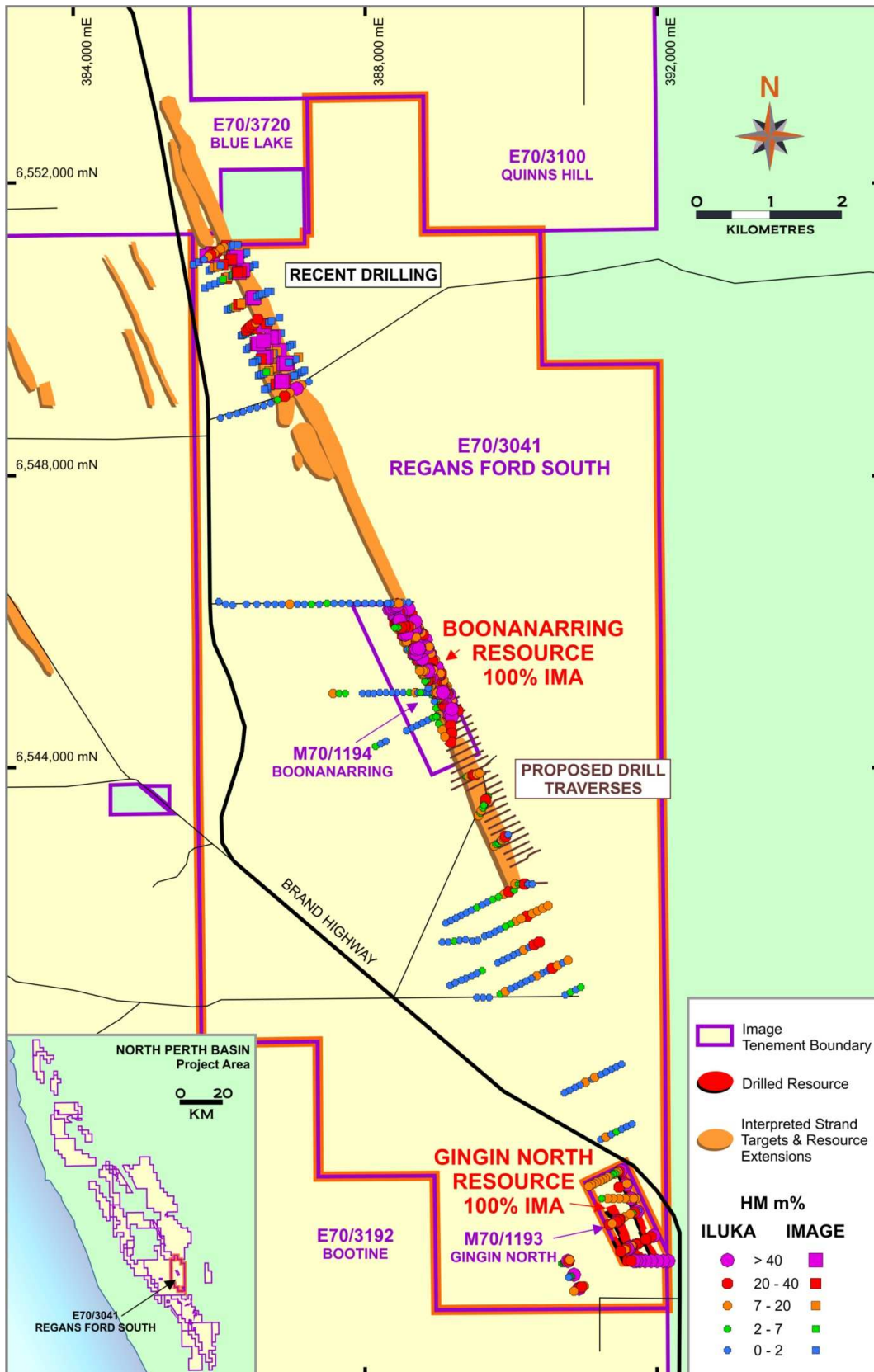


Figure 1
Boonanarring Deposit and Extensions Drilling HM m%

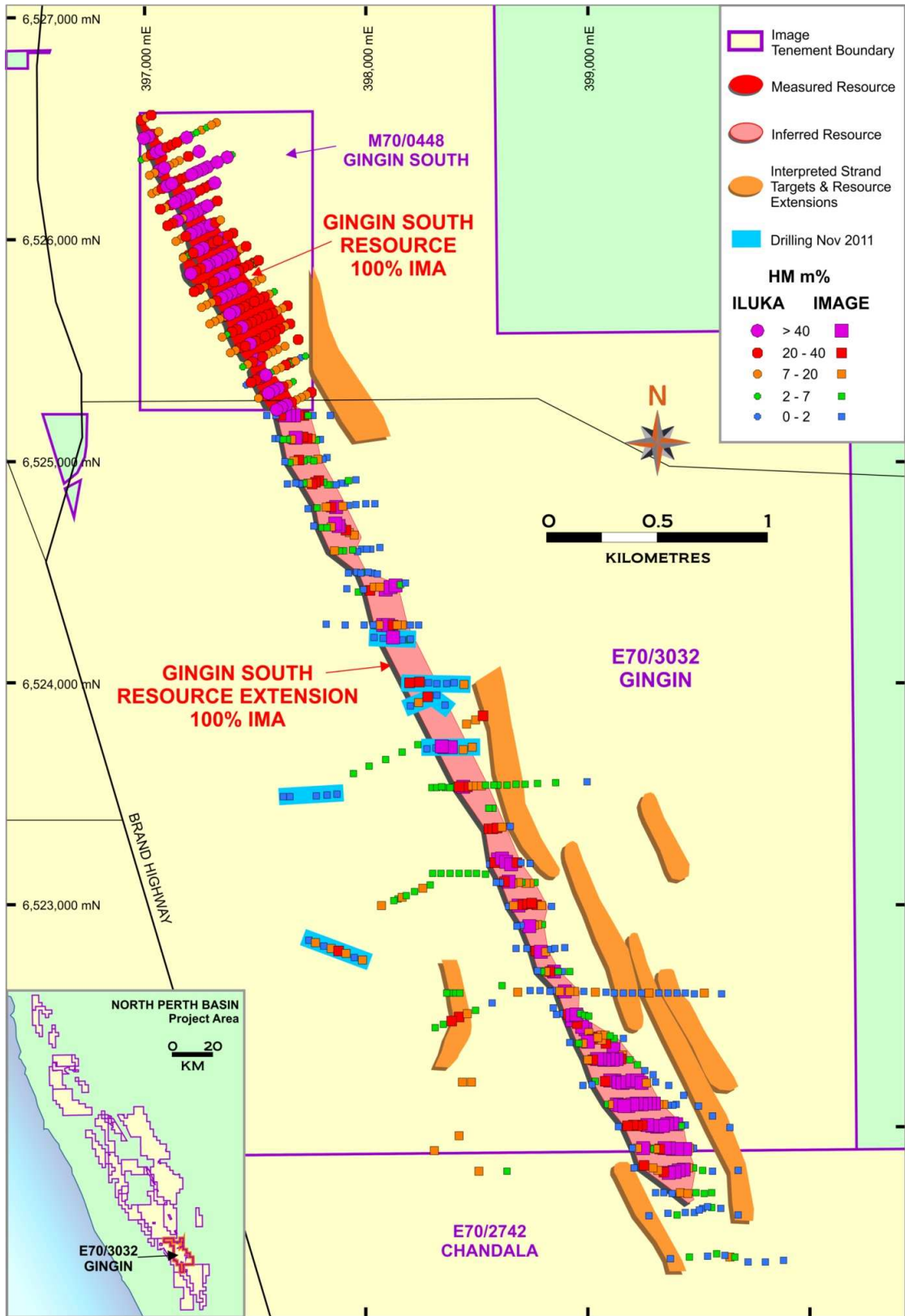


Figure 2
 Gingen South Infill Drilling – HM m%

Table 3
Gingin South Significant Intersections

Hole Number	East	North	From (m)	To (m)	Interval (m)	HM (%)	Slime (%)
GG725	398353.231	6523712.38	8	21	13.00	4.02	4.58
GG726	398393.861	6523705.2	7	11	4.00	3.99	10.26
GG727	398438.284	6523699.17	11	13	2.00	4.77	11.26
GG729	398380.975	6523710.62	8	18	10.00	4.83	7.57
GG730	398340.697	6523714.11	15	21	6.00	7.52	13.38
GG732	398237.684	6523911.9	17	20	3.00	3.58	11.03
GG733	398277.686	6523936.86	6	11	5.00	5.12	4.74
GG736	398443.517	6523992.05	24	27	3.00	3.89	9.78
GG741	398242.654	6524003.58	7	13	6.00	5.28	2.60
GG742	398195.306	6524000.72	16	21	5.00	5.11	3.81
GG743	398197.681	6524196.03	18	20	2.00	2.72	2.00
GG746	398120.416	6524206.36	7	18	11.00	5.63	3.63
GG755	397772.477	6522828.58	10	12	2.00	5.72	7.88
GG757	397842.603	6522802.11	13	17	4.00	3.47	2.72
GG758	397876.612	6522791.36	12	20	8.00	3.21	8.75
GG759	397908.414	6522779.47	11	14	3.00	3.65	4.36
GG761	397982.838	6522750.83	7	9	2.00	3.40	6.92

Notes: HM minerals > 2.96 SG as % of total sample. Slimes = particles <63um

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Serpentine Lakes (Image 100%)

All drilling results were received for the drilling undertaken in the previous quarter. Drill hole locations are shown in Figure 3. The results confirm the continuity of the Cyclone Extended resource and indicate that its limit is well defined by the current drilling. Typical cross sections through Cyclone Extended resource are shown in Figure 4. The holes drilled outside of the resource area intersected only minor anomalous HM concentrations. Image will reassess interpretations of the geology in these areas during the next quarter.

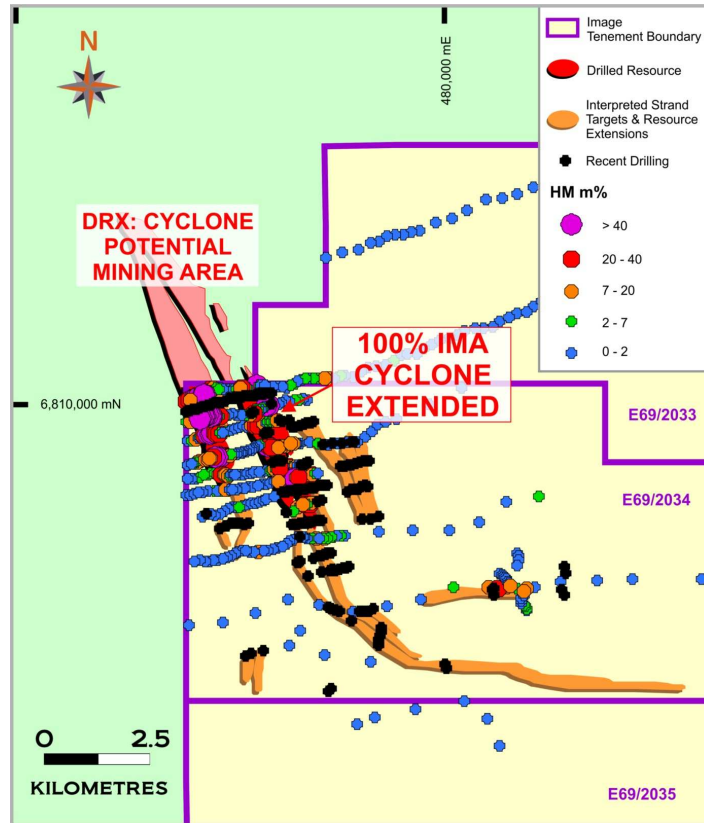


Figure 3
Cyclone Extended Drilling Locations

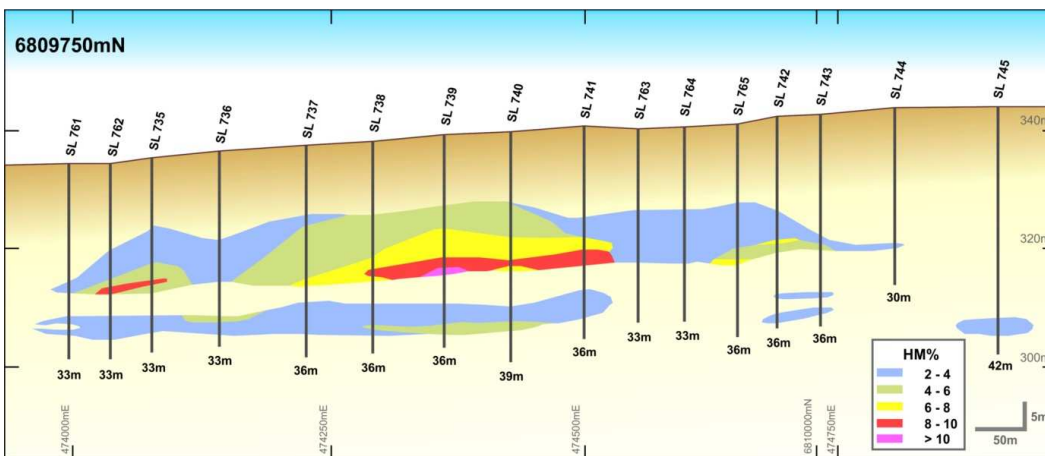
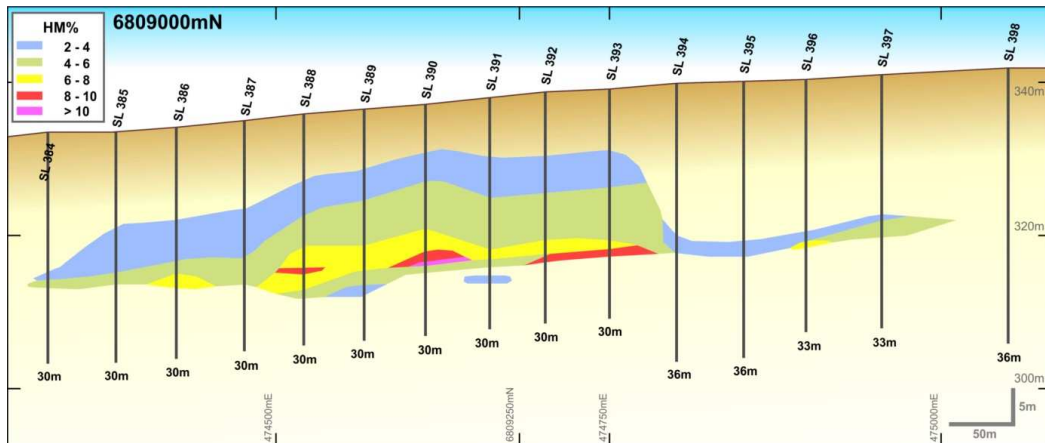
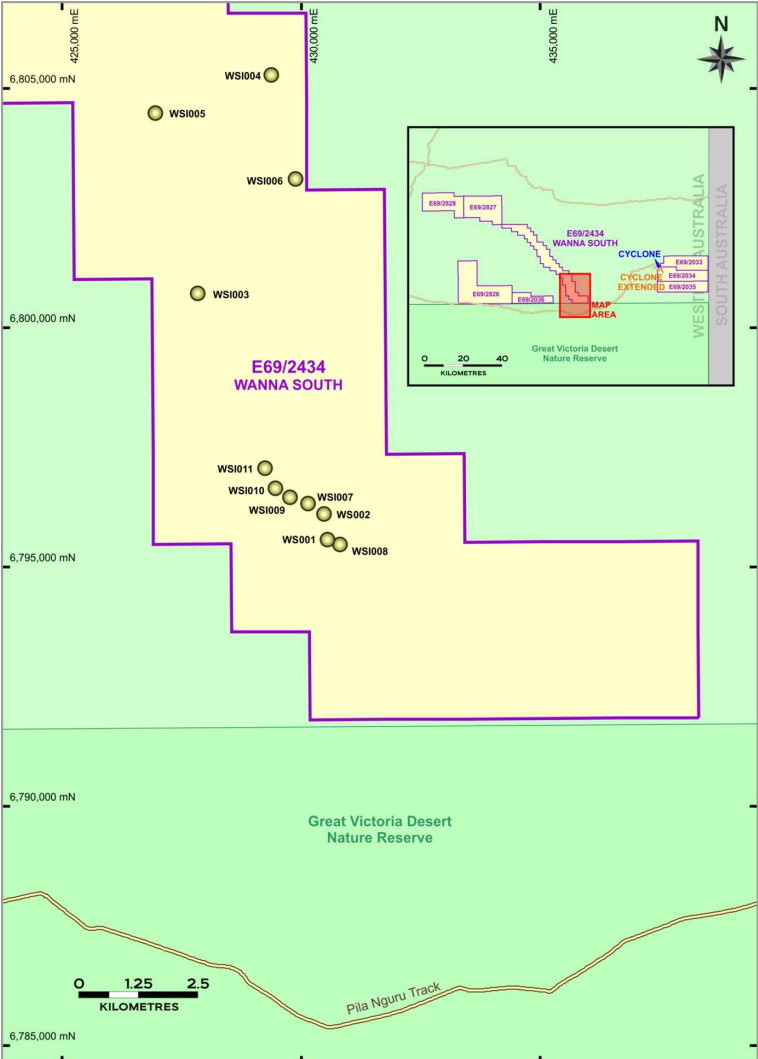


Figure 4
Cyclone Extended Drill Cross Sections

Wanna South (Image 100%)

The Wanna South tenement is an elongate tenement pegged over a north west to south east trending ridge that was postulated to be a second shoreline along the same orientation as the shoreline containing the Cyclone and Cyclone Extended deposits and lying 43 km to the west. A total of 11 scout holes for 493.5m were drilled during the quarter (Figure 5). No significant mineralisation was intersected, but a couple of the holes intersected possible shoreline sediments. One hole also intersected moderate amounts of ground water that may be useful for future mining operations in the vicinity. A re-assessment of this project will be undertaken during the next quarter.



**Figure 5
Wanna South Drilling Locations**

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 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.