

## **QUARTERLY REPORT**

**For the Quarter Ended 31 December 2002**

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### **SUMMARY**

- **Acquisition of a 90% interest in the Emu Lake nickel project where high nickel grades have previously been intersected. Untested EM anomalies and strike extensions of favourable contacts provide immediate drill targets.**
  - **Encouragement for further drilling at the Jarbora Hill and Bullfinch gold projects.**
  - **A high level of exploration activity during the quarter has provided new information for the prioritisation of projects and targets.**
  - **Drilling programmes planned at the Wilthorpe and Doolgunna gold projects in the March quarter.**
  - **New tenement applications in the Laverton, Emily Ann, Southern Cross and Tennant Creek regions resulting from use of the aeromagnetic database.**
  - **Significant value added to the company's shareholding in Magnetic Minerals, with the Ticor takeover offer valuing the Image Resources holding at \$1.2 million.**
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## EXPLORATION

### Emu Lake (Image 90%)

As recently announced, Image Resources has acquired a 90% interest in 49sq km of tenements situated 70km north east of Kalgoorlie. The project covers an 8km strike length of prospective ultramafic rocks on which previous exploration identified nickel gossans and where subsequent drilling intersected high-grade nickel grades in massive sulphides (best intercept **0.3m at 7.55% Ni and 0.35% Cu** from 256.4m).

During December Image Resources completed a 58-hole, 2655m RAB drilling programme and a single RC drill hole. The RAB drilling programme tested a 5km length of prospective contact south of the gossan zone and identified several areas of anomalous nickel and copper values. These intervals are currently being re-sampled in more detail to further assess these anomalies.

The RC hole was targeted at a shallow off-hole EM anomaly in the main gossan area. No significant mineralisation was intersected and a down-hole EM survey is planned to further assess this target. Several other off-hole EM anomalies have been defined in this area of known mineralisation, in particular a deep, strong anomaly some 300m below surface where it is planned to extend an existing drill hole to test for sulphides in the footwall of the main ultramafic unit.

In addition to the nickel mineralisation, previous exploration has identified several gold anomalies in the western part of the tenements near the Wellington gold mining centre. Previous RAB drilling in some of these areas has intersected gold grades in excess of 1g/t at shallow depths while several gold anomalies remain to be drill tested.

### Mt Elsie (Image interest ranging from 25% - 49%, increasing)

As previously reported, a scout RAB drilling programme comprising 82 holes totalling 4936m was completed in October. Most of the drilling was carried out on the main vein system which occurs within a 300m-wide corridor some 3.5km in length. Systematic outcrop sampling of this vein system was also completed, confirming that significant gold mineralisation is confined to the known prospects and that the veins in the northern part of the system are not strongly mineralised. Significant results from the drilling programme include:

Hole no.	Coordinates		Azimuth	From m	To m	Interval m	Grade g/t Au	Prospect
	N	E						
298	7282	50851	090	37	40	3	7.8	L
300	7275	50905	090	11	12	1	14.1	L
303	7321	50833	090	38	40	2	2.8	L
311	7345	50877	090	47	51	4	1.4	L
314	7406	50783	090	44	46	2	2.4	L
321	7389	50843	360	2	4	2	2.5	L
322	7342	50794	157	1	3	2	3.4	L
327	7106	51075	090	27	30	3	1.7	C
331	7215	51137	090	10	15	5	2.2	C
336	7284	51223	090	2	3	1	9.9	C
349	8428	50508	315	12	20	8	3.7	T4
including				12	15	3	7.2	T4
350	8429	50515	340	20	23	3	2.2	T4
352	8465	50536	300	2	19	17	3.7	T4
including				4	10	6	7.3	T4
355	8547	50536	270	20	21	1	4.3	T4
				34	36	2	2.8	T4
358	8576	50534	270	13	16	3	1.9	T4
365	8688	50326	090	8	17	9	2.0	T3
				50	61	11	1.5	T3

Holes inclined at 60°; 1m samples, uncut; L: Lapellerie prospect; C: Camp prospect.

The drilling results confirm gold mineralisation in four areas within the vein system at the Lapellerie, Camp, T3 and T4 prospects. Not all the mineralised areas are accessible and several mineralised quartz veins remain untested.

At the T4 prospect quartz veins with associated stringer and carbonate alteration zones have been intersected in seven drill holes over a 180m strike length with a best intersection of **17m at 3.7g/t** gold from 2m in hole ERB352 (including **6m at 7.3g/t** gold from 4m). The quartz veining is partially obscured by soil and scree cover and spoil from shallow eluvial gold diggings. Rock sampling of the vein outcrops in this area returned a peak value of 31.2g/t gold. Several quartz veins in the vicinity of T4 remain undrilled owing to the difficult access. Sampling of three parallel quartz veins at the nearby T3 prospect returned anomalous gold values over a 60m strike length with a peak value of 3.4g/t. Two drillholes at this prospect returned a best intercept of **9m at 2.0g/t** gold from 8m in hole ERB365.

The Lapellerie prospect comprises a series of poorly exposed folded quartz veins in mafic rocks. Surface rock samples anomalous in gold (peak value 28.1g/t) occur over a 150m distance. Previous drilling in this area returned a best intercept of **8m at 12.8g/t** from 16m. Three drill traverse across the prospect returned best intercepts of **3m at 7.8g/t** gold from 37m in hole ERB298 and **1m at 14.1g/t** gold from 11m hole in ERB300. Drilling of geochemical anomalies at the nearby Camp prospect intersected quartz stringer zones in metabasalts over a linear trend about 230m in length with best intersections of **5m at 2.2g/t** gold from 10m in hole ERB331 and **1m at 9.9g/t** gold from 2m in hole ERB336. Outcrop in the area is limited and further drilling would be necessary to confirm the continuity and grade of this mineralisation. Further mapping and sampling, possibly leading to further drilling, is planned for these prospects in the June quarter.

### **Mt Hays (Image 90%)**

Geological mapping defined a zone of quartz veining and stockworks over a 1200m strike length coincident with a large gold-arsenic geochemical anomaly outlined during the previous quarter. The intermittently outcropping quartz veining occupies a zone 10 to 20m wide within deformed metasediments.

A scout RAB drilling programme of 11 holes totalling 833m was carried out over the central 900m of the anomalous zone, intersecting quartz veins and stringers in weathered metasediments. Most of the drill holes intersected anomalous gold values with a best intercept of **4m at 2.6g/t** gold from a downhole depth of 34m.

Further sampling of this mineralised zone is planned in the June quarter together with investigation of other gold-anomalous areas identified by the geochemical surveys.

### **Corunna Downs (Image 90%)**

5 RAB holes totalling 230m were completed on the geochemical anomaly outlined during the September quarter. No significant gold mineralisation was intersected and as a result the project is being reappraised.

### **Wilthorpe (Image 90%)**

As recently announced, a 2000m RAB drilling programme is scheduled to be carried out during the March quarter. The 40-hole programme is designed to test two targets, The first of which is a broad zone of gold mineralisation intersected in previous exploration drilling in the northern

part of the 11sq km tenement. The proposed drilling will test the depth and possible strike extensions of intersections of **32m at 1.0 g/t** gold from a depth of 8m (including a higher grade zone of **7m at 2.0 g/t** gold) and **4m at 3.0g/t** gold from 40m. These intersections are approximately 100m apart and appear to be open along strike.

The second target is a 2km-long gold anomaly defined by recent shallow geochemical drilling, with a peak gold value of 226ppb compared to a background of less than 5ppb. This anomaly is along strike from the drilled gold mineralisation to the north and occurs in the unexplored southern part of the tenement. A broad 1km-long arsenic anomaly coincides with the southern part of the gold anomaly.

These features provide attractive drilling targets in an area of known gold mineralisation with potential for significant resources.

### **Doolgunna (Image 51%, earning to 60%)**

A 1500m RAB drilling programme is planned for the March quarter on this 51%-owned project. Image Resources is earning an additional 9% in this project by sole funding \$150,000 of exploration expenditure on the Peak Hill Joint Venture prior to May 2004

The 30-hole programme will test a pronounced 1500m-long arsenic anomaly (peak value 689ppm) defined by geochemical drilling of a previously outlined surface lag geochemical anomaly. Low-order gold values coincide with the arsenic anomaly, which in this Proterozoic terrane is considered to be prospective for gold mineralisation at depth.

### **Jarbor Hill (Image 100%)**

A 38-hole, 1780m RAB drilling programme was completed at this project at the northern end of the Talling greenstone belt and 17km along strike from the recently announced MIM-Giralia Resources drill intersections at Snake Well. The drilling was targeted at three gold-arsenic geochemical anomalies associated with a complex fold structure interpreted from aeromagnetic data.

The drilling intersected anomalous gold values in several areas, with best intersections of 4m at 0.8g/t gold from 32m at end of hole and 12m at 0.3g/t gold from 32m (4m composite samples). These results are being checked and further drilling is anticipated later in the year.

### **Bullfinch (Image 90%)**

Joint venturer MPI completed a 30-hole, 1025m RAB drilling programme to test three geochemical anomalies defined by auger drilling. Gold mineralisation was intersected in a weathered granitoid below one of the anomalies with a best intercept of 3m at 0.4g/t gold from 37m. MPI has withdrawn from the joint venture and Image Resources is currently assessing the potential of several gold occurrences within the project area. High-grade gold mineralisation in quartz-veined granite gneiss has been identified at the Golden Frog and Bottom prospects where a programme of mapping and drilling is planned for the March quarter.

### **Jilbadgie (Image 100%)**

An auger soil geochemical sampling programme has been carried out to follow up previously identified gold anomalies on this project area south of Southern Cross. Geochemical results are being interpreted.

### **Woongaring (Image 100%)**

Reconnaissance geochemical sampling has been carried out over conceptual targets developed from interpretation of aeromagnetic data on this project area north of Southern Cross. The multi element geochemical data from the sampling programme is currently being processed.

### **Adam Range (Image 100%)**

A geological reconnaissance of this project area near Laverton has confirmed several targets with gold potential. A geochemical vacuum drilling programme over these areas is planned early in the March quarter

### **Aeromagnetic Database**

The aeromagnetic database continues to be expanded and used to identify new exploration opportunities for the company. Several exploration licenses were applied for during the quarter following interrogation of the database. These include two tenements prospective for gold and nickel in the Emily Ann region, a tenement adjacent to the Edwards Find gold prospect near Southern Cross, a tenement near Laverton prospective for intrusion-related gold mineralisation and a tenement north of the Warrego mine at Tennant Creek prospective for copper-gold deposits.

## **CORPORATE**

Image Resources holds a strategic stake of 2.29 million fully paid shares in Magnetic Minerals Limited. Magnetic Minerals is the subject of a takeover offer, by mineral sands miner Tigor Resources, of 55 cents cash per share. The Directors of Magnetic Minerals have unanimously recommended that shareholders accept the offer. Subject to the bid being successful, the Image Resources shareholding in Magnetic Minerals will realise a value of \$1.2 million.



**PROJECT LOCATIONS**

# MINING EXPLORATION ENTITY QUARTERLY REPORT

Name of entity

**Image Resources NL**

ABN

57 063 977 579

Quarter ended ("current quarter")

**31/12/2002**

## Consolidated statement of cash flows

	Current quarter \$AUD'000	Year to date (6 months) \$AUD'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for:		
(a) exploration and evaluation	(430)	(749)
(b) development	-	-
(c) production	-	-
(d) administration	(88)	(315)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	25	57
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>(493)</b>	<b>(1,007)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	(10)	(45)
(b) equity investments	(30)	(30)
(c) other fixed assets	(8)	(71)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>(48)</b>	<b>(146)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(541)</b>	<b>(1,153)</b>

1.13	Total operating and investing cash flows (brought forward)	(541)	(1,153)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
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)	-	-
	<b>Net financing cash flows</b>	-	-
	<b>Net increase (decrease) in cash held</b>	(541)	(1,153)
1.20	Cash at beginning of quarter/year to date	2,343	2,955
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	1,802	1,802

**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	(106)
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

N/A

**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	(152)
4.2 Development	-
<b>Total</b>	<b>(152)</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	69	34
5.2 Deposits at call	1,733	2,309
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>1,802</b>	<b>2,343</b>

## 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	-	-	-	-
6.2 Interests in mining tenements acquired or increased	EL23764	Application	0%	100%
	E63/842	Application	0%	100%
	E63/843	Application	0%	100%
	E77/1132	Application	0%	100%
	E27/84	Granted	0%	90%
	E27/168	Granted	0%	90%
	E77/1144	Application	0%	100%
	E39/998	Application	0%	100%

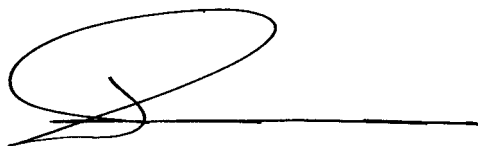
## Issued and quoted securities at end of current quarter

	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	N/A			
7.3 <b>Ordinary securities</b>	48,716,257	32,211,564		
7.4 Issued during quarter	Nil	Nil		
7.5 <b>Convertible debt securities</b>	N/A			
7.6 Issued during quarter	N/A			
7.7 <b>Options</b>			<i>Exercise price</i>	<i>Expiry date</i>
Non-employee Options	15,512,191	Not quoted	\$0.25	25.8.2006
Employee Options	1,100,000	Not quoted	\$0.25	4.7.2005
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			

## Other Information

### 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: 28 January 2003