

QUARTERLY REPORT - for the Quarter Ended 30 September 2011

Image Resources NL
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Issued Capital:

Shares:
93,788,959 fully paid ordinary
shares

Options - Unquoted:

2,500,000 options exercisable at
\$1.80 by 16.11.2011
2,500,000 options exercisable at
\$1.50 by 19.11.2011
2,200,000 options exercisable at
\$2.12 by 20.11.2012
2,345,000 options exercisable at
\$1.1162 by 18.12.2014
95,000 options exercisable at
\$0.6995 by 21.12.2015

Cash: \$2.2 million

Directors:

Peter Thomson
Chairman
George Sakalidis
Managing Director
Roger Thomson
Executive Director

HIGHLIGHTS

NORTH PERTH BASIN

- Feasibility Study commenced, targeting production in 2014
- Scoping Study shows a robust project with 32.1% to 42.9% IRR and capital payback within first 18-22 months.
- Grant of tenement to the south of Atlas allows Image to commence testing of a potential 3.5km extension to the Atlas Deposit.
- The zircon-rich Boonanarring deposit shows potential to greatly increase in size, which would significantly improve project economics.
- Consistently high grade intersections at Gingin South confirmed by 100m-spaced infill drilling with a best intersection of 10m @ 18.0%HM from 18m @ 2.5%HM cut-off, including 6m @ 25.4%HM (10%HM cut-off).

EUCLA BASIN

- 6,710m of aircore drilling completed at Serpentine Lakes (Cyclone Extended and eastern prospects). Results expected in the December quarter.

NORTH PERTH BASIN

Scoping Study

During the quarter Image completed a Scoping Study on its mostly 100%-owned North Perth Basin Heavy Mineral Project in Western Australia, which examined the economic potential of a 400 tph Wet Concentrator Plant (WCP) and 30 tph Mineral Separation Plant (MSP) mining six deposits over a 12 year period. The study showed that the project was robust with the following financial results predicted.

- IRR of 32.1%-42.9%
- Capital payback within first 18-22 months of operation
- NPV of \$59M-\$98M for the first six resources
- Net life of mine cash flow after capital of \$170M-\$259M
- Capital costs of \$84M

The study envisages production at an average of approximately 185,000 tonnes of heavy minerals in concentrate per annum for 12 years. Production over the life of the mine is expected to total approximately 1,393,000t of ilmenite (+50% synthetic rutile grade), 85,000t of rutile, 193,000t of zircon and 93,000t of leucoxene using a conventional Wet Concentrator Plant and Mineral Separation Plant.

Using A\$0.90 and A\$1.00 to the US dollar exchange rates, the study indicates the project can generate a net project cash flow of between \$170 million and \$259 million over the 12 year period.

Preliminary non-optimised metallurgical test work performed on the Atlas deposit using conventional heavy mineral separation techniques yielded recoveries to product of 82.7% for ilmenite, 71.9% for rutile, 70.7% for zircon and 43.8% for leucoxene. Similar recoveries have been applied to the remaining deposits where testwork is yet to be carried out. It is anticipated that further test work will significantly improve on the initial Atlas deposit test work recoveries.

The study assessed all of Image's identified mineral resources as at 22 July 2011 and demonstrates that mining just six of Image's 100% owned resources, using the Scoping Study parameters, is viable. These resources are summarised in Table 1. All three resource classifications have been included to allow assessment of priorities for further development.

Table 1
Scoping Study Resources

Deposit	Classification	% HM Cutoff	Volume (cu m)	Tonnes	HM (%)	Slimes (%)	HM (t)
Atlas	Measured & Indicated	2.5	5,332,000	10,776,000	7.8	15.7	841,000
Red Gully	Indicated & Inferred	2.5	3,385,000	5,980,000	7.7	11.2	459,000
Hyperion	Indicated	2.5	1,800,000	3,700,000	7.8	19.3	290,000
Helene	Indicated	2.5	5,600,000	11,500,000	4.6	18.6	523,000
Gingin South	Measured, Indicated & Inferred	2.5	4,513,000	8,080,000	6.1	6.5	492,000
Gingin North	Indicated & Inferred	2.5	1,257,000	2,408,000	5.5	15.0	132,000
Total Resource		2.5	21,887,000	42,444,000	6.4	14.4	2,737,000

Feasibility Study

Based on the results of the Scoping Study, the Image Board has decided to proceed immediately with a Feasibility Study with the aim of achieving production in 2014.

The Feasibility Study work schedule includes the following:

- Infill drilling
- Resource upgrades
- Recruitment of key personnel
- Metallurgical testwork
- Geotechnical drilling/testwork
- Ethnographic and environmental studies
- Detailed engineering design
- Detailed capital and operating cost estimates

The infill drilling during the Feasibility Study will target areas classified as Inferred Resources to upgrade them to Indicated or Measured Resources. This drilling and the high likelihood of identifying extensions to resources have the potential to positively impact project economics.

Work has commenced on this study with interviews for key personnel and tenders called for the Environmental Permitting.

Cooljarloo (Image 100%)

Early in the quarter Image purchased Metal Sands' 30% interest in the Cooljarloo Joint Venture for \$100,000 cash plus 3 million ordinary fully paid Image shares, escrowed for twelve months, bringing Image's interest to 100%. Image considers the consolidation will simplify future project financing.

Planning has begun for testing the potential for a 3.5km extension to the Atlas deposit in the fourth quarter. The exploration licence covering the Atlas extension has now been granted and Image is applying for permits for drill testing of identified anomalies described in its ASX release of 1 March 2011.

Gingin (Image 100%)

Drilling by Image Resources over the past year has identified a major extension to the Gingin South heavy mineral (HM) deposit resulting in an extension of 4.0km to the deposit strike, bringing total deposit length to 5.5km and resulting in a 240% increase in contained HM, as described in the June Quarterly Report.

In March 2011 Image completed infill drilling of the Indicated resource area to 100m x 20m drill spacing (Figure 2). All laboratory processing results were completed for this drilling during the quarter and Image is preparing samples for mineralogical analysis. When compared to the previous drilling the new results confirm the high grade nature and extent of the deposit. The receipt of the new results and mineralogical data will allow the update of the Indicated part of the interim resource described in the June Quarterly Report to Measured status.

Significant results are summarised in Table 2 and all intersections of 3m or greater thickness at a 2.5%HM cut-off are detailed in Table 3. The list of intersections shows the deposit to be quite robust with a maximum average slimes content of 12.5% and

only 9 intersections averaging greater than 10% slimes. This suggests that slimes will not present a significant processing issue for this deposit.

Typical sections are shown in Figures 3 and 4 illustrating the high grade nature of the deposit. These sections also show that the mineralisation occurs on two levels, the western strand at ~ 58m RL and the eastern strand at ~70m RL. The eastern strand appears to merge with the western strand in the central area and then separate further north.

Table 2
Gingin South Significant Intersections (10% HM cut-off)

Hole Number	East	North	From (m)	To (m)	Interval (m)	HM (%)
GG609	399422	6521897	20.0	31.0	11.0	15.3
including			23.0	29.0	6.0	23.4
GG611	399383	6521900	17.0	29.0	12.0	13.4
including			22.0	29.0	7.0	18.9
GG612	399364	6521902	18.0	29.0	11.0	11.1
including			21.0	26.0	5.0	17.0
GG624	399145	6522096	25.0	32.0	7.0	10.9
including			27.0	30.0	3.0	18.2
GG625	399163	6522093	17.0	27.0	10.0	16.5
including			19.0	24.0	5.0	24.2
GG626	399182	6522092	17.0	26.0	9.0	10.9
including			19.0	23.0	4.0	17.2
GG633	399278	6522102	19.0	33.0	14.0	13.2
including			23.0	30.0	7.0	21.1
GG634	399260	6522103	17.0	28.0	11.0	16.6
including			21.0	27.0	6.0	25.4
GG635	399241	6522098	17.0	28.0	11.0	17.1
including			19.0	27.0	8.0	20.9
GG636	399219	6522103	17.0	27.0	10.0	14.3
including			18.0	25.0	7.0	17.7

As shown on Figure 2, drilling was not able to be undertaken along an 800m section of the deposit in March 2011. Infill drilling commenced on this property in October and will complete the pattern to 200m x 20m hole spacing, allowing upgrading of the Inferred Resource to Indicated Status at the same time as the Measured Resource is estimated.

Boonanarring (Image 100%)

Detailed examination of the mineral assemblages determined by previous explorers has shown that the zircon content of the Boonanarring Measured Resource includes intersections of up to 70% zircon within the heavy mineral fraction (drill hole GG2196, 27-30m). 38% of the reported composite samples average more than 15% zircon in the HM fraction and 31% of the reported composite samples average more than 20% zircon. This is significantly above the average 10% to 13% zircon grade for the North Perth Basin. There is also a strong north south zonation of zircon grade, with the zircon content increasing to the south, correlating with increased HM grades, as shown in Figure 5. The Boonanarring zircon grade compares favourably with Image's Cyclone Extended zircon deposit in the Eucla Basin which has an average zircon grade of 21%.

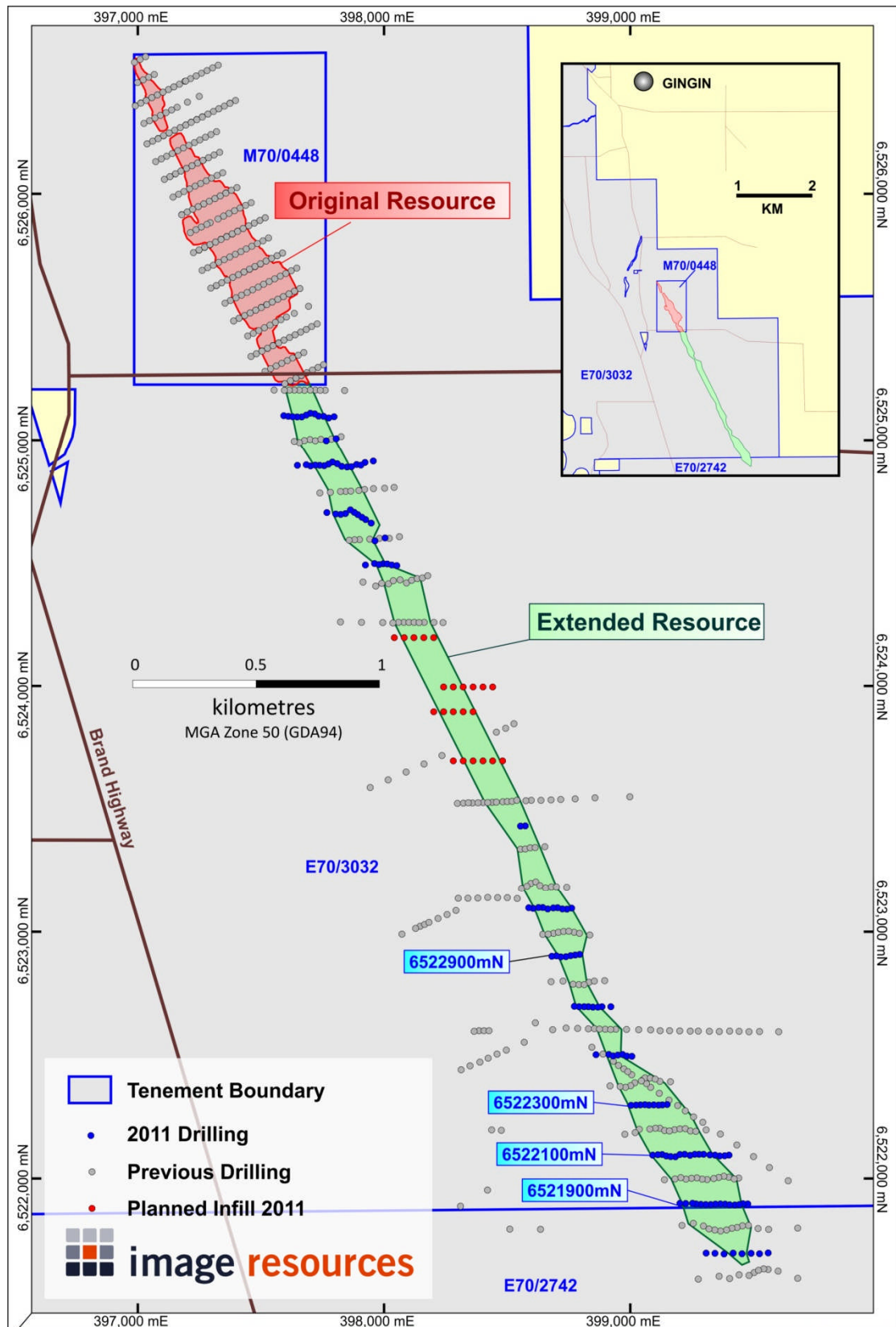


Figure 2
Gingin South Deposit Drill Hole and Section Location

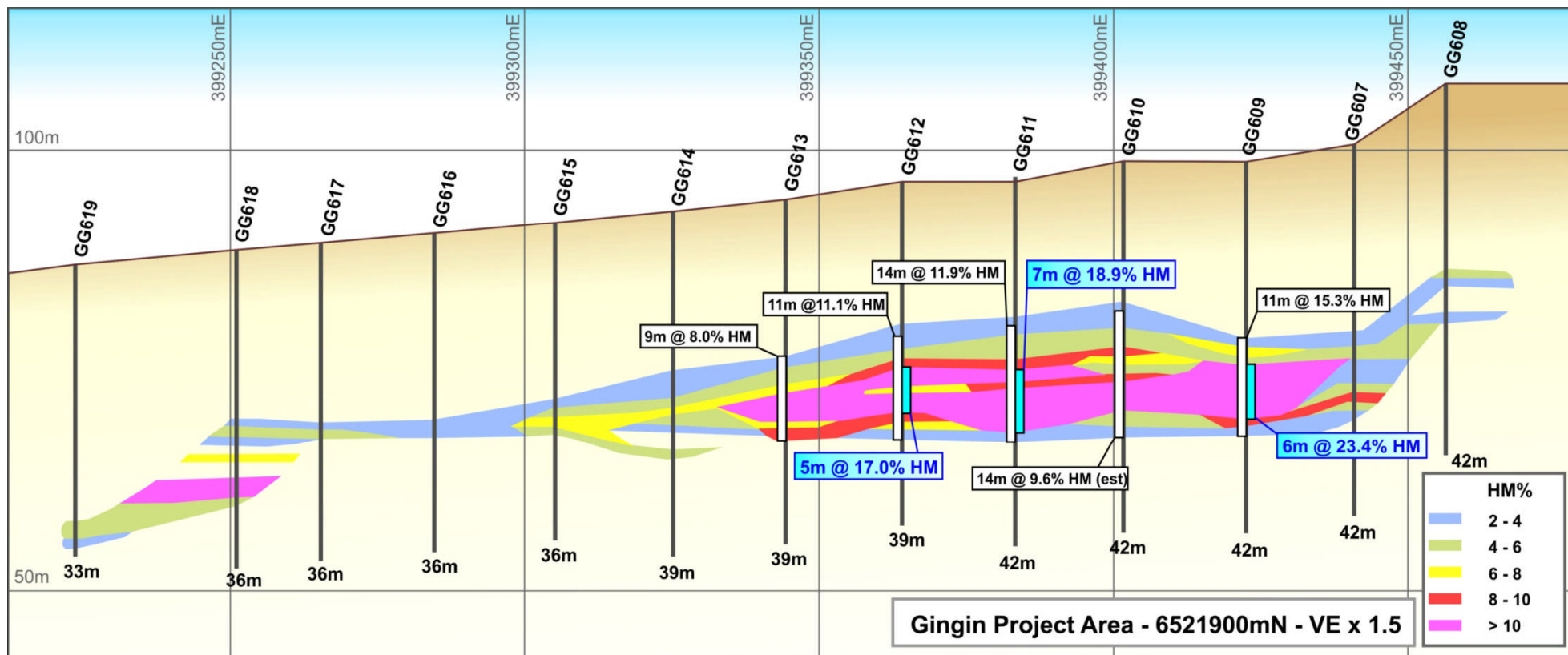


Figure 3
Gingin South Cross Section 6521900N

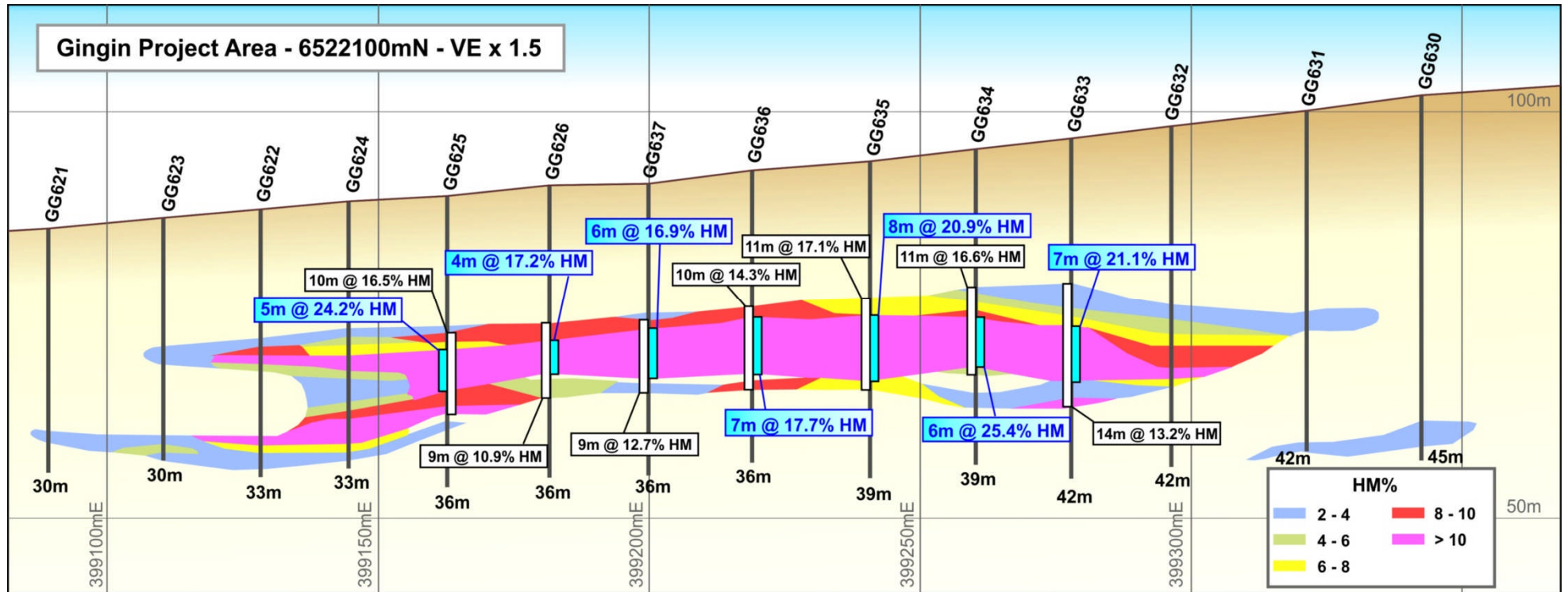


Figure 4
Gingin South Cross Section 6522100N

Table 3
Gingin South 2011 Infill Drilling. All Intersections (>=3m thick at 2.5% HM cut-off).

Hole ID	Easting	Northing	From (m)	To (m)	Interval (m)	HM (%)	Slimes (%)
GG601	399452	6521700	22.0	25.0	3.0	4.5	11.6
GG607	399441	6521899	21.0	30.0	9.0	4.5	4.8
GG609	399422	6521897	20.0	31.0	11.0	15.3	6.4
GG611	399383	6521900	17.0	29.0	12.0	13.4	8.2
GG612	399364	6521902	18.0	29.0	11.0	11.1	6.9
GG613	399344	6521901	18.0	27.0	9.0	8.0	3.5
GG614	399325	6521899	19.0	25.0	6.0	4.6	2.5
GG615	399305	6521899	21.0	24.0	3.0	5.5	5.6
GG618	399251	6521904	20.0	24.0	4.0	3.8	11.0
GG618	399251	6521904	26.0	29.0	3.0	11.1	6.1
GG619	399224	6521903	29.0	32.0	3.0	4.1	10.2
GG622	399128	6522101	16.0	20.0	4.0	6.8	7.3
GG623	399111	6522101	27.0	30.0	3.0	3.4	12.5
GG624	399145	6522096	16.0	22.0	6.0	7.7	7.3
GG624	399145	6522096	25.0	32.0	7.0	10.9	9.4
GG625	399163	6522093	17.0	27.0	10.0	16.5	9.7
GG626	399182	6522092	17.0	26.0	9.0	10.9	8.7
GG632	399296	6522102	24.0	32.0	8.0	8.4	3.7
GG633	399278	6522102	19.0	33.0	14.0	13.2	6.2
GG634	399260	6522103	17.0	28.0	11.0	16.6	6.8
GG635	399241	6522098	17.0	28.0	11.0	17.1	5.9
GG636	399219	6522103	17.0	27.0	10.0	14.3	6.4
GG637	399200	6522101	17.0	26.0	9.0	12.7	7.7
GG638	399148	6522304	20.0	24.0	4.0	6.1	2.3
GG639	399129	6522302	17.0	23.0	6.0	10.4	2.2
GG640	399113	6522301	14.0	22.0	8.0	9.0	2.0
GG641	399093	6522303	15.0	21.0	6.0	10.7	2.2
GG642	399075	6522302	14.0	22.0	8.0	8.0	3.3
GG643	399057	6522304	15.0	22.0	7.0	8.1	3.7
GG644	399039	6522303	15.0	29.0	14	6.8	6.1
GG645	399021	6522301	23.0	28.0	5.0	5.8	7.3
GG648	398911	6522507	22.0	25.0	3.0	4.9	9.0
GG649	398929	6522501	22.0	27.0	5.0	6.7	8.5
GG650	398948	6522504	14.0	24.0	10.0	6.6	10.6
GG656	398846	6522699	10.0	23.0	13.0	6.6	6.1
GG658	398828	6522700	18.0	26.0	8.0	6.1	7.7
GG659	398810	6522700	22.0	26.0	4.0	4.0	9.1
GG662	398793	6522912	14.0	17.0	3.0	3.5	3.4
GG663	398775	6522910	10.0	17.0	7.0	4.7	2.4
GG664	398756	6522907	10.0	17.0	7.0	5.2	2.4
GG665	398737	6522903	12.0	28.0	16.0	7.9	5.4
GG666	398716	6522902	25.0	29.0	4.0	6.5	5.9
GG669	398761	6523100	22.0	25.0	3.0	3.6	3.5
GG670	398741	6523096	21.0	25.0	4.0	5.7	4.8

Hole ID	Easting	Northing	From (m)	To (m)	Interval (m)	HM (%)	Slimes (%)
GG672	398703	6523102	21.0	25.0	4.0	4.3	6.6
GG673	398686	6523101	20.0	25.0	5.0	5.3	9.4
GG674	398663	6523097	19.0	24.0	5.0	5.1	10.1
GG675	398643	6523103	19.0	31.0	12.0	6.3	10.5
GG676	398626	6523103	26.0	31.0	5.0	6.2	7.9
GG679	398572	6523437	16.0	19.0	3.0	3.5	6.9
GG680	398553	6523436	14.0	17.0	3.0	4.1	11.1
GG683	397753	6525102	6.0	11.0	5.0	4.5	5.4
GG684	397733	6525102	4.0	10.0	6.0	4.2	4.3
GG685	397717	6525111	3.0	11.0	8.0	4.3	5.1
GG686	397699	6525114	3.0	9.0	6.0	3.8	3.5
GG687	397682	6525107	3.0	9.0	6.0	4.2	3.0
GG687	397682	6525107	11.0	16.0	5.0	14.7	4.5
GG689	397646	6525099	16.0	19.0	3.0	3.8	8.0
GG699	397789	6524913	3.0	10.0	7.0	4.2	4.0
GG700	397773	6524905	5.0	9.0	4.0	3.4	4.2
GG700	397773	6524905	13.0	17.0	4.0	11.3	9.4
GG701	397756	6524898	18.0	22.0	4.0	6.7	4.6
GG702	397737	6524900	18.0	22.0	4.0	3.7	6.6
GG707	397924	6524679	3.0	9.0	6.0	5.0	8.3
GG708	397946	6524665	2.0	9.0	7.0	4.6	10.7
GG709	397909	6524688	2.0	10.0	8.0	4.5	6.9
GG710	397892	6524699	1.0	9.0	8.0	4.1	6.9
GG711	397877	6524708	3.0	13.0	10.0	8.4	8.6
GG712	397862	6524718	2.0	9.0	7.0	4.7	5.6
GG712	397862	6524718	14.0	17.0	3.0	16.8	9.2
GG713	397842	6524703	16.0	19.0	3.0	5.7	4.4

Notes:

1. Slimes = fraction < 63um
2. HM determined by TBE separation at 2.96 SG and expressed as % of total (in-ground) sample.

The Measured Boonanarring Resource is approximately 1.9km in length (see Figure 5) and remains open both to the north and south. Previous explorers have not been able to fully test the extensions because of land access issues. Image has now reached an agreement to access the land to the south of the deposit. The grade and zircon trends apparent in Figure 5 imply that this target area will contain elevated zircon levels (>15% of HM). Applications for permits to drill this area are in progress.

North of the Boonanarring Measured Resource, Image has used its magnetic mapping technique to identify a potentially high grade strand extending for 7.7km through three properties. This target includes at least two strong magnetic zones warranting priority drill testing. Two historical wide-spaced drill lines within this northern extension have partially tested the western margin of this target and confirmed the presence of heavy mineral concentrations warranting detailed drill follow up. An access agreement has been concluded with one of the landowners and negotiations are in progress with the remaining two. The drill rig that was mobilised to Gingin South in October will begin drilling on the available property to the north by November.

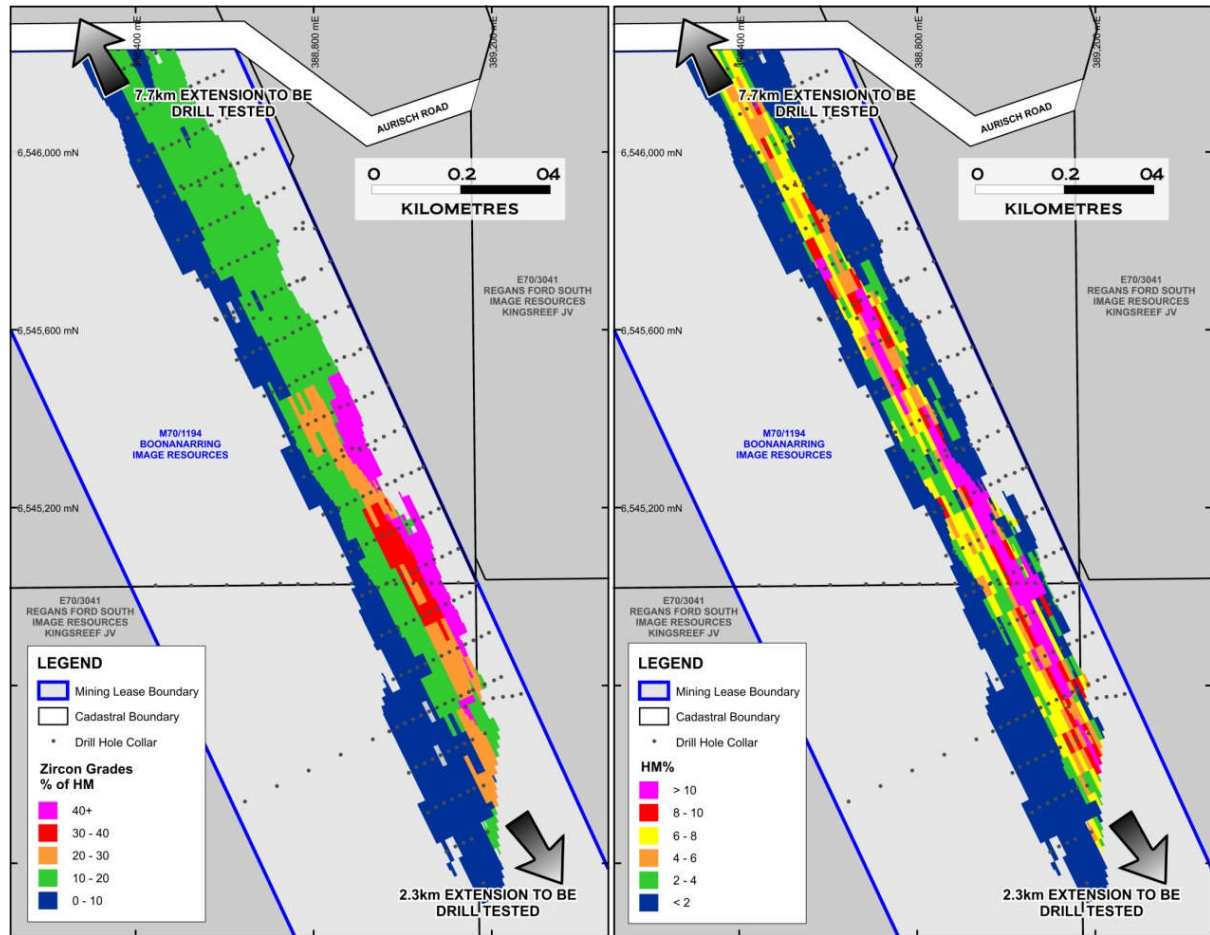


Figure 5
Boonanarring Resource, Mineralisation Trends
 (HM Grade right and Zircon Grade left)

Taking into account all of the available data, the Boonanarring Measured Resource has the potential to increase in strike length from 1.9km to 12.5km, with at least the southern half of the extensions showing promise for high value mineral assemblages and HM grades.

The Boonanarring resource is centrally located within the 65km Gingin Scarp target area described in Image's ASX Release of 9 March 2011. It was not included in the Scoping Study described in the 25 August 2011 ASX release as there was insufficient drilling completed. Image expects with further extensions outside the current resource that Boonanarring will add to the resource inventory, with potential to add significant economic value to the North Perth Project.

EUCLA BASIN

In late August to mid September a 172 hole drilling program totalling 6,710m was drilled in the Serpentine Lakes project area targeting extensions of the Cyclone Extended deposit interpreted from the geophysical survey carried out earlier in the year and reported in the June 2011 Quarterly Report. Figure 6 shows the location of these drill holes with the currently identified resource areas and the geophysical targets. 1107 samples have been submitted for HM determination and results are expected to be completed by the end of November.

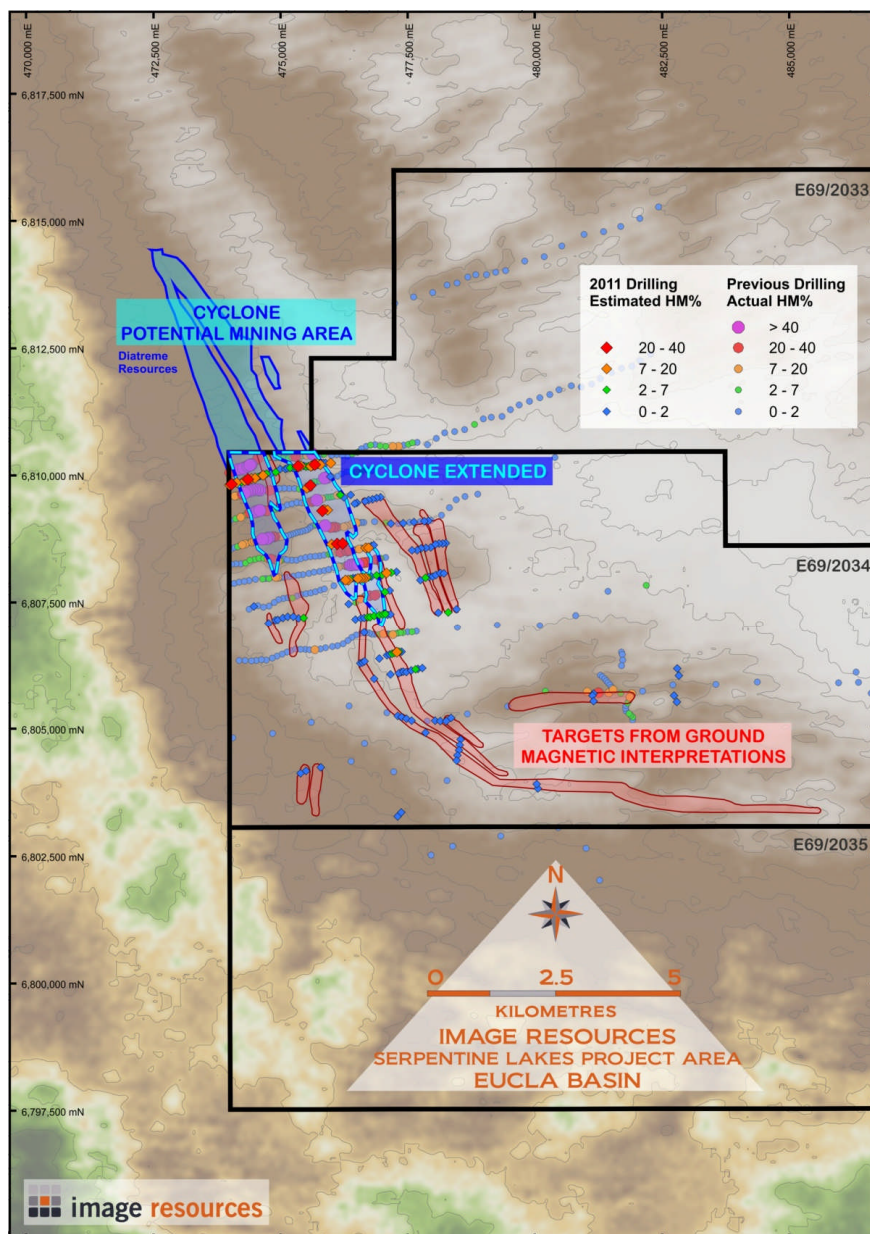


Figure 6
Serpentine Lakes Drilling 2011

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 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.