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PRODUCT PRICE INCREASES IMPROVES NORTH PERTH BASIN RETURN

HIGHLIGHTS

- **IRR of 47.7% - 58.6%**
- **Capital payback within first 13 - 16 months of operation**
- **Net life of mine cash flow after capital of \$280M - \$381M**
- **Capital costs of \$84M**

Recently announced increases in the prices of both Titanium Dioxide and Zircon mineral sand products (see Iluka Resources Ltd ASX Release 8 December 2011) have significantly improved the expected return from the North Perth Basin Mineral Sand project.

The previously announced scoping study results on this project (see IMA ASX release 25 August 2011) are based on a Wet Concentrator feed rate of 400tph and sequentially mining six of Image's 100% owned resources to produce some 1,393,000t of ilmenite, 85,000t of rutile, 193,000t of zircon and 93,000t of leucoxene over a twelve year mine life.

A comparison of the effect of the improved market prices is shown in Table 1 which includes both A\$0.90 and A\$1.00 to the US dollar exchange rates.

Table 1
Updated Project Economics Summary

		Previous Estimate		Updated Estimate	
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	
	leucoxene	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

As previously announced, Image has commenced a Feasibility Study on the North Perth Basin project. Environmental consultants have been commissioned to carry out baseline studies and progress the environmental permitting of the Atlas deposit, the first of the resources scheduled to be developed. Field work on the environmental studies is well underway. In addition, bulk samples from the Atlas and Red Gully resources are being collected in preparation for further metallurgical test work to be carried out during the first quarter 2012. This test work is expected to demonstrate that metallurgical recoveries for these resources can be improved.

In the meantime Image is continuing its search for an industry professional to manage this major, company-transforming project.

For more information on the company visit www.imageres.com.au

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The information in this report is based on information compiled or reviewed by Alan Luscombe BSc (Hons), who is a Fellow of the Australasian Institute of Mining and Metallurgy. Alan Luscombe is the principal of Lassin Services Pty Ltd, a consultant to Image Resources NL. Alan Luscombe 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 Person as defined in the 2004 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Alan Luscombe consents to the inclusion of this information in the form and context in which it appears in this report.