

RED GULLY RESOURCE CONFIRMED

HIGHLIGHTS

- High grade core to Red Gully deposit confirmed with a best intersection of **17m at 12.7%HM from 10m** (2.5% HM cut-off).
- Deposit grades and thicknesses increasing to the south.
- Good correlation with previous drilling.
- Attractive zircon content indicated by visual inspection.

In 2011 Image acquired a 100% interest in the Red Gully mining lease (M70/1192) from Iluka Resources (ASX Release 9 March 2011). The identified resource extends over 8km in length making it one of Image's longest heavy mineral (HM) deposits. Based on Iluka's drilling it contains a combined resource of **6.0Mt @ 7.7%HM containing 459,000t of HM**, comprised of:

- Indicated Resource: 2.6Mt @ 7.5%HM (north area)
- Inferred Resource: 3.4Mt @ 7.8%HM (south area)

In the subsequent Scoping Study (ASX Release 25 August 2011) Red Gully was identified as a priority deposit and consequently Image initiated a drill program to increase the drill density on the accessible northern half of the deposit (Indicated Resource) to 200m x 20m and compare the Image drilling results to the Iluka results. This drilling program was completed in December 2011 with 179 holes totalling 6,431m.

All of the HM results from the drilling program have now been received, enabling Image to determine the significance of the infill drilling. Intersections over 5%HM and 3m thickness are summarised in Table 1, with all intersections greater than 2.5%HM and 3m thickness shown in Table 2. The best intersection is 17m at 12.7%HM from 10m depth, using a 2.5% cut-off and minimum 3m thickness. Figure 1 shows the drilling results coloured by HM% x thickness (HM%m) and a typical section shown in Figure 2.

The drilling confirms that the deposit extends over the northern half of the granted mining lease with the best grades and thicknesses in the southern 2.5km. The deposit consists of two parallel strands as shown on Figure 1. To the north the eastern strand narrows, but continues to the northern end of the tenement. Mineralisation on three lines was left open due to seasonal agricultural restrictions and is now being delineated by further drilling.

In general the Image HM results correspond well to the Iluka results with only minor variations. Visual examination of the drill sample HM concentrate estimated zircon contents between 1 and 40% of HM, averaging 11%, which correlates well with the 12.4% zircon in the current resource estimate based on Iluka's mineralogy data. Image will confirm these observations with its own assemblage studies in the coming months. This data will be used to update the Indicated Resource estimate and add confidence to the mining studies being undertaken as part of the North Perth Basin Feasibility Study.

Image has just completed a detailed magnetic survey over the Inferred Resource in the southern half of the tenement where previous drilling indicated that the mineralisation tenor increases. Once the magnetic data has been interpreted, the company intends to negotiate drilling access and infill drill this Inferred Resource upgrading it to Indicated status. It is anticipated that the tonnage and grade of this shallow resource will be confirmed by the proposed infill drilling.

Table 1
Red Gully Significant Intersections 5%HM cut-off, >=3m

Hole Number	Depth From (m)	Depth To (m)	Thickness (m)	HM (%)	Slimes (%)
RG063	10.0	27.0	17.0	12.7	16.2
including	14.0	27.0	13.0	15.4	13.1
RG058	9.0	27.0	18.0	9.6	16.9
including	11.0	25.0	14.0	11.2	16.4
RG103	14.0	23.0	9.0	16.1	10.4
including	15.0	22.0	7.0	19.8	10.1
RG125	14.0	24.0	10.0	13.6	11.3
including	14.0	23.0	9.0	14.7	11.7
RG088	13.0	25.0	12.0	12.1	12.8
including	16.0	23.0	7.0	18.5	11.4
RG113	16.0	23.0	7.0	19.0	9.6
including	16.0	22.0	6.0	21.4	9.7
RG064	12.0	28.0	16.0	9.5	13.6
including	16.0	25.0	9.0	13.9	11.6
RG062	14.0	26.0	12.0	8.7	13.0
including	18.0	26.0	8.0	11.5	10.9
RG054	15.0	25.0	10.0	9.3	12.8
including	16.0	24.0	8.0	10.8	12.3
RG152	20.0	25.0	5.0	16.8	7.8
including	21.0	25.0	4.0	20.3	7.5

HM determined by TBE heavy liquid separation nominal 2.96 SG
Slimes is fraction less than 63 microns

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 Paul Leandri BAppSc who is a member of the Australasian Institute of Mining and Metallurgy. Paul Leandri is an employee of Image Resources NL. He 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'. Paul Leandri consents to the inclusion of this information in the form and context in which it appears in this report.

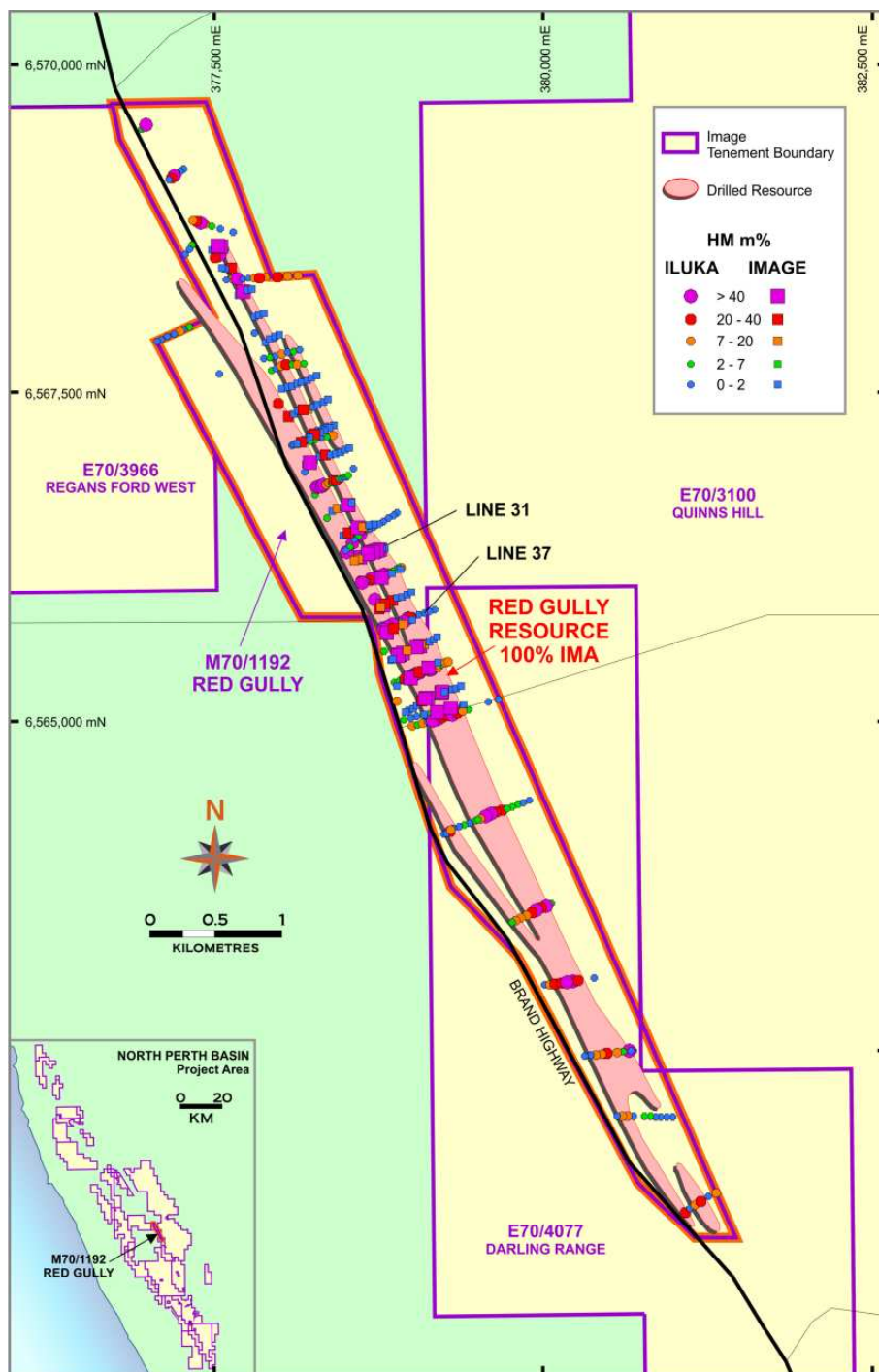


Figure 1
Red Gully Drilling Results

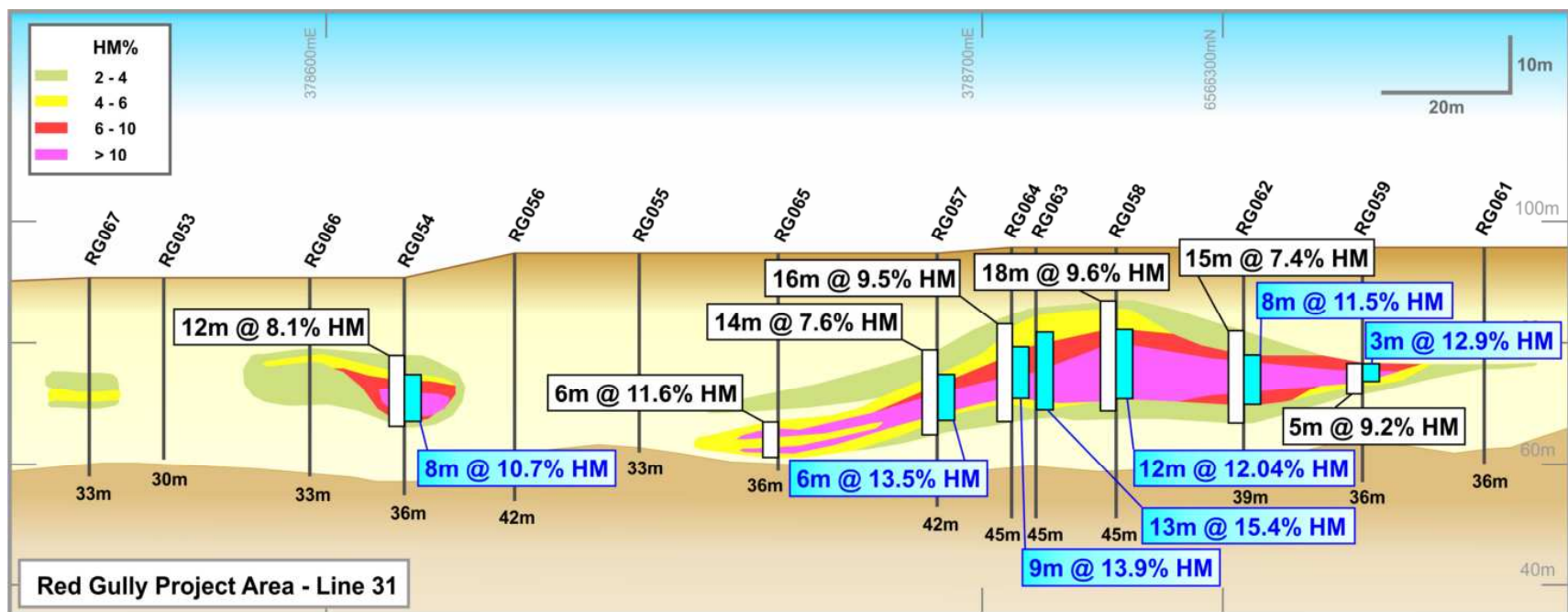


Figure 2
Red Gully Drill Section, Line 31

Table 2
Red Gully Intersections 2.5%HM cut-off, >=3m

Hole Number	Depth From (m)	Depth To (m)	Thickness (m)	HM (%)	Slimes (%)
RG003	18	24	6.00	8.4	14.1
RG004	20	26	6.00	9.3	12.8
RG005	20	25	5.00	4.7	19.4
RG009	20	24	4.00	12.8	16.4
RG026	19	23	4.00	8.0	14.9
RG031	13	17	4.00	6.9	19.0
RG040	18	25	7.00	10.1	13.2
RG043	13	19	6.00	6.1	14.3
RG045	20	26	6.00	6.7	6.8
RG050	9	14	5.00	5.7	22.3
RG054	15	25	10.00	9.3	12.8
RG057	20	30	10.00	9.7	11.1
RG058	9	27	18.00	9.6	16.9
RG059	19	24	5.00	9.2	13.3
RG062	14	26	12.00	8.7	13.0
RG063	10	27	17.00	12.7	16.2
RG064	12	28	16.00	9.5	13.6
RG065	28	34	6.00	11.4	9.0
RG067	17	21	4.00	4.0	14.1
RG068	14	20	6.00	5.2	21.7
RG071	29	33	4.00	5.2	7.0
RG077	20	23	3.00	3.7	11.3
RG078	14	21	7.00	7.3	8.0
RG079	17	23	6.00	6.4	8.3
RG083	18	21	3.00	4.8	4.8
RG084	14	23	9.00	4.7	7.0
RG088	13	25	12.00	12.1	12.8
RG089	18	21	3.00	3.1	12.9
RG093	10	13	3.00	3.4	21.6
RG094	17	23	6.00	8.0	9.0
RG095	16	20	4.00	4.3	16.2
RG096	14	22	8.00	9.5	9.4
RG097	15	22	7.00	6.7	6.7
RG101	14	25	11.00	5.6	11.3
RG102	8	11	3.00	4.4	26.3
RG102	19	27	8.00	4.3	15.4
RG103	14	23	9.00	16.1	10.4
RG109	14	24	10.00	3.7	9.8
RG110	19	25	6.00	11.8	9.4
RG113	16	23	7.00	19.0	9.6
RG118	21	25	4.00	6.5	7.2
RG121	18	21	3.00	5.2	7.4
RG124	11	22	11.00	4.1	14.3
RG125	14	24	10.00	13.6	11.3
RG127	23	28	5.00	11.3	17.0
RG130	19	23	4.00	3.3	11.8
RG144	20	25	5.00	6.3	8.2
RG147	9	20	11.00	6.3	13.6
RG149	15	21	6.00	11.0	11.2
RG151	18	23	5.00	12.4	12.0
RG152	20	25	5.00	16.8	7.8

HM determined by TBE heavy liquid separation nominal 2.96 SG
Slimes is fraction less than 63 microns