image resources

QUARTERLY REPORT - for the Quarter Ended 30 June 2012

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Issued Capital:
Shares - Quoted:
100,184,817 fully paid ordinary shares

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
1,250,000 options exercisable at $0.50 by 1.6.2015
95,000 options exercisable at $0.6995 by 21.12.2015
1,250,000 options exercisable at $0.70 by 1.6.2016
1,250,000 options exercisable at $1.00 by 1.6.2016
2,600,000 options exercisable at $0.3908 by 27.12.2016

Cash at end of quarter:
$864K (Details of $1.89M shares placed at market after 30 June and not included in the cash on hand at end of the quarter are detailed elsewhere in this report)

Directors:

Peter Thomas
Chairman

Peter Davies
Managing Director

George Sakalidis
Executive Director - Exploration

HIGHLIGHTS

NORTH PERTH BASIN

- **Project study team established and significant progress made in preparing for project development.**
- **Review of the August 2011 Scoping Study completed, confirming strong project economics and refocusing the studies on the high grade Boonanarring deposit as the initial mining target.**
- **Confidence increased in a high value mineral inventory to support 3.3Mtpa multi-pit operation over more than twelve years mine life, with significant exploration potential.**
- **Option to purchase freehold covering highly prospective ground providing access to 3.2km of the Boonanarring project which is the proposed main base for future operations.**
- **Resource drilling completed to the immediate north of the said freehold with deposit and resource estimate work underway.**
- **Atlas South drilling has extended the main Atlas deposit strike length by 700m.**

CORPORATE

- **Appointment of Peter Davies as Managing Director.**
- **George Sakalidis remains Executive Director Exploration.**
- **$1.89 million raised by placing shares at market.**
- **Decision to divest non-core assets.**

NORTH PERTH BASIN

Feasibility Study

In March 2012, Image commenced a detailed review of the August 2011 Scoping Study in order to determine the basis of design for the Feasibility study and to confirm the project development schedule. The work was also directed at updating the project strategy to incorporate the recent high grade drilling results from extension drilling along strike from the Mining Lease held by Image at Boonanarring (refer ASX Release dated 22nd March 2012).

Image's North Perth Basin Project represents one of the largest undeveloped high-grade HM resources in Australia, with excellent existing infrastructure and upside exploration potential.

The base case assumed that a Dry Mill will be constructed on land at Boonanarring, north of Gingin, over which Image has an option to purchase. This site is ideally located in terms of existing infrastructure, access and local sources of employees. (Also see note below regarding starting with a Wet Plant and to either toll treat or sell heavy minerals concentrate – "HMC")

This work has clearly demonstrated the robust economic returns for the project based on conservative parameters. The results confirm the viability of a multi-mine operation encompassing six of Image's defined resources located between Helene in the north, to Gingin South, producing HMC for treatment at a Boonanarring Dry Mill.

In parallel with the feasibility study on the full project scope, including the initial construction of the Dry Mill, Image is also investigating the option of initially developing the high grade Boonanarring resources to produce HMC for sale or toll treatment. This option is not only attractive in terms of project economics, but would provide a quicker path to production at lower risk and with a significantly lower up-front capital requirement. This would then provide the operating platform and cash flow for the staged development of the Dry Mill at Boonanarring and satellite mining operations at Atlas and the other projects.

The current status of the project is that Image has:

- Established a highly experienced and motivated project team covering all aspects of project evaluation and project development, together with environmental and community relations activities.
- Secured an option to purchase a freehold property at Boonanarring, north of Gingin, which is planned to be the site of the permanent Dry Mill and major project infrastructure and, subject to results, the location of initial mining and processing activities.
- Completed the seasonal fauna surveys at Atlas.
- Carried out the initial consultation with the majority of landowners, together with several government agencies and Members of Parliament.
- Completed a full analysis of environmental constraints over all the projects.
- Commenced the hydrological studies at Boonanarring and Atlas.
- Continued drilling of resource extensions at Atlas South and Boonanarring. These will be subject to a further announcement when the assay results are received.
- Completed the metallurgical testwork on composite samples from Boonanarring, Gingin South and Atlas to confirm process criteria, mineral recoveries and to provide an early indication of product qualities. Further bulk sample testwork is planned in conjunction with the next drilling programmes at Boonanarring and Atlas.
- Carried out an initial assessment of potential customers for the various products and associated pricing.
- Completed open pit optimisation and scheduling of all the projects using revised input parameters.
- Developed preliminary process flowsheet designs, mass balances, plant designs and capital costs to a level of accuracy of -10%/+25%.
- Completed preliminary consideration of product logistics and port options and costs.

The next stage of the work programme will include:

- Drilling of the remaining northern sections at Boonanarring
- Drilling of the southern extensions at Atlas South
- Associated resource modelling and mine planning
- Bulk sample testing for process flowsheet design
- Review of available second hand wet plants
- Detailed planning for project infrastructure
- Consideration of project logistics options
- Consideration of the opportunity and benefits of mining from more than one project area simultaneously
- Discussions with potential downstream customers
- Completion of the hydrological studies and field testwork
- Continuation of the environmental studies and project approvals activities.
- Commencement of Native Title negotiations at Atlas
- Consideration of project finance options
- Securing funds to cover the remaining costs for the Feasibility Study and associated activities.

Development schedules are dependent on the environmental approvals processes, but work to date has shown that, subject to funding, commencement of operations at Boonanarring by mid 2014 remains achievable.

The decision to focus on Boonanarring as the initial mining target was driven by a number of factors:

1. Less uncertainty related to the delays which could be incurred in negotiating a Native Title agreement at Atlas
2. Less extensive environmental permitting requirements
3. Better infrastructure
4. Better location for the first operation in terms of attracting key staff
5. Expected higher grades and therefore higher HMC production for any given Wet Plant feed rate.

The recent technical studies have shown that, solely on an operating cost margin basis, Atlas is still a more attractive target than Boonanarring based on average grade.

However, overall Boonanarring offers a quicker and lower risk route to production – and provides short payback even on average grades. If the expected higher grades in the sections currently being drilled are confirmed, then this approach will be reinforced.

The Company's aim will be to then bring Atlas on line as a parallel mine and wet plant as soon as possible, in order to further improve the overall project economics.

Boonanarring Project (Image 100%)

Infill drilling continued on the Northern Section of the project area (Figure 1) at sufficient density for a JORC Indicated Resource to be estimated; with 35 holes drilled for 1481m during the quarter. This programme was completed in July 2012 and work on a maiden resource estimate has begun. This is due for release in September, once all assay results have been received.

During the quarter, Image negotiated an option to purchase the land located immediately to the south of the Northern Section, which covers the 3km gap between the Measured Resource on M70/1194 and the Northern Section, all being part of the 12km Boonanarring target area (see Figure 1). This option has given Image the ability to explore this prospective virgin ground, which geophysical interpretation has highlighted as containing high grade mineralisation. Drilling of this 3km potential strike length is planned for completion in the first quarter and Image anticipates that it will significantly increase the size of the Boonanarring resources.

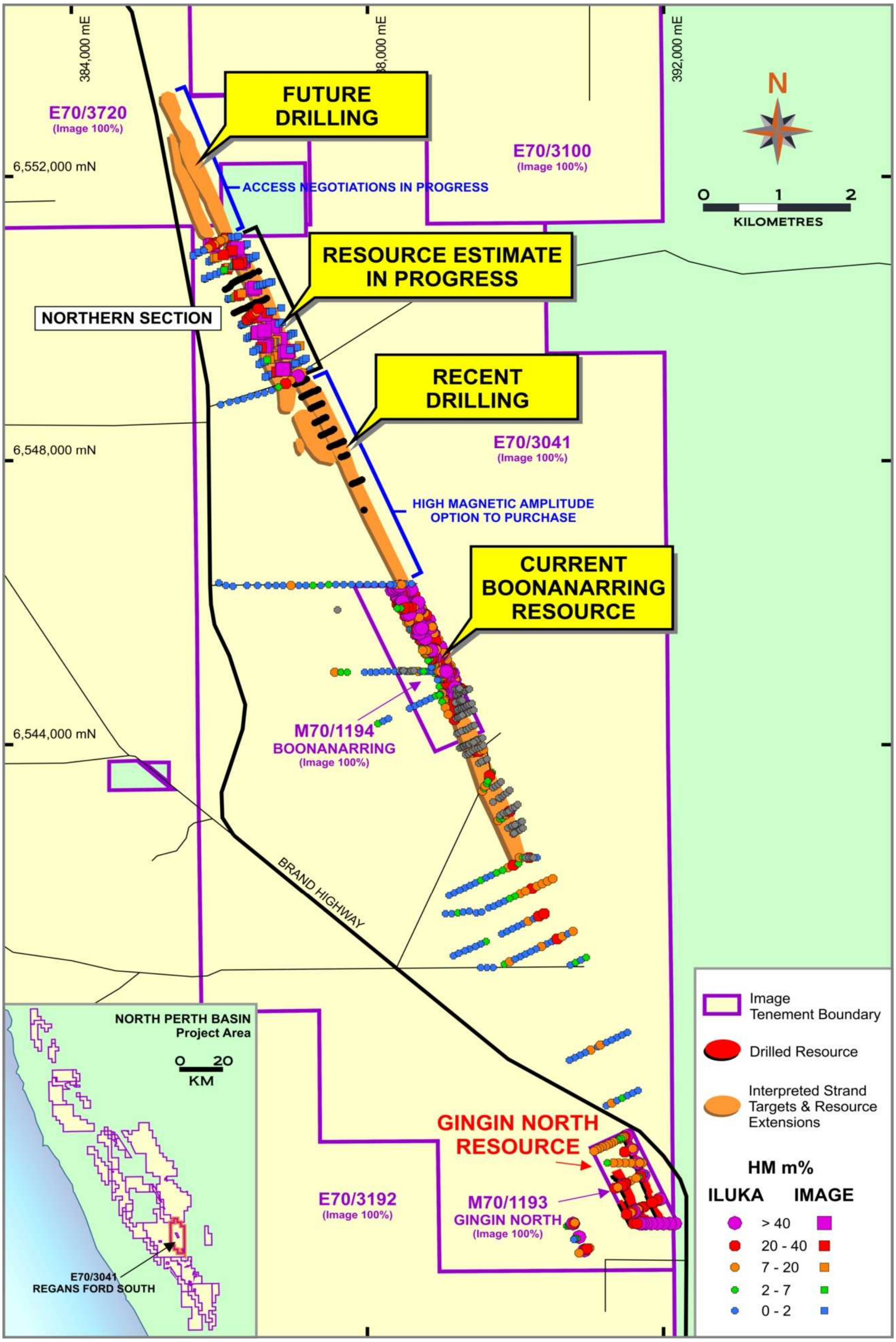

Figure 1
Boonanarring Project Area Drilling

Cooljarloo Project (Image 100%)

During the period a further 71 holes for 1746m were drilled on the Atlas South project area (see Figure 2). These holes extend the length of the Atlas resource by 700m. A combined Atlas and Atlas South resource is expected to published by the end of the year. A plan of the drilling is shown on Figure 2.

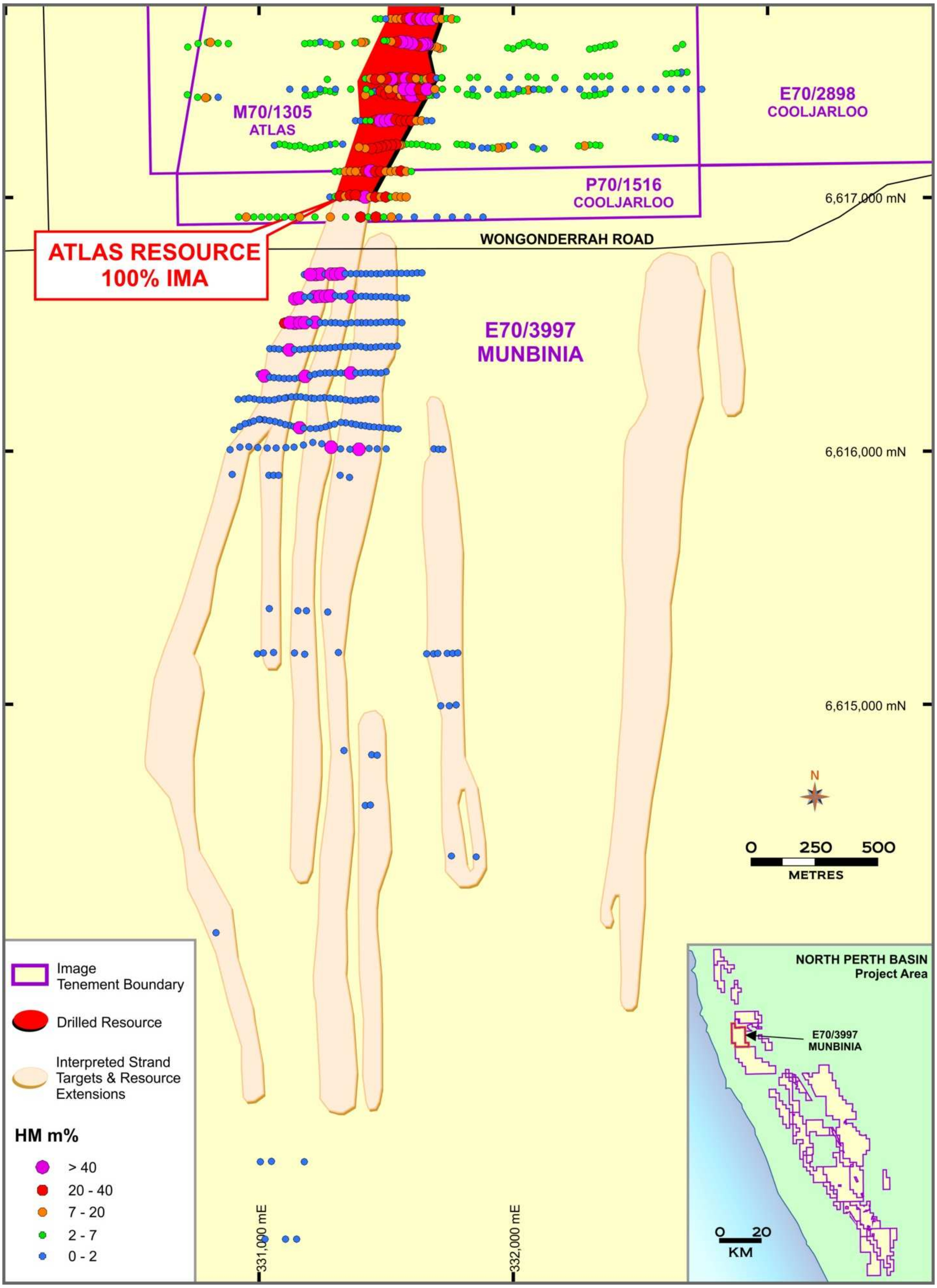

Figure 2
Atlas South Project Area Drilling

OTHER PROJECTS

Erayinia JV (Image 30%)

During the quarter, Integra Mining completed 11 RC holes totalling 1,984m at Zone A on the Admiral trend and advised that it had earned a 70% interest in the joint venture tenements. Results of the first two RC holes returned intersections of 4m @ 1.20g/t Au from 104m in ISRC1029 and 4m @ 0.24g/t Au from 48m and 16m @ 0.18g/t Au from 108m in ISRC1030 (4m composite samples). Results of the remaining RC drill holes are pending.

CORPORATE

On 25 May Peter Davies was appointed to the position of Managing Director of Image Resources NL. This appointment is consistent with Image's aspiration to transition from explorer to project developer and producer at the company-transforming North Perth Basin mineral sands project.

Peter Davies has wide operational experience in the mineral sands and TiO2 industries, having held the positions of General Manager, Chandala for Tiwest (mineral sands processing and synthetic rutile production) and Director European Operations for Kerr-McGee Chemicals/Tronox (titanium dioxide pigment manufacturing). He has held various senior operational and project management positions with companies including Billiton International Metals, Dominion Mining, Delta Gold and CSA Global.

Peter, who was appointed to (and remains in) the position of Project Manager for the North Perth Basin minerals sands project feasibility study in February 2012, has a proven track record of successful management, where the focus has been primarily on long term performance, in addition to achieving short term problem solving results.

The project team, all the members of which have extensive experience in minerals sands project design, operations, logistics and marketing in Western Australia, has already achieved considerable progress in preparation for the development of the North Perth Basin minerals sand resources.

George Sakalidis now serves as Executive Director - Exploration. George's unique skills have consistently been demonstrated to predictively identify VHM deposits missed by other explorers. His role will be to define further high grade resources - not only in the North Perth Basin – but, in the medium to longer term, globally. Roger Thomson, an executive director of Image since it listed in 2002, stepped down as a Director in May.

$1,891,012 for general working capital was raised by issuing shares, to a combination of sophisticated and professional investors, at 30 cents each, being the price at which Image shares last traded before the placement. Following the placement, Image has 106,485,193 fully paid shares on issue. The raising of funds at the last market price ($0.30) is considered to be a very positive outcome in the current market.

Image is seeking to divest its non-core mineral assets, including its gold tenements in the Erayinia area, in order to focus on its core North Perth Basin mineral sand project.

Given market sentiment, the Company is maintaining an ever vigilant watch on its expenditure and programmes whilst examining numerous financing options to underpin completion of the feasibility study and, as targeted, to deliver first production in 2014.

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

Please direct enquiries to:

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Competent Persons Statements:

The information in this report that is related to the NPB Project technical studies and project development is based on information compiled or reviewed by Peter Davies BSc Eng (Hons) ARSM, C.Eng. MIMMM, FAusIMM FRSA, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Peter Davies is Managing Director of Image Resources NL. Peter Davies 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'. Peter Davies consents to the inclusion of this information in the form and context in which it appears in this report.

The information in this report that relates to exploration results and mineral resources for the Mineral Sands projects 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.

The information in this report that relates to exploration results for the Erayinia JV is based on information compiled by Roger Thomson BSc, ARSM, MAusIMM, who is a Member of the Australian Institute of Geoscientists. Roger Thomson is a Director of Image Resources NL. Roger Thomson 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 of Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Roger Thomson consents to the inclusion of this information in the form and context in which it appears in this report.