

30 May 2016

MURRAY ZIRCON TRANSACTION UPDATE

Image Resources NL (“Image” or “the Company”) (ASX: **IMA**) refers to its ASX Announcement of 24 May 2016 regarding the transaction between the Company, Murray Zircon Pty Ltd and its parent, Guangdong Orient Zirconic Ind Sci & Tech Co., Ltd, and provides the following update as to the status of Conditions that are or were perceived to represent a risk to Completion:

- Condition 1:** the terms of the incoming managing director’s employment contract have been agreed. The contract has been executed. Its term commences conditional on and from Completion. Refer to the attached annexure for the material terms of Mr Mutz’s appointment in accordance with ASX Listing Rule 3.16.4;
- Condition 2:** Image has requested proof of funds but has not yet been satisfied that the \$4 million to be advanced by Murray Zircon to Image at Completion under the Short Term Loan Agreement is available in an Australian bank account – Murray Zircon has until 8AM on the day of Completion to satisfy this condition which Image will not waive;
- Condition 3:** relates to regulatory enquiries and has been waived by Image in relation to matters disclosed to date by Murray Zircon and, unless Murray Zircon discloses further matters under its contractual obligation to do so if relevant between now and Completion, has been satisfied; and
- Condition 4:** relates to the release of encumbrances over the assets being acquired by Image. A release has been provided by Murray Zircon in satisfaction of this Condition.

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Summary of material terms and conditions of Employment of Mr Mutz.

Commencement:	Immediately post Completion
Term:	One-year initial term unless terminated earlier by Mr Mutz or the Company on 3 months' notice.
Automatic Extension:	Extended automatically if during the initial term the Board determines that the Executive has complied with his obligations, met Key Performance Indicators and the Company and Executive have agreed a timeline for the Executive to relocate to Perth under a Company sponsored relocation package not to exceed \$28,000.
Conditional Extension:	If the Executive does not commit to move to Perth, the parties will negotiate an extension in good faith.
Location:	Based in South Australia for initial term. Regular attendance at the Company's principal place of business and operational offices as required to discharge duties.
Remuneration:	Fixed annual salary of \$240,000 including superannuation plus an allowance of up to \$45,000 (\$20,000 for travel \$25,000 and for accommodation). The fixed salary will be increased to \$340,000 once duties for Murray Zircon Pty Ltd are completed and the salary sharing arrangement with Murray Zircon is terminated with Image's agreement— refer priority commitment below.
Priority Commitment:	Mr Mutz has ongoing duties with Murray Zircon Pty Ltd. Mr Mutz may expend up to 12 hours per week on average across each month in relation to the affairs of Murray Zircon and will be remunerated separately by Murray Zircon for this time. Mr Mutz's duties to Murray Zircon are not to interfere or compromise the discharge of his obligations to Image. Mr Mutz must use best endeavours to avoid any conflict. He must resolve any conflict in favour of the Image.
Bonus Scheme:	Participation in bonus scheme (to be implemented post Completion and to be linked to the KPIs set out in the contract of service). Mr Mutz's maximum attainable bonus benefit is limited to \$100,000 per annum.