

## Quarterly Report – for the quarter ended 30 June 2016

<p><b>Image Resources NL</b> ABN 57 063 977 579</p> <p><b>ASX Code</b> IMA</p> <p><b>Contact Details</b> Ground Floor, 23 Ventnor Avenue, West Perth WA 6005</p> <p>T +61 8 9485 2410 E: info@imageres.com.au W: imageres.com.au</p> <p><b>Issued Capital</b> Shares – Quoted 379,511,740</p> <p><b>Cash at end of quarter</b> \$3,786,000</p> <p><b>Board Members</b> Robert Besley (NED Chairman) Peter Thomas (Non-Executive Director) George Sakalidis (Exploration Director) Patrick Mutz (Managing Director) Chaodian Chen (Non-Executive Director) Eddy Wu (Non-Executive Director) Aaron Chong Veoy Soo (Non-Executive Director)</p>	<p><b>Completion of Transaction</b></p> <p>The Company's primary focus during this past quarter was completing the Asset Sale and Purchase Agreement (<b>Transaction</b>) with Murray Zircon Pty Ltd and Guangdong Orient Zirconic Ind Sci &amp; Tech Co., Ltd. Completion occurred on 8 June 2016.</p> <p>This Transaction provides a substantial boost to the Company's principal objective of advancing the development of its high-grade Boonanarring Mineral Sands Project in the North Perth Basin located 80 kilometres north-northwest of Perth.</p> <p><b>Boonanarring Mineral Sands Project</b></p> <p>The Transaction delivered the following major benefits to the Company:</p> <ul style="list-style-type: none"> <li>▪ All plant &amp; equipment and internal infrastructure items necessary to construct a complete heavy mineral recovery operation; from slurry unit in the mine to wet concentration plant for HMC;</li> <li>▪ \$4M Short-Term loan funds with very favourable terms;</li> <li>▪ Contracted off-take agreement for life-of-mine with Orient Zirconic for 90% of zircon at market price equating to approximately 70% of project revenue;</li> <li>▪ Secondary working capital loan funds of US\$8M following first production;</li> <li>▪ Access to a range of mineral separation services including a purchase option for a mineral separation plant in South Australia;</li> <li>▪ New cornerstone shareholder that has been operating in zircon processing and zirconium product sales for 20 years;</li> <li>▪ Board restructure with a new independent Chairman, new Managing Director and two new Non-Executive Directors, all with mineral sands project development and operations experience;</li> <li>▪ A significant reduction in the capital required for project development.</li> </ul> <p>The combination of ready-for-development, high-grade resources and reserves amassed by Image across the past 5-7 years and the capital equipment assets, experienced management and other benefits arising from the Transaction establishes a solid base on which the Company can rapidly, efficiently and cost-effectively build and advance towards production.</p> <p>The Company is now principally focused of updating and upgrading its 2013 feasibility study to a bankable feasibility study (BFS) for the Company's 100%-owned Boonanarring and Atlas mineral sands deposits located in an infrastructure rich area of the North Perth Basin, a proven mineral sands mining province. The first phase of updating the feasibility study will include an update of the minerals resources and reserves in accordance with JORC2012; a geotechnical assessment to determine optimal pit wall slopes; and detailed mine design. A second phase will incorporate overall detailed project engineering and a reassessment of the economic model.</p>
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The current estimate for completion of the BFS is early 2017. Favourable feasibility results and funding of remaining project capital could allow the Company to achieve first production in early 2018.

## Exploration activities

### Boonanarring and Boonanarring Extensions

The main focus was on extensions south of the Boonanarring Resource. A 46-hole programme was completed mainly investigating the southern extension of the high grade eastern Boonanarring strand. The visual pan estimates show continuity over a 6.4km length (Fig.2) with a 1km gap that is subject to access which has not been tested as yet. A further 8-hole infill drilling is planned next quarter (Fig 1 and 2). In addition, a new NW trending strand is planned to be tested by 11 holes (Fig 2).

Within the Boonanarring Resources 17-holes are planned as infill and to close off the high grade eastern strand.

Extensions to the north will be assessed by a roadside drilling programme of 22 holes. This will be assessing the potential for a 5km extension north of Boonanarring deposit. As announced previously (25<sup>th</sup> March 2015 and 13<sup>th</sup> July 2015) this extension was confirmed over a distance of 1.6km with high grade results in hole IX00103 of 14m @ 17.9% HM from 40m depth and in hole IM00083 of 8m @ 21.5% HM from 39m depth.

### Bidaminna Park (E70/3298), Bidaminna North (E70/2844), Mimegarra (E70/4779)

The Bidaminna Region (Fig 3.) was signalled as an unusually high Leucoxene province after composites were taken across the Bidaminna Resource. The Bidaminna Project size is as large as the Gingin Scarp group of resources (includes Red Gully, Boonanarring, Gingin North and Gingin South) totalling close to 60km.

The Leucoxene range of 28 to 69% of the HM in the seven Bidaminna composites is much higher than any of the eight deposits between Gingin South and the Cooljarloo Mine where the Leucoxene range is between 1 to 10% of the HM. This makes the Bidaminna Resource very unusual and, as a result, Image has applied for additional land to cover the northern and southern extensions of the Bidaminna Resource.

The commodity pricing for Leucoxene is not readily reported however according to recent presentations from MZI Resources Ltd (27<sup>th</sup> May and 18<sup>th</sup> November 2015), the L70 Leucoxene (65-85% TiO<sub>2</sub>) price was reported to be US\$352/tonne whilst the L88 Leucoxene (85-95% TiO<sub>2</sub>) price was reported as US\$1,166/tonne. This auger well for the potential economics of the Bidaminna project, as the mineral suite is dominated by the much higher value Leucoxene products, whilst most of the North Perth Basin deposits are commonly dominated by the lower value Ilmenite products which are currently US\$100-150.

The 37-hole programme is designed to test for extensions of the Bidaminna Resource. The Bidaminna Resource and Exploration Target, differs from the Boonanarring Deposit, in that they are amenable to large volume dredge mining with a very low slime content of around 3.6%, the mineralised horizon is below the water table and has thick zones of mineralisation – 35 metres thick. This may be of interest to companies who have dredges operating in the region. A further 5km northern extension will be tested as well mainly within the northern Mimegarra tenement.

### Woolka E70/4244, Munbinia E70/3997

A 13 hole programme is planned to locate extensions of the dredge resources along strike and WNW of the Tronox proposed dredge area within both the Woolka and Munbinia (E70/3997) tenements (Fig.4). A Heritage survey is planned prior to the drilling. This programme should demonstrate the potential size of the dredge area within the Woolka and Munbinia tenements. Note the proposed area if successful is similar in **size as the whole Tronox Cooljarloo historical dredge areas** and is a major target. Tronox have just started drilling our Mullering royalty areas directly west of the current dredging areas.

### Erayinia (E78/1895), Talc Lake (E38/2071) Gold Tenements

The northern (6.5km) and southern extension (5km) of the King Gold mineralisation has historically been insufficiently tested (Fig.5). Given the strong interest in the gold sector a ground magnetic survey is warranted covering these extensions and other interesting shear and intrusive style targets. This information in combination with historical drilling will be used to further assess the gold potential of these tenements.

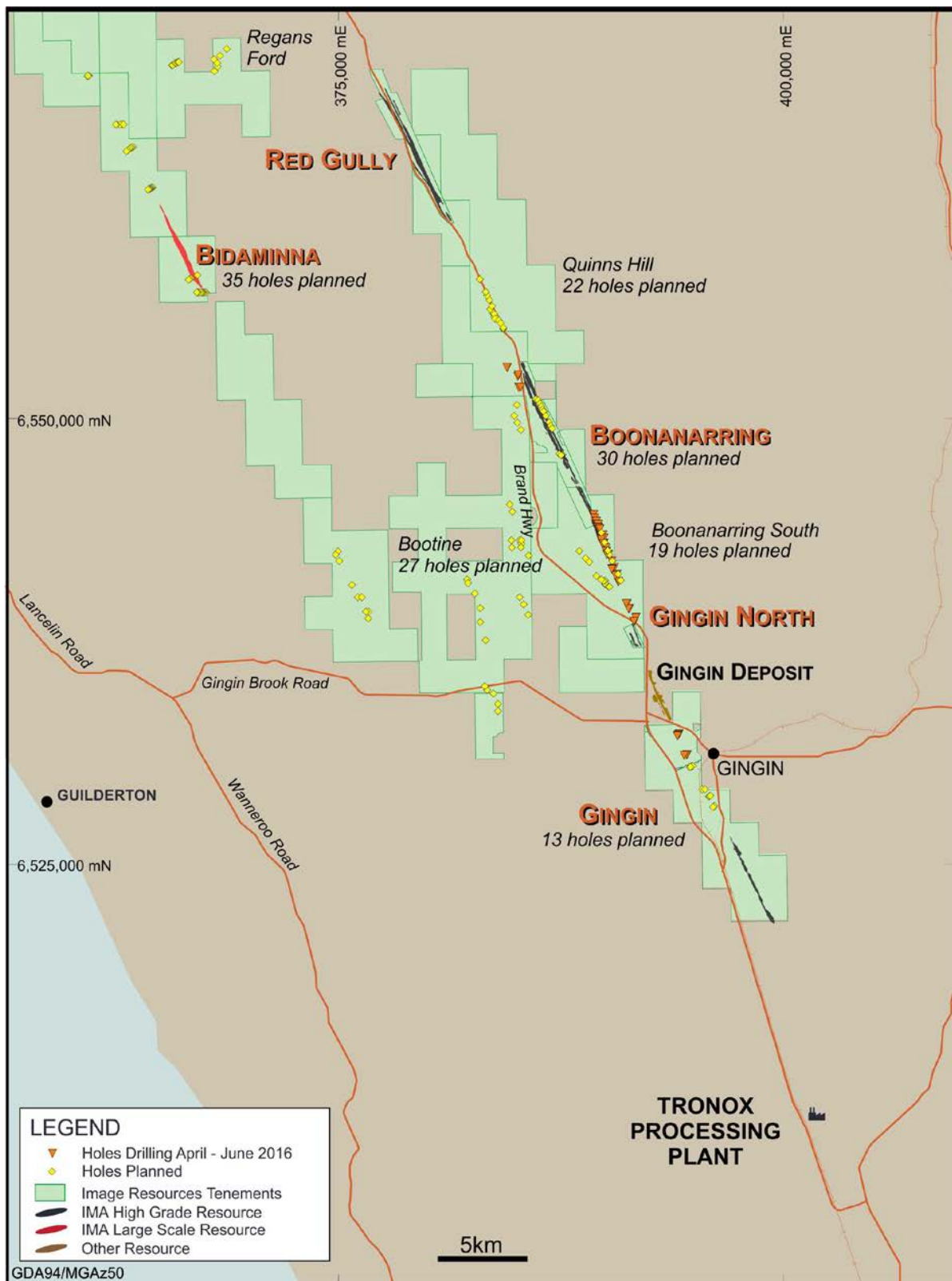


Figure 1 Drilling programmes completed and planned on Image Resources Gingen to Red Gully region in the North Perth Basin

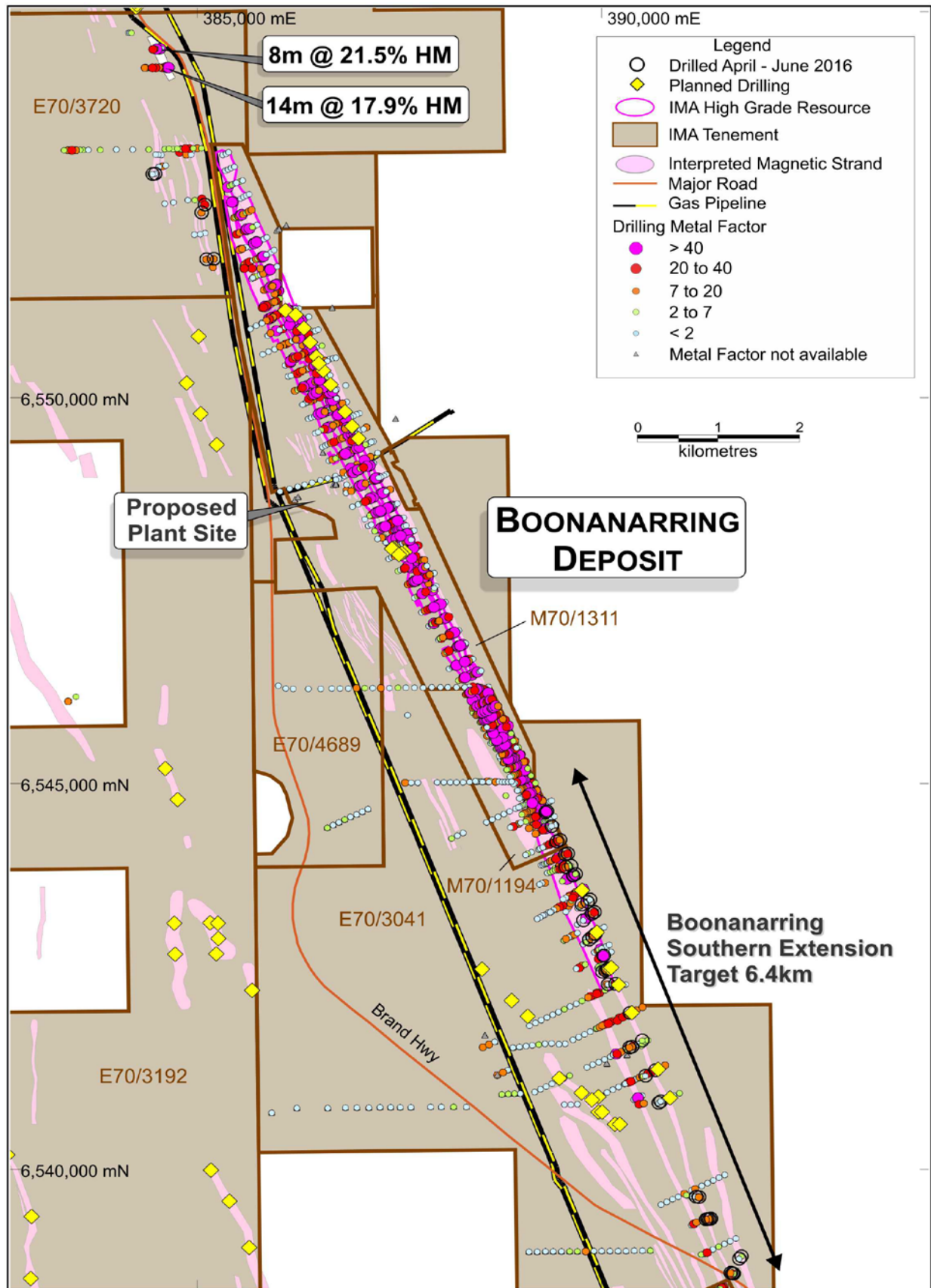


Figure 2 Boonanarring planned drilling (highlighted yellow)



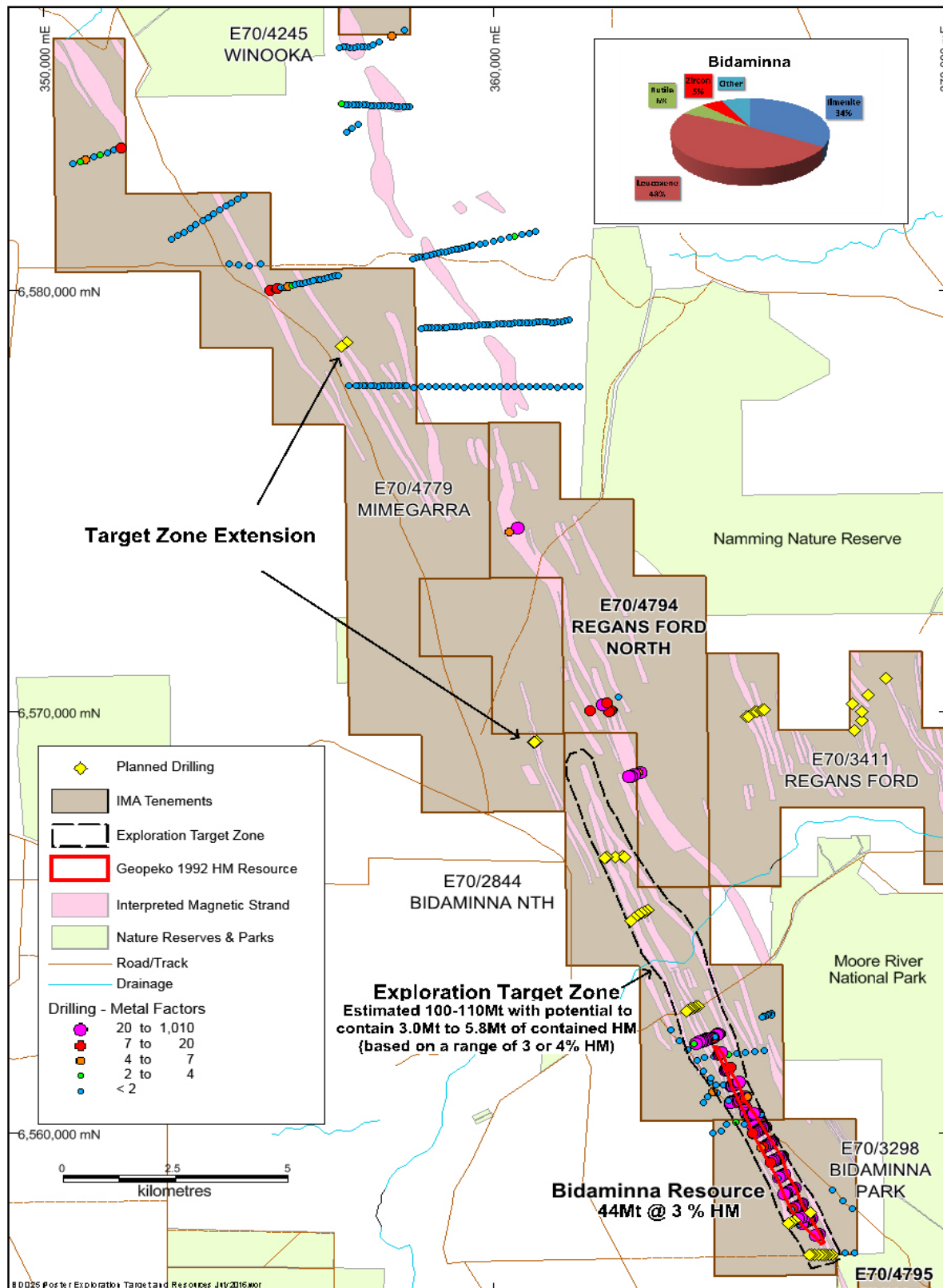


Figure 3 Bidaminna, Bidaminna North and Mimegarra with planned drilling (highlighted in yellow)

Note: The potential quantity and grade of the Exploration Targets are conceptual in nature, there has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource.

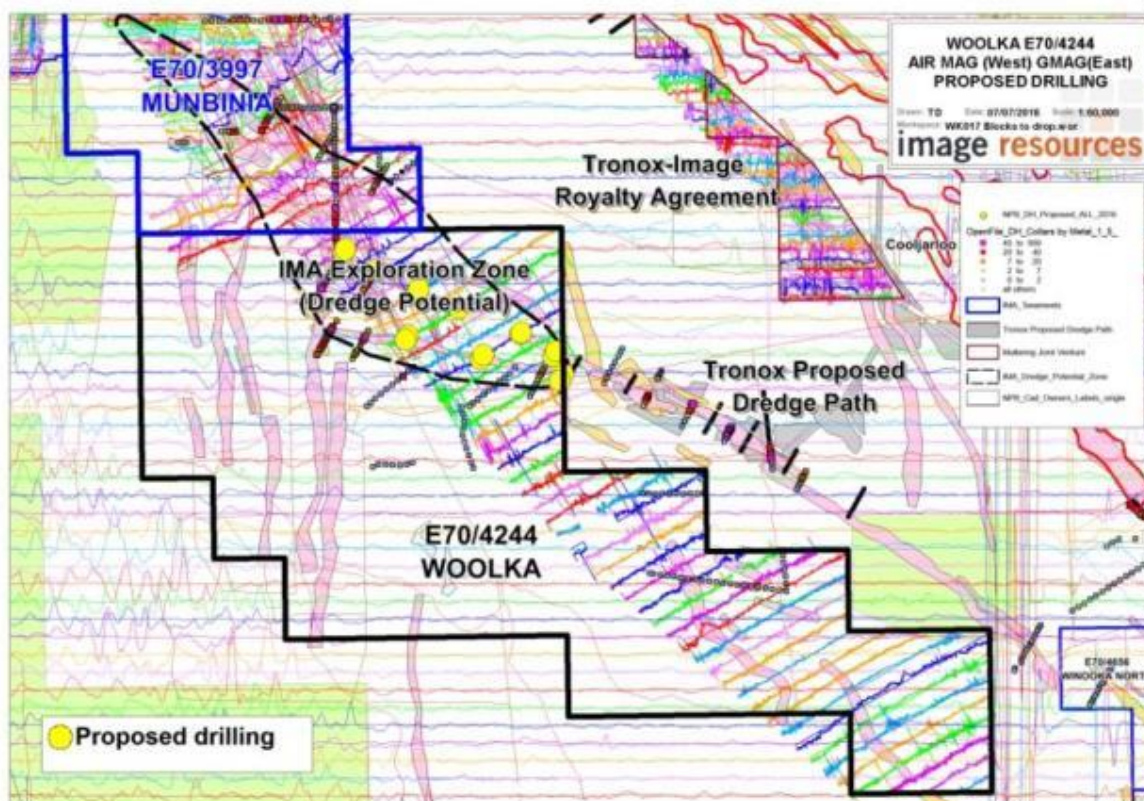


Figure 4 Woolka and Munbinia tenement showing 13-hole programme west of the Tronox proposed dredge area

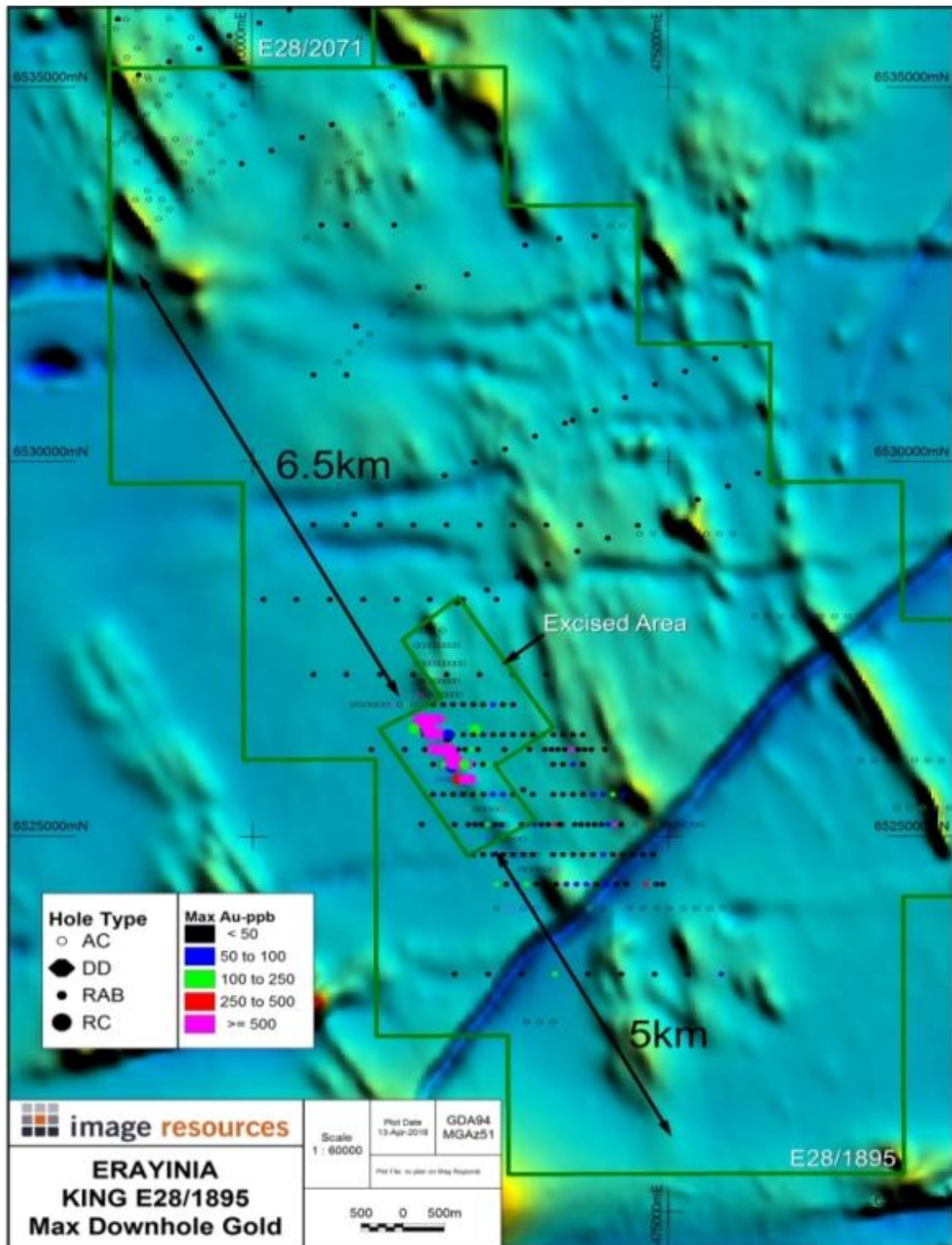


Figure 5 Erayinia tenement showing areas recommended for ground magnetics and a 12 hole drilling programme after an exemption is applied for this year

Table 1 Completed Drilling April-June 2016

Tenement Name	Tenement	Landowner	Holes Drilled	Metres Drilled
Gingin	E70/3032	Technidraw	7	171
Regans Ford South	E70/3041	Dalla Riva	11	417
		House	8	270
		Panara Farms	22	967
		sub total	41	1654
Blue Lake	E70/3720	Farmtech	6	237
Boonanarring	M70/1194	Panara Farms	5	219
Total			59	2281

Table 2 Planned Resource Drilling

Project Title	Category	Tenement ID	Landowner	DH's	Metres
Quinns Hill	1	E70/3100	Central Stockcare, Roadside	22	1,122
Regans Ford South	1	E70/3041	House, Giglia, Westpork	11	330
Boonanarring North	1	M70/1311	Drews, Dewars	17	935
Regans Ford South	1	E70/3041	Panara, House	8	384
Cooljarloo	1	E70/2898, E70/2636, P70/1520	Freehold	0	0
Atlas	1	M70/1305	Freehold & Crown	0	0
Resource Sub Total:				58	2,771



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#### COMPETENT PERSON'S STATEMENT – EXPLORATION RESULTS AND MINERAL RESOURCES AND RESERVES

Information in this report that relates to Exploration Results, Mineral Resources and Mineral Reserves is based on information compiled by George Sakalidis BSc (Hons) who is a member of the Australasian Institute of Mining and Metallurgy. At the time that the Exploration Results, Mineral Resources and Mineral Reserves were compiled, George Sakalidis was a director 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 2012 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. George Sakalidis consents to the inclusion of this information in the form and context in which it appears in this report.

#### FORWARD LOOKING STATEMENTS

Certain statements made during or in connection with this communication, including, without limitation, those concerning the economic outlook for the mining industry, expectations regarding prices, exploration or development costs and other operating results, growth prospects and the outlook of Image's operations contain or comprise certain forward looking statements regarding Image's operations, economic performance and financial condition. Although Image believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct.

Accordingly, results could differ materially from those set out in the forward looking statements as a result of, among other factors, changes in economic and market conditions, success of business and operating initiatives, changes that could result from future acquisitions of new exploration properties, the risks and hazards inherent in the mining business (including industrial accidents, environmental hazards or geologically related conditions), changes in the regulatory environment and other government actions, risks inherent in the ownership, exploration and operation of or investment in mining properties, fluctuations in prices and exchange rates and business and operations risks management, as well as generally those additional factors set forth in our periodic filings with ASX. Image undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after today's date or to reflect the occurrence of unanticipated events.

## Tenement Schedule in accordance with ASX Listing Rule 5.3.3

### Tenements held at the end of the Quarter

Location	Tenement	Nature of Interest	Project	Equity (%) held at start of Quarter	Equity (%) held at end of Quarter
WA	E28/1895	Granted	ERAYINIA	16.1% diluting	100%
WA	E28/2071	Granted	TALC LAKE	16.1% diluting	100%
WA	E70/2636	Granted	COOLJARLOO	100%	100%
WA	E70/2844	Granted	BIDAMINNA NTH	100%	100%
WA	E70/2898	Granted	COOLJARLOO	100%	100%
WA	E70/3032	Granted	GINGIN	100%	100%
WA	E70/3041	Granted	REGANS FORD SOUTH	100%	100%
WA	E70/3100	Granted	QUINNS HILL	100%	100%
WA	E70/3192	Granted	BOOTINE	100%	100%
WA	E70/3298	Granted	BIDAMINNA -PARK	90%	90%
WA	E70/3411	Granted	REGANS FORD	100%	100%
WA	E70/3418	Granted	BELL	100%	100%
WA	E70/3494	Granted	BRYALANA	100%	100%
WA	E70/3720	Granted	BLUE LAKE	100%	100%
WA	E70/3892	Granted	CHAPMAN HILL	100%	100%
WA	E70/3966	Granted	REGANS FORD WEST	100%	100%
WA	E70/3997	Granted	MUNBINIA	100%	100%
WA	E70/4077	Granted	DARLING RANGE	100%	100%
WA	E70/4244	Granted	WOOLKA	100%	100%
WA	E70/4245	Granted	WINOOKA	100%	100%
WA	M70/0448	Granted	GINGIN SOUTH	100%	100%
WA	M70/1192	Granted	RED GULLY	100%	100%
WA	M70/1193	Granted	GINGIN NORTH	100%	100%
WA	M70/1194	Granted	BOONANARRING	100%	100%
WA	P70/1516	Granted	COOLJARLOO	100%	100%
WA	M70/1311	Granted	BOONANARRING	100%	100%
WA	G70/0250	Granted	BOONANARRING	100%	100%
WA	R70/0051	Granted	COOLJARLOO NORTH	100%	100%
WA	M70/1305	Application	ATLAS	100% pending grant	100% pending grant
WA	P70/1520	Application	COOLJARLOO	100% pending grant	100% pending grant
WA	E70/4631	Granted	MUNBINIA WEST	100%	100%
WA	E70/4656	Granted	WINOOKA NORTH	100%	100%
WA	E70/4663	Granted	BIBBY SPRINGS	100%	100%
WA	E70/4689	Granted	BOONANARRING	100%	100%
WA	E70/4779	Granted	MIMEGARRA	100%	100%
WA	E70/4794	Application	REGANS FORD NORTH	100%	100% pending grant
WA	E70/4795	Application	BIDAMINNA SOUTH	100%	100% pending grant
WA	E70/4796	Application	CALADENIA	100%	100% pending grant

### Mining Tenements acquired during the Quarter

NIL					
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### Mining Tenements disposed during the Quarter

NIL					
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Table 6 – North Perth Basin Resources and Reserves

Reserve Summary											
Project Area	Category	Volume	Tonnes	% HM	% SLIMES	HM Tonnes	VHM (%)	Ilmenite (%)	Leucoxene (%)	Rutile (%)	Zircon (%)
Boonanarring	Probable	7,160,000	14,420,000	8.3%	17.0%	1,190,000	80.3%	46.9%	5.5%	3.3%	24.5%
Atlas	Probable	4,760,000	9,600,000	8.1%	15.5%	780,000	74.1%	55.0%	1.0%	7.0%	11.0%
<b>Total NPB Reserve</b>		<b>11,920,000</b>	<b>24,020,000</b>	<b>8.2%</b>	<b>16.4%</b>	<b>1,970,000</b>	<b>77.8%</b>	<b>50.1%</b>	<b>3.7%</b>	<b>4.8%</b>	<b>19.1%</b>
Mining Inventory (incl Inferred)		13,330,000	26,880,000	8.0%	16.5%	2,135,000	78.3%	50.1%	4.2%	5.1%	19.0%

High Grade Resources @ 2.5% HM Cut-off											
Resource	Resource Category	BCM	TONNES	% HM	% SLIMES	HM TONNES	VHM (%)	Ilmenite (%)	Leucoxene (%)	Rutile (%)	Zircon (%)
Atlas	Measured	4,810,000	9,700,000	8.5	15.3	820,000	76	52	5	8	11
Atlas	Indicated	520,000	1,080,000	3.2	19.2	34,000	74	53	8	7	6
<b>Atlas Total</b>		<b>5,330,000</b>	<b>10,780,000</b>	<b>7.9</b>	<b>15.7</b>	<b>854,000</b>	<b>76</b>	<b>52</b>	<b>5</b>	<b>8</b>	<b>10</b>
Boonanarring	Measured	1,680,000	3,000,000	7.8	10.1	230,000	70	49	1	3	17
Boonanarring	Indicated	7,000,000	14,300,000	9	17.2	1,270,000	80	49	6	3	22
Boonanarring	Inferred	2,100,000	4,200,000	6.5	17.4	270,000	83	51	8	7	18
<b>Boonanarring Total</b>		<b>10,780,000</b>	<b>21,500,000</b>	<b>8.3</b>	<b>16.2</b>	<b>1,770,000</b>	<b>79</b>	<b>49</b>	<b>6</b>	<b>4</b>	<b>21</b>
Gingin Nth	Indicated	680,000	1,320,000	5.7	15.7	80,000	75	57	9	3	5
Gingin Nth	Inferred	580,000	1,090,000	5.2	14	60,000	78	57	11	4	6
<b>Gingin Nth Total</b>		<b>1,260,000</b>	<b>2,410,000</b>	<b>5.5</b>	<b>15</b>	<b>140,000</b>	<b>77</b>	<b>57</b>	<b>10</b>	<b>3</b>	<b>6</b>
Gingin Sth	Measured	870,000	1,530,000	4.4	7.2	67,000	79	51	15	6	8
Gingin Sth	Indicated	3,240,000	5,820,000	6.5	7.1	380,000	91	68	10	5	8
Gingin Sth	Inferred	400,000	730,000	6.5	8.4	48,000	92	67	8	6	11
<b>Gingin Sth Total</b>		<b>4,510,000</b>	<b>8,080,000</b>	<b>6.1</b>	<b>7.3</b>	<b>495,000</b>	<b>89</b>	<b>65</b>	<b>10</b>	<b>5</b>	<b>8</b>
Helene	Indicated	5,600,000	11,500,000	4.6	18.6	520,000	84	70	1	3	11
Hyperion	Indicated	1,800,000	3,700,000	7.8	19.3	290,000	71	56	0	6	9
<b>Cooljarloo Nth Total</b>		<b>7,400,000</b>	<b>15,200,000</b>	<b>5.3</b>	<b>18.7</b>	<b>810,000</b>	<b>79</b>	<b>64</b>	<b>0</b>	<b>4</b>	<b>9</b>
Red Gully	Indicated	1,930,000	3,410,000	7.8	11.5	270,000	90	66	8	3	12
Red Gully	Inferred	1,455,000	2,570,000	7.5	10.7	190,000	90	66	8	3	12
<b>Red Gully Total</b>		<b>3,385,000</b>	<b>5,980,000</b>	<b>7.7</b>	<b>11.2</b>	<b>460,000</b>	<b>90</b>	<b>66</b>	<b>8</b>	<b>3</b>	<b>12</b>
<b>Grand Total</b>		<b>32,665,000</b>	<b>63,950,000</b>	<b>7.1%</b>	<b>13.9%</b>	<b>4,529,000</b>	<b>80</b>	<b>57</b>	<b>6</b>	<b>5</b>	<b>13</b>

Dredge Resources at 1.0% HM cut-off																
Project Area	Resource Category	Volume	TONNES	% HM	% Slime	HM TONNES	VHM %	Ilmenite %	Leucoxene %	Rutile %	Zircon %	Ilmenite	Leucoxene	Rutile	Zircon	VHM Tonnes
Titan	Indicated	10,300,000	21,200,000	1.8	22.1	380,000	84.4	71.9	2.0	1.0	9.5	270,000	7,000	5,000	36,000	318,000
Titan	Inferred	58,500,000	115,400,000	1.9	18.9	2,210,000	84.3	71.8	2.0	1.0	9.5	1,592,000	45,000	22,000	210,000	1,869,000
<b>Titan</b>	<b>Total</b>	<b>68,800,000</b>	<b>136,600,000</b>	<b>1.9</b>	<b>19.4</b>	<b>2,590,000</b>	<b>84.4</b>	<b>71.9</b>	<b>2.0</b>	<b>1.0</b>	<b>9.5</b>	<b>1,862,000</b>	<b>52,000</b>	<b>27,000</b>	<b>246,000</b>	<b>2,187,000</b>
Telesto	Indicated	1,700,000	3,500,000	3.8	18.4	130,000	82.6	67.5	3.4	2.2	9.5	100,000	5,000	3,000	13,000	121,000
Calypso	Inferred	27,100,000	51,500,000	1.7	13.7	850,000	84.6	68.8	3.5	1.6	10.6	585,000	30,000	14,000	90,000	719,000
<b>Sub Total</b>	<b>Indicated</b>	<b>12,000,000</b>	<b>24,700,000</b>	<b>2.1</b>	<b>21.6</b>	<b>510,000</b>	<b>86.1</b>	<b>72.5</b>	<b>2.4</b>	<b>1.6</b>	<b>9.6</b>	<b>370,000</b>	<b>12,000</b>	<b>8,000</b>	<b>49,000</b>	<b>439,000</b>
<b>Sub Total</b>	<b>Inferred</b>	<b>85,600,000</b>	<b>166,900,000</b>	<b>1.8</b>	<b>17.3</b>	<b>3,060,000</b>	<b>84.6</b>	<b>71.1</b>	<b>2.5</b>	<b>1.2</b>	<b>9.8</b>	<b>2,177,000</b>	<b>75,000</b>	<b>36,000</b>	<b>300,000</b>	<b>2,588,000</b>
<b>Cooljarloo Total</b>		<b>97,600,000</b>	<b>191,600,000</b>	<b>1.9</b>	<b>17.8</b>	<b>3,570,000</b>	<b>84.8</b>	<b>71.3</b>	<b>2.4</b>	<b>1.2</b>	<b>9.8</b>	<b>2,547,000</b>	<b>87,000</b>	<b>44,000</b>	<b>349,000</b>	<b>3,027,000</b>
Bidaminna	Inferred	26,300,000	44,600,000	3.0	3.6	1,350,000	96.0	82.4	7.2	1.0	5.4	1,113,000	97,000	13,000	73,000	1,296,000
<b>Total Dredge</b>		<b>123,900,000</b>	<b>236,200,000</b>	<b>2.1</b>	<b>15.1</b>	<b>4,920,000</b>	<b>84.3</b>	<b>65.6</b>	<b>4.6</b>	<b>2.9</b>	<b>11.3</b>	<b>3,660,000</b>	<b>184,000</b>	<b>57,000</b>	<b>422,000</b>	<b>4,323,000</b>

1 Refer to the 31 May 2013 release <http://www.asx.com.au/asxpdf/20130531/pdf/42g6v9v0jxn3hg.pdf> for full details of the Boonanarring Mineral Resource/Reserve Estimate for full details of the Boonanarring Mineral Resource/Reserve Estimate