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POSITIVE SCOPING STUDY OUTCOME

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HIGHLIGHTS

- Image has several options for the commercialisation of its existing North Perth Basin indicated and inferred resources: stand alone dry mining; stand alone dredging; and larger scale dredging/dry mining by a third party ("incremental case").
- The incremental case dredging (2,000tph) and dry mining (800tph) combination gives a best case (US60c exchange rate) Net Present Value (10% discount, before tax) of \$180M (Internal Rate of Return 294%) with potential to increase this NPV to \$298M if a Synthetic Rutile ilmenite premium is applied.
- Stand alone dredging (800tph and viable on part only of the resources) gives a best case NPV of \$87M (IRR 105%), of which Image's share is \$68M plus any participation by Image in the NPV (up to \$160M with SR ilmenite premium) to a third party mining the balance of the resources.
- The presence of SR ilmenite has the potential to add significantly to the NPV of both stand alone and incremental cases, illustrating the need to determine the distribution of SR ilmenite throughout the project.
- Only the resources identified from the drilling of 20% of Image's targets are addressed. The value of resources identified in the remaining 80% has the potential to be substantially greater by leveraging sunken capital and/or economies of scale.

Conclusions

The results of the various scenarios considered were:

- Stand alone 400tph dry mining NPV (10% discount, before tax) of \$16M-\$39M (IRR 39%-67%) including capital of \$37M.
- Stand alone 800tph dredge mining NPV of \$47M-\$87M (IRR 73%-105%) including capital of \$49M.
- The stand alone scenarios do not take into account that the balance of the resources could be attractive to third parties with NPVs to them in the range of \$47M-\$86M (disregarding any uplift for SR ilmenite).
- Incremental case 800tph dry mining NPV of \$56M-\$89M (IRR 446%-543%) including capital of \$23M.
- Incremental case 800tph dredge mining NPV of \$63M-\$102M (IRR 88%-118%) including capital of \$65M.
- Incremental case 2,000tph dredge, 800tph dry mining combination NPV of \$106M-\$180M (IRR 241%-294%) including capital of \$46M.
- Potential for very substantial increases in the NPV in all cases with SR ilmenite premiums.

Scoping Study

The Scoping Study on Image Resources' initial identified indicated and inferred resources totalling 6.4 million tonnes of heavy minerals in the North Perth Basin has been completed. The resource base for the study is summarised in the Appendix together with a location map.

The brief for the study was to assess the economics of the development and commercialisation of these initial resources and in particular to examine the potential:

- mining scenarios for a stand alone operation producing concentrate which could then be toll processed by existing underutilised dry separation plants in the mid west or south west of Western Australia;
- value of the resources to existing producers with established but underutilised infrastructure and depleted reserves in this mature mineral sand province.

The study does not take into account that Images' exploration has identified numerous drilling targets (totalling more than 300km in length) or that there is a strong likelihood that many of these targets could ultimately convert into additional resources. Even though the study ascribes no value to these potentially valuable targets, the plant and equipment paid for by the operations considered by the study can be expected to materially enhance the economics of further discoveries.

The methodology and detail of the initial resource estimates have been previously described (ASX release 8 May 2008). The main parameters used for the scoping study are summarised below and include estimates of commodity prices and capital costs. All references to currency are to A\$ unless otherwise stated.

The Scoping Study is an initial conceptual study to evaluate project concepts and to provide an order-of-magnitude estimate of cost, return and viability. The study was based on the existing indicated and inferred resources, assumed processing tonnages and grades, with preliminary mineral processing data, and as such should be regarded with appropriate caution. The Scoping Study is early stage and there is no certainty that the estimates of the Scoping Study will be realised in the future.

Scoping Study Parameters

Stand Alone Capital Cost Assumptions		
400tph Dry Mining Operation	38	\$M
800tph Dry Mining Operation	52	\$M
800tph Dredge Mining Operation	49	\$M

Revenue Assumptions		
Ilmenite	130	US\$/t
Zircon	850	US\$/t
Rutile	650	US\$/t
Garnet	150	US\$/t
Exchange Rate	0.6 - 0.7	US\$/A\$

Major Operating Cost Assumptions		
Mining of Ore - Dry	3.75	\$/bcm
Mining of Waste - Dry	2.75	\$/bcm
Mining of Ore - Dredge	0.8 - 1.2	\$/bcm
Concentrate Haulage	0.1	\$/t/km
Mineral Separation Plant	20	\$/t con.
Toll Treatment of Concentrate	35	\$/t con.

Net Present Value (NPV)	
10% discount rate, before tax and financing costs	

Mining optimisations of the geological block models were carried out by mining industry consultants and used to assess various dry mining and dredging options for the resources. Estimates of Net Present Value (NPV, 10% discount rate, before tax) proved to be highly sensitive to exchange rates but less so to commodity prices and even less to capital and operating cost changes. Commodity prices for ilmenite, rutile and zircon are expected to remain firm or to strengthen but no view is expressed as to the likely direction or extent of movements in exchange rate.

Stand Alone Cases

The Scoping Study examined stand alone scenarios for 400 tonnes per hour (tph) dry mining, 800tph dry mining and 800tph dredging of the Atlas, Hyperion and Helene resources (total 1.6Mt of HM). The study assumed the use of new (not second hand) equipment. Estimates of NPV and Internal Rate of Return (IRR) at US70¢ and US60¢ exchange rates are shown in the table below.

Stand Alone Case – Atlas, Hyperion and Helene Resources

Case	NPV \$M		IRR %	
	US70¢	US60¢	US70¢	US60¢
400tph dry mining	16	39	39	67
800tph dredge	47	87	73	105

The NPV of Images' share of these resources range from \$12M - \$30M (US70¢ and US60¢ exchange rates respectively) for the 400tph dry mining case and from \$37M - \$68M for the 800tph dredge case. Payback times for the stand alone cases are 1.5 years or less. It should be noted that no premium for synthetic rutile (SR) grade ilmenite has been applied to these estimates and that such a premium, if it could be achieved, would have a very significant positive impact on the NPV and IRR. The study indicated that the stand alone options for the Titan, Calypso, Telesto and Bidamina resources, as they presently stand, are not attractive at current commodity prices and exchange rates however the study shows these resources could be an attractive opportunity for a third party with appropriate plant and equipment with assessed NPVs (with SR ilmenite premium) in the range of up to \$107M - \$160M.

Incremental Cases

Not surprisingly, the study showed that mining (dry, dredge or a combination of the two) by a third party with existing plant and infrastructure in the region, including access to a synthetic rutile plant (the “incremental case”) substantially increases the NPV. Estimates of NPV and IRR at US70¢ and US60¢ exchange rates for various mining scenarios are shown in the table below.

Incremental Case – Atlas, Hyperion and Helene Resources

Case	NPV \$M		IRR %		with SR Premium			
					NPV \$M		IRR %	
	US70¢	US60¢	US70¢	US60¢	US70¢	US60¢	US70¢	US60¢
800tph dry mining	56	89	446	543	80	121	584	685
800tph dredge	63	102	88	118	109	148	116	147
2,000tph dredge/800tph dry mining incl. Titan, Calypso, Telesto and Bidamina resources	106	180	241	294	195	298	359	411

A 2,000tph dredging scenario for the Titan, Calypso, Telesto and Bidamina resources and concurrent 800tph dry mining of the Atlas, Hyperion and Helene resources gives the best case of an NPV range of \$106M to \$180M and very attractive IRR’s of 241% to 294% at US70¢ and US60¢ exchange rates respectively, including capital of \$46M and assuming the relocation of a large dredge. Significantly, if a premium for SR ilmenite of \$40 per tonne is factored in, the NPV and IRR ranges increase significantly to \$195M to \$298M and 359% to 411% respectively. Payback times for the incremental cases are all less than one year.

The incremental case for 800tph dry mining includes capital of \$23M which assumes relocation of existing plant and equipment. The 800tph dredging case includes capital of up to \$65M and assumes acquisition of a new dredge.

Further Work

The Scoping Study highlighted areas for further work to enhance the value of the project including:

- Infill drilling to upgrade the Atlas resource from Inferred to Indicated status.
- Mineralogical and chemical test work to determine the proportion of SR ilmenite in each of the resources.
- Geotechnical investigations, including ground and surface water investigations, on the resources to assess suitability for dredging.
- Completion of access agreements over the Titan and Calypso resources.
- Investigation of other low cost mining options, particularly for the Titan and Calypso resources.

The study has encouraged Image to affirm its commitment to commercialise its existing resources while continuing with exploration aimed at tripling these resources within the project areas.

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 Scott Carruthers BSc, MSc, MAusIMM and George Sakalidis BSc (Hons), MAusIMM. Scott Carruthers is a full time employee of Image Resources NL and George Sakalidis is a director of Image Resources NL. Messrs Carruthers and Sakalidis have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 edition of the ‘Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves’. Messrs Carruthers and Sakalidis consent to the inclusion of this information in the form and context in which it appears in this report.

APPENDIX

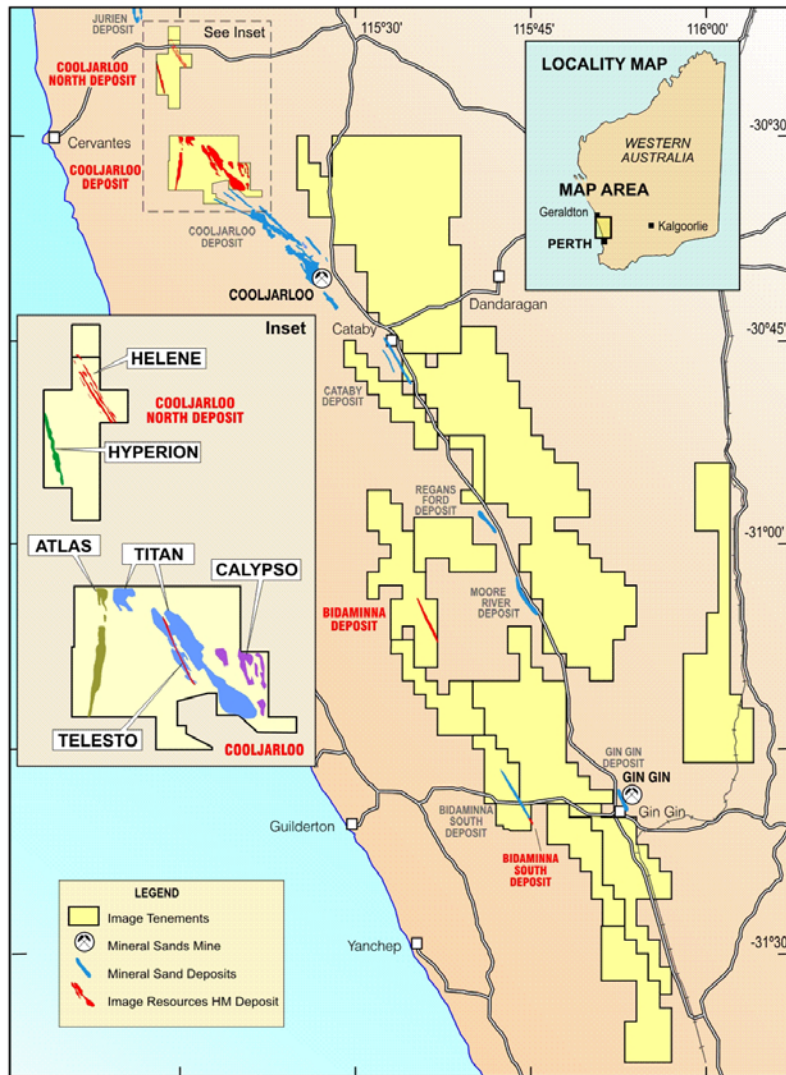
North Perth Basin Resource Summary

Shallow Indicated Resources - 2.5% HM Cut off				
Resource	Tonnes	% HM	HM Tonnes	Overburden Ratio
Atlas	1,900,000	4.7	90,000	1.3
Telesto	1,900,000	5.8	110,000	0.6
Helene	11,500,000	4.5	520,000	2.2
Hyperion	3,700,000	7.8	290,000	1.5
Sub - Total	19,000,000	5.3	1,010,000	
Shallow Inferred Resources - 2.5% HM Cut off				
Atlas	9,700,000	5.8	560,000	1.3
Total Dry	28,700,000	5.5	1,570,000	
Dredge Indicated Resources - 1% HM Cut off				
Titan	21,200,000	1.8	380,000	1.2
Dredge Inferred Resources - 1% HM Cut off				
Bidaminna	44,600,000	3.0	1,350,000	1.5
Titan	115,400,000	1.9	2,210,000	1.0
Calypso	51,500,000	1.7	850,000	1.2
Sub - Total	211,500,000	2.1	4,410,000	
Total Dredge	232,700,000	2.1	4,790,000	
Grand Total	261,400,000	2.4	6,360,000	

North Perth Basin Mineral Assemblage

Shallow Indicated Resources - 2.5% HM Cut off						
Resource	Ilmenite t	Leucoxene/ Rutile t	Zircon t	Monazite t	Garnet + Staurolite t	Other t
Atlas	63,000	10,000	8,000	300	5,000	11,000
Telesto	71,800	800	6,000	10,000	2,500	15,100
Helene	391,000	19,000	55,000	1,500	7,800	53,000
Hyperion	155,200	18,000	21,000	800	67,000	28,600
Sub - Total	681,000	47,800	90,000	12,600	82,300	107,700
Shallow Inferred Resources - 2.5% HM Cut off						
Atlas	346,000	61,000	46,000	1,900	33,000	70,000
Total Shallow	1,027,000	108,800	136,000	14,500	115,300	177,700
Dredge Indicated Resources - 1% HM Cut off						
Titan	273,000	12,000	36,000	7,400	28,000	17,200
Dredge Inferred Resources - 1% HM Cut off						
Bidaminna	1,113,000	110,000	73,000	1,400	19,000	17,200
Titan	1,626,000	67,000	210,000	44,000	160,000	103,000
Calypso	598,000	44,000	90,000	16,000	70,000	31,000
Sub - Total	3,337,000	221,000	373,000	61,400	249,000	151,200
Total Dredge	3,610,000	233,000	409,000	68,800	277,000	168,400
Grand Total	4,637,000	341,800	545,000	83,300	392,300	346,100

North Perth Basin Project



The information in this report that relates to mineral resources is based on information compiled by Lynn Widenbar BSc, MSc, DIC MAusIMM employed by Widenbar & Associates who are consultants to Image Resources NL. Lynn Widenbar 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'. Lynn Widenbar consents to the inclusion of this information in the form and context in which it appears in this report.