QUARTERLY REPORT for the Quarter Ended 31 December 2009

Image Resources NL
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Issued Capital:

Shares –Quoted:

86,313,958 fully paid ordinary shares

Options – Unquoted:
2,000,000 options exercisable at 37 cents by 21.11.2010
2,500,000 options exercisable at $1.80 cents by 16.11.2011
2,500,000 options exercisable at $1.50 cents by 19.11.2011
1,000,000 employee options exercisable at $2.38 by 26.3.2012
2,200,000 options exercisable at $2.12 cents by 20.11.2012
2,150,000 options exercisable at $1.12 cents by 18.12.2014

Cash: $5.38 million at end of quarter

Directors:

Peter Thomson
Chairman
George Sakalidis
Managing Director
Roger Thomson
Executive Director

HIGHLIGHTS

North Perth Basin

- **Measured Resource drilling commenced at the Atlas heavy mineral deposit.**
- **Drilling targets increased from 1.1km to 6.8km in length at Cooljarloo Southeast.**
- **6,000m drilling programme proposed at the Rhea strand and on nearby channel targets.**
- **Project management consultants appointed to assist Image in the commercialisation of its heavy mineral assets in the North Perth Basin.**

Eucla Basin

- **Cyclone Extended mineralisation thickness increased by 25%.**
- **Cyclone Extended mineral assemblage test work and resource estimation in progress.**

NORTH PERTH BASIN

COOLJARLOO (Image 70%)

Following additional detailed ground magnetic surveys in the south eastern part of the Cooljarloo heavy mineral project (Image 70%) a revised interpretation has more clearly defined drilling targets along strike from existing defined resources. The potential to increase these resources is substantial because the total length of the target strand lines is now 6.8km compared to the 1.1km strike length of the known mineralisation within the existing resources as shown in Figure 1.

This major target (previously referred to as the "new high grade strand" in ASX release 12 April 2007) is now called Rhea. The adjacent targets to the west of Rhea are the northwest extension of Tiwest's Middle Strand resource and will retain that name. The drill hole results from this area are summarised in the 12 April 2007 ASX release.

A 6,000m drilling programme on 100m line spacings is proposed on those parts of the target strands currently accessible, as shown in Figure 1. Permitting for this drilling is in progress. This drill density should be adequate to define measured resources within the mineralised strands. In addition, four new channel targets are planned to be tested in the proposed programme, following up previous drilling on known channels where thick intersections up to 72m @1.6% heavy minerals occur.

The strand targets form part of the group of interpreted strand lines that have been magnetically mapped in detail and which have associated mineralisation indicated from previous drilling by Image Resources or other explorers.

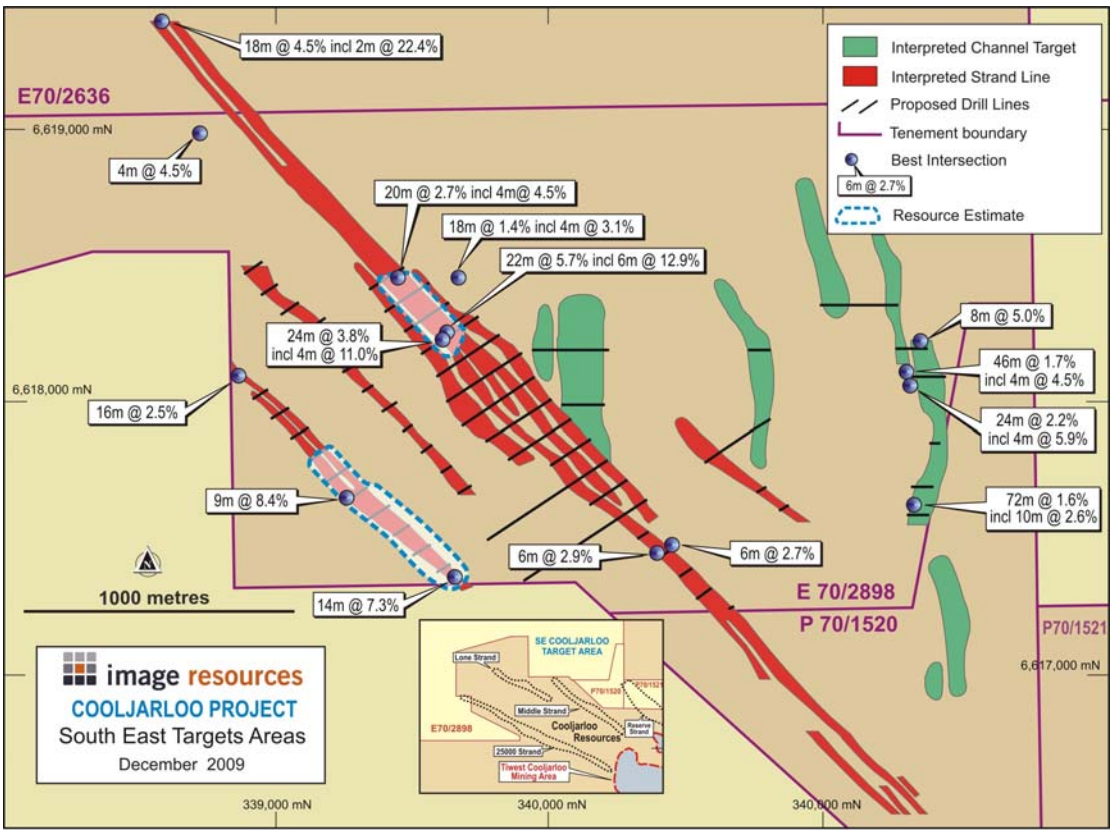

Figure 1
Cooljarloo, South East Target Areas

Infill drilling has commenced at Image's high grade Atlas deposit at Cooljarloo. The drilling is designed to upgrade the resource to measured status by increasing the drillhole density from 200m by 20m to 100m by 20m. Approximately 400 holes will be drilled, as shown in Figure 2, with completion of drilling expected by mid February.

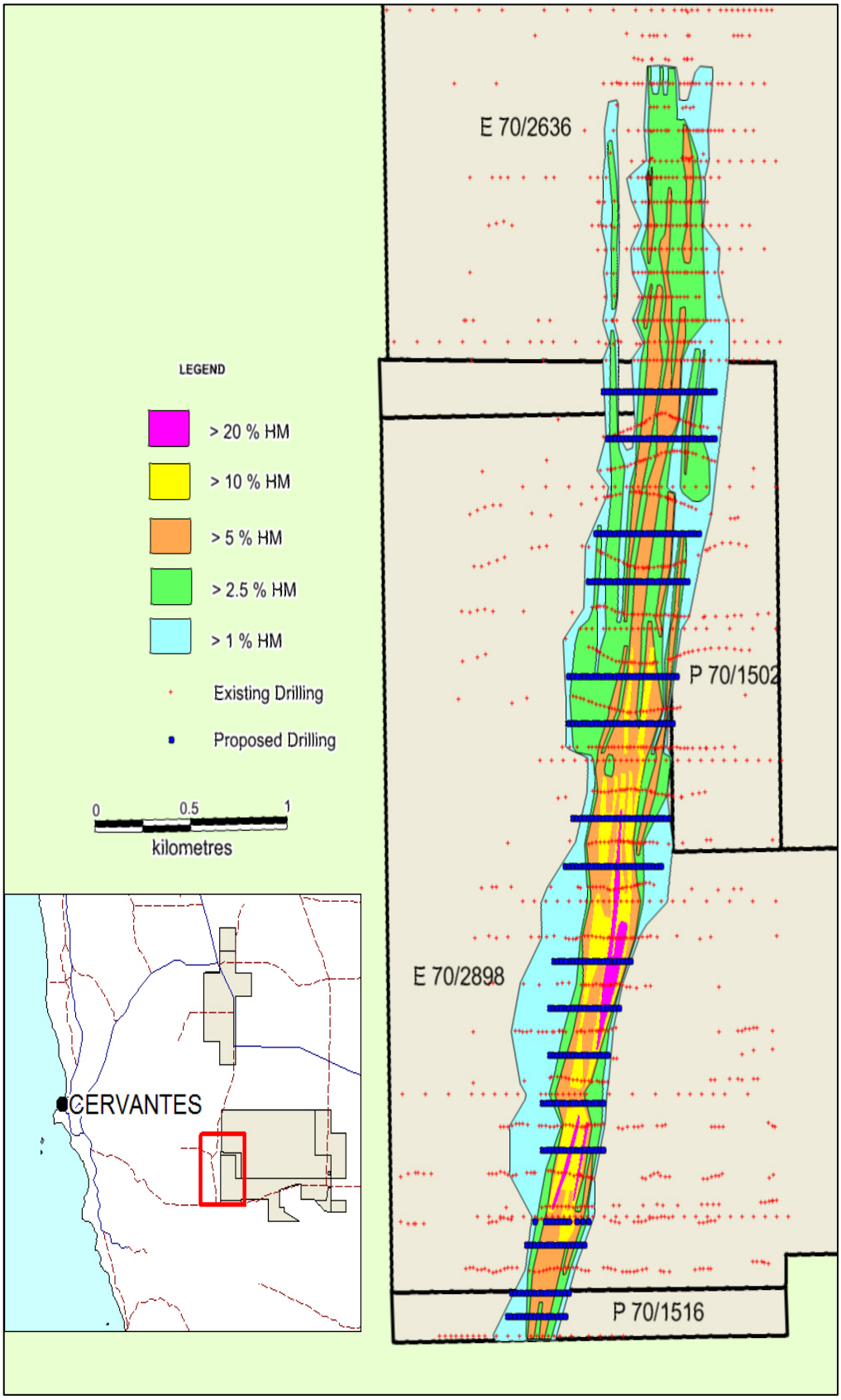

Figure 2
Proposed Atlas Resource Drilling

The drilling is focussed on the high grade mineralisation, including high grades of zircon of up to 20.8% of the heavy minerals, within unallocated crown land in the southern part of the deposit. The identification of this high grade zone has resulted in a significant resource upgrade of 260,000t of heavy minerals, increasing the contained zircon to 102,000t (ASX release 10 August 2009). Given the current price of zircon of US$900/t and the good zircon grades, any further resource upgrades have the potential to add significant value to Atlas.

Mineralogical composite samples from Atlas have been prepared and sent to parties who have signed memoranda of understanding for analysis. In addition, Image is conducting its own mineralogical analyses. These tests will complement the work completed to date (ASX release 27 May 2009). When complete, this data will be used to update the resource estimate (see Table 1) and to further the studies Image is undertaking on the commercialisation of its North Perth Basin resources.

Table 1
Atlas Resource Estimate Heavy Minerals and Mineralisation

Category	Cut Off Grade %HM	Tonnes	Grade %HM	Slimes %	t HM
Indicated	**2.5**	**14,600,000**	**6.2**	**15.6**	**910,000**

Atlas Resource Estimate Heavy Mineral Suite

Category	Ilmenite	Leucoxene + Rutile	Zircon	Other
Inferred	555,000t	66,000t	102,000t	186,000t
Inferred	61.0%	7.3%	11.2%	20.4%

GINGIN

A 52-hole, 1,525m aircore drilling programme was completed during the quarter. The holes tested magnetic targets along strike from Iluka's Gingin mine. 298 samples were submitted for laboratory processing. The better intersections are summarised in Table 2.

Table 2
Gingin Aircore Drilling Results

Hole Number	MGA East	MGA North	From m	To m	Interval m	% HM
GG166	393887	6532420	18	20	2	2.1
GG168	393814	6532398	6	10	4	2.9
GG173	393602	6532702	6	8	2	3.6
GG178	393838	6531957	18	20	2	2.3
GG183	394214	6531821	14	16	2	2.2
GG195	393558	6531604	20	24	4	2.2
GG196	393523	6531599	18	24	6	3.1
GG197	393484	6531602	18	20	2	2.3
GG201	393597	6531360	22	24	2	2.1
GG202	393667	6531324	22	26	4	3.0
GG211	394294	6531076	12	14	2	2.9
GG217	393554	6531599	20	24	4	3.3

2m samples, HM grade determined by TBE heavy liquid separation

During the quarter Image appointed a team of experienced management consultants and engineers to assist in advancing the commercialisation of Image's heavy mineral assets in the North Perth Basin. Image's current key objective is to build the value of its North Perth Basin assets through expansion of its resource base and the determination of the optimal path for the development and mining of these resources in order for Image to liberate that value to its shareholders, whether by mining the resources itself or through some other transaction.

EUCLA BASIN (Image 100%)

As previously reported, Image Resources completed a 402-hole, 16,308m aircore drilling programme at Serpentine Lakes in the Eucla Basin, following up its earlier drilling which intersected significant thicknesses of zircon-rich heavy minerals. Zircon comprises up to 45% of the HM assemblage (ASX releases 11 February 2009 and 27 October 2009) and is of great significance because it is the highest value mineral normally found in heavy mineral deposits (approximately 10 times the value of ilmenite).

In addition, the material has a very low slime content (range1.8-7.6%, average 4.2%). Low slime content is important because the material is easier to treat and operating costs of mining are reduced.

Results for all samples selected for laboratory processing have now been received. Most of the more recent sample results, summarised in Table 3, are from areas above and adjacent to the higher grade core of the mineralisation. As a result, most of the new intersections are from holes that were reported previously, but which now have greater thicknesses. Within the Cyclone Extended area shown in Figure 3, the average thickness of mineralisation has increased from 8m to 10m **representing an overall increase in mineralisation thickness of 25%.** As most of the increased thickness is in the upper part of the mineralisation, it is likely that the overburden ratio will reduce.

Two distinct zones of mineralisation are recognised within Cyclone Extended which abuts Diatreme Resources' Cyclone resource to the north. Based on the drilling completed to date, the main body of the western zone is some 2km long and 800m wide, with a 200m-wide extension to the south for a further 750m. The eastern zone is about 800m wide, remains open to the south and could extend for up to 4.5km in length within the Image tenements. Additional mineralisation has been identified about 1.5km east of the eastern zone that warrants more drilling to define its extent.

The drill holes shown in Figure 3 are coloured by metal factor (intersected thickness x HM grade in m%HM). The metal factors are based on a mix of laboratory and visual estimates at this stage. Metal factors greater than 40m% are shown in magenta, 20 - 40m% in red, 7- 20m% in orange, 2 -7m% in green, and less than 2m% in blue. Sections showing some of the increased mineralisation thicknesses, ranging up to 20m thick (1% HM cut off), are shown in Figure 4.

These new results continue to highlight that Cyclone Extended is a potentially economic zircon discovery, particularly when considered with Diatreme's contiguous Cyclone deposit. The strike length of the two deposits extends for some 10km, which is a significant size in a global context and which compares favourably with Iluka's Jacinth-Ambrosia deposits further east in the Eucla Basin.

As previously reported, some 20km east of Cyclone Extended further HM mineralisation has been identified at the Monsoon prospect as shown in Figure 5.

The area between Cyclone Extended and Monsoon remains prospective for additional mineralisation and further drilling is planned in this large target area.

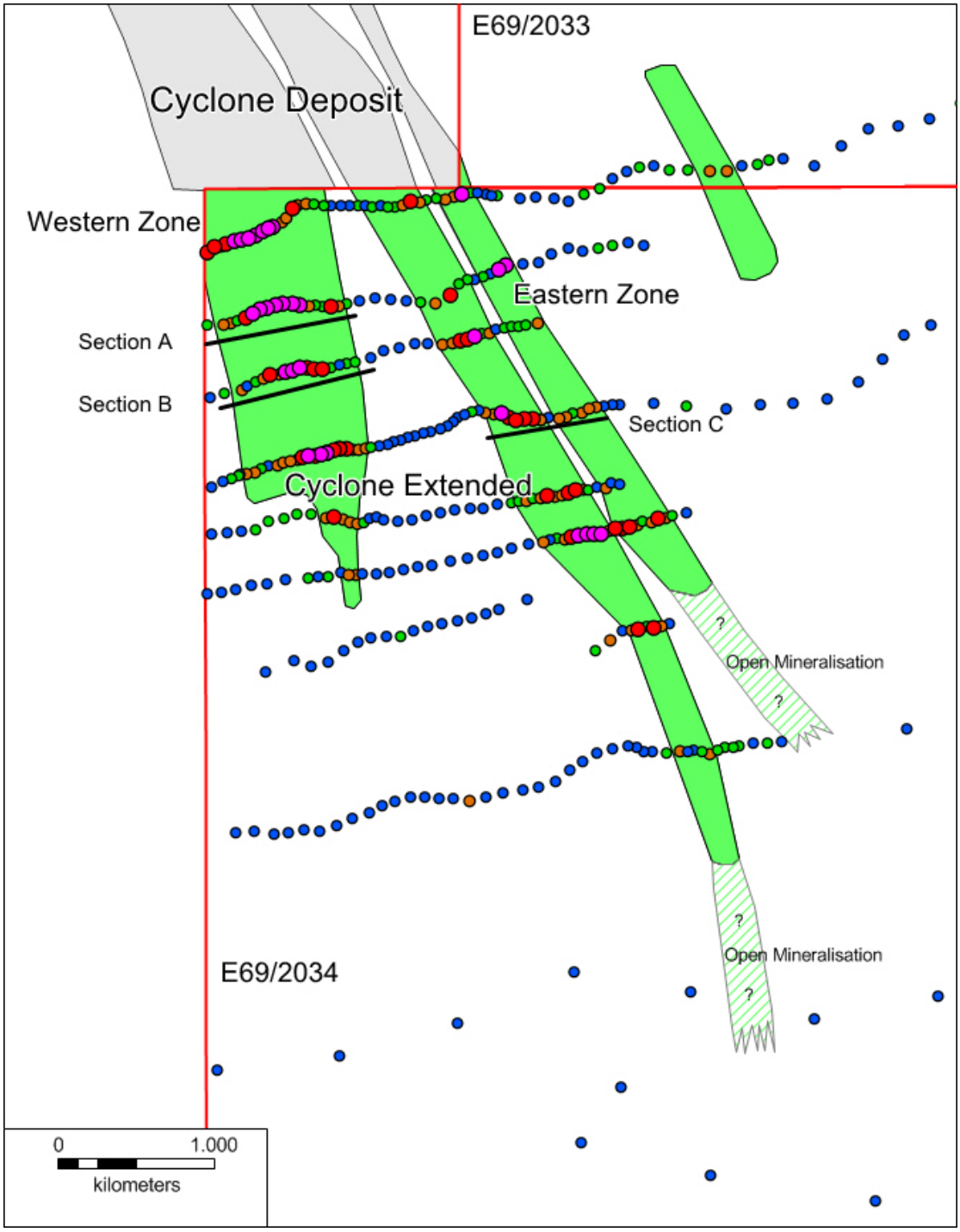

Figure 3
Cyclone Extended HM Prospect Showing Mineralisation and Drill Holes Coloured by Metal Factor

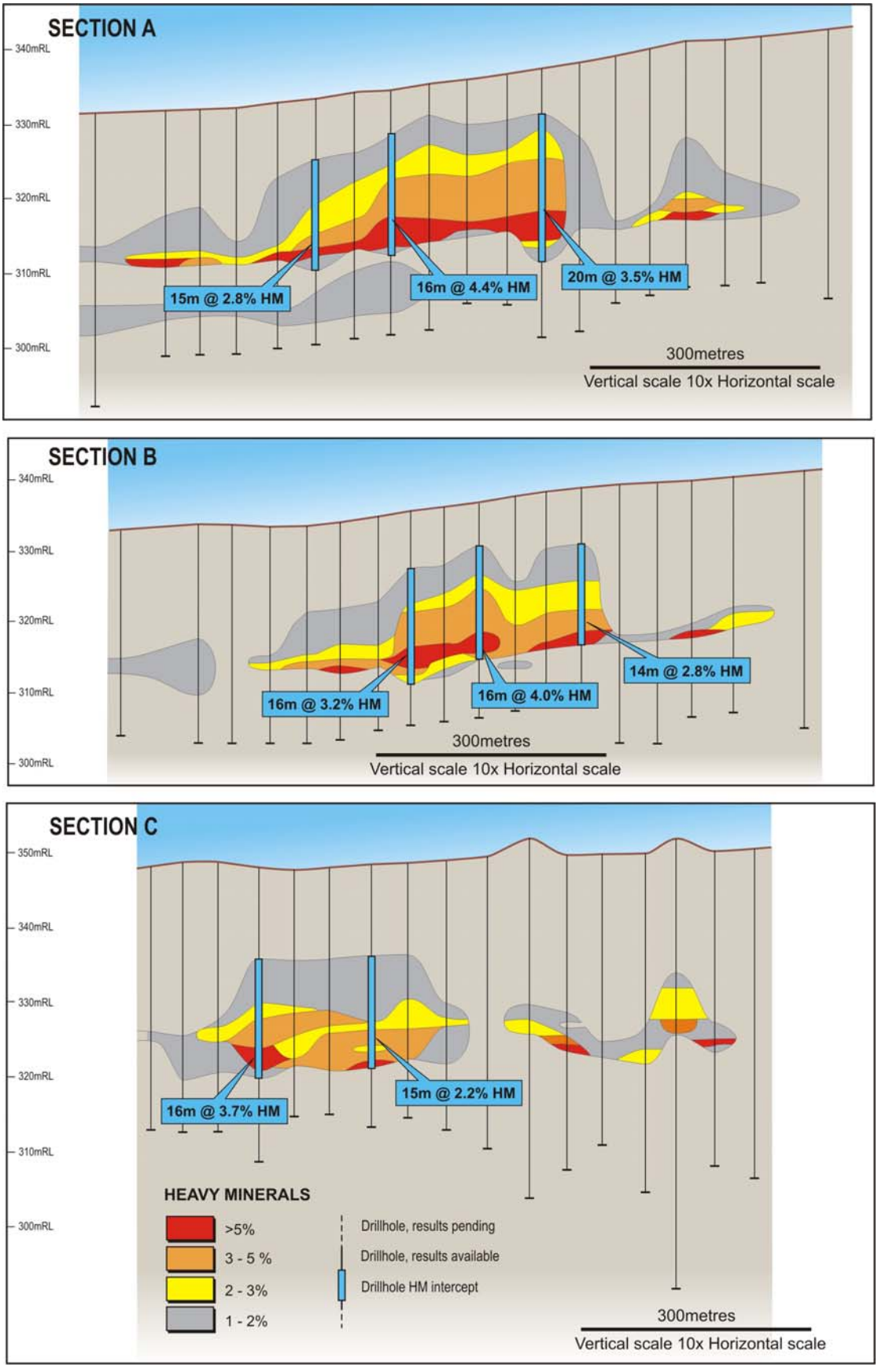

Figure 4
Cyclone Extended Drill Sections

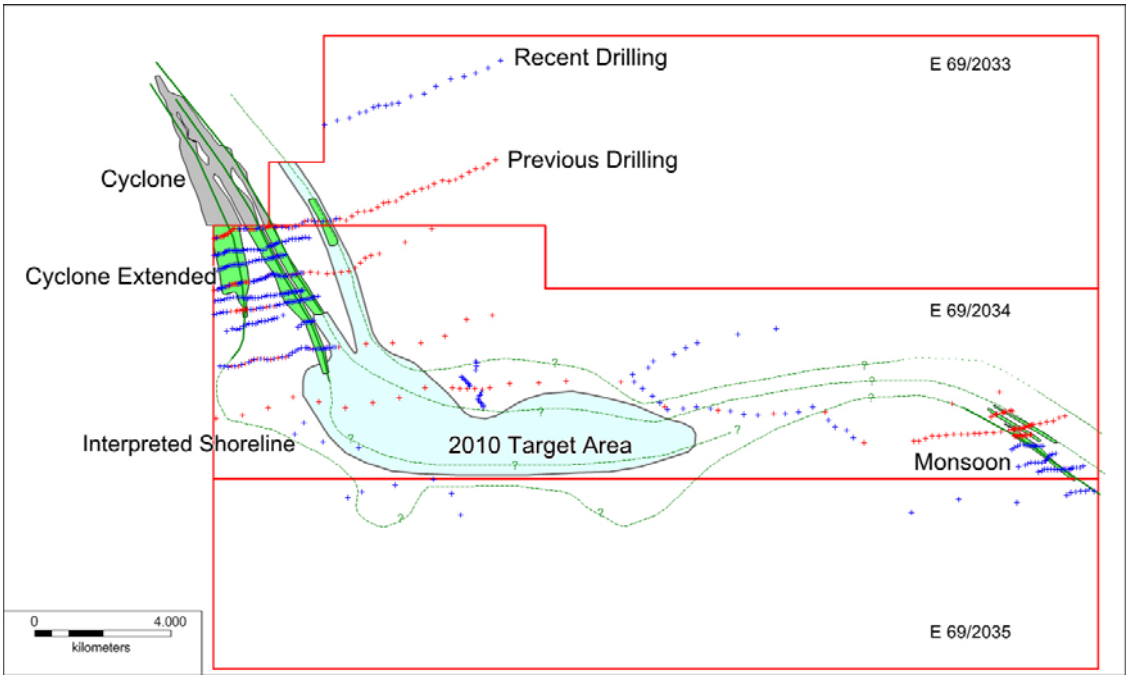

Figure 5
Cyclone Extended and Monsoon Prospects

Now that sample processing is complete, mineral assemblage studies and resource estimation have commenced. It is anticipated that the grades and continuity of mineralisation indicated from the drilling to date will allow the estimation of inferred resources for Cyclone Extended and Monsoon. Following this it is anticipated that a scoping study will be carried out to assess the economic potential of the project. Further drilling may then be undertaken to outline the full extent of the mineralisation and to investigate the mineralisation potential of the paleo-shorelines between Cyclone Extended and Monsoon where a 10km-long target area has been identified.

Image Resources continues to be most encouraged by the drilling results received to date which point to potential for extensive zircon-rich mineralisation with significant high titanium leucoxene and rutile credits.

Table 3
Cyclone Extended Aircore Drilling Results

Hole Number	MGA East	MGA North	From m	To m	Interval m	% HM
SL098	474571	6808730	16	24	8	2.1
SL102	474047	6810081	8	23	15	1.9
SL108	474478	6810246	8	23	15	1.1
SL110	474547	6810332	8	23	15	2.2
SL218	476132	6808985	19	27	8	1.5
SL219	476081	6808980	12	26	14	2.5
SL220	476032	6808980	12	27	15	2.6
SL251	475976	6808972	12	27	15	2.9
SL322	477211	6810571	8	16	8	1.8
SL332	475301	6810371	16	30	14	2.0
SL338	474083	6810090	10	21	11	1.5
SL349	475915	6809963	14	32	18	2.4
SL350	475866	6809941	18	32	14	3.4

Table 3
Cyclone Extended Aircore Drilling Results

Hole Number	MGA East	MGA North	From m	To m	Interval m	% HM
SL356	475558	6809773	14	28	14	2.1
SL364	474843	6809712	18	24	6	1.6
SL365	474791	6809703	13	24	11	2.7
SL368	474644	6809710	10	22	12	1.4
SL369	474593	6809706	6	26	20	3.9
SL370	474545	6809716	6	21	15	3.8
SL371	474489	6809720	6	21	15	3.3
SL372	474438	6809712	4	21	17	3.8
SL373	474389	6809696	6	22	16	5.0
SL374	474341	6809685	8	21	13	3.3
SL375	474294	6809654	8	23	15	3.0
SL376	474246	6809627	10	21	11	1.9
SL378	474145	6809600	13	21	8	1.8
SL379	474100	6809590	14	21	7	2.0
SL382	474219	6809176	16	24	8	1.4
SL385	474358	6809247	12	20	8	1.9
SL386	474401	6809266	12	21	9	2.5
SL387	474454	6809275	12	21	9	1.9
SL388	474500	6809280	8	24	16	3.6
SL389	474544	6809295	8	24	16	2.7
SL390	474591	6809308	6	22	16	4.5
SL391	474642	6809312	12	24	12	2.6
SL392	474688	6809306	8	22	14	3.0
SL393	474740	6809304	8	22	14	3.1
SL405	475616	6809481	14	27	13	2.7
SL406	475662	6809496	14	28	14	2.6
SL407	475713	6809511	14	29	15	3.0
SL423	474815	6808355	16	25	9	2.5
SL425	474912	6808332	12	23	11	2.0
SL426	474955	6808317	17	22	5	1.4
SL447	476312	6808514	19	30	11	2.7
SL448	476356	6808525	16	30	14	2.5
SL449	476398	6808537	22	29	7	1.6
SL452	476544	6808549	25	30	5	3.0
SL477	476474	6808245	18	36	18	2.8
SL486	476842	6808330	32	36	4	3.9
SL487	476930	6808357	22	36	14	1.1

1m or 2m samples, HM grade determined by TBE heavy liquid separation

The information in this report is based on information compiled or reviewed by George Sakalidis BSc (Hons), who is a member of the Australasian Institute of Mining and Metallurgy. George Sakalidis is a director of Image Resources NL. George Sakalidis 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'. George Sakalidis consents to the inclusion of this information in the form and context in which it appears in this report.