

QUARTERLY REPORT for the Quarter Ended 30 September 2010

Image Resources NL
ABN 57 063 977 579

ASX Code: IMA

Level 2, 16 Ord Street
West Perth WA 6005

T +61 8 9485 2410
F +61 8 9485 2840
E info@imageres.com.au

PO Box 644
West Perth WA 6872

Issued Capital:

Shares - Quoted:

86,313,958 fully paid
ordinary shares

Options - Unquoted:

2,000,000 options
exercisable at \$0.37 by
21.11.2010

2,500,000 options
exercisable at \$1.80 by
16.11.2011

2,200,000 options
exercisable at \$2.12 by
20.11.2012

2,500,000 options
exercisable at \$1.50 by
19.11.2011

2,345,000 options
exercisable at \$1.12 by
18.12.2014

1,000,000 options
exercisable at \$2.38 by
26.3.2012

Cash: \$3.5 million

Directors:

Peter Thomas

Chairman

George Sakalidis

Managing Director

Roger Thomson

Executive Director

HIGHLIGHTS

NORTH PERTH BASIN

- Atlas Measured plus Indicated Resource upgraded to 12.1Mt @ 7.4% HM containing 895,000 tonnes of HM (2.5%HM cut-off), representing an 18% increase in grade and maintaining the contained HM.
- Test work indicates that 65% of the ilmenite product from Atlas is likely to be of synthetic rutile feed quality.
- 6,000m drilling programme in progress on the Rhea and Middle Strand with potential to add significantly to the Cooljarloo resource base.
- Drilling of five channel targets at Cooljarloo to start in November.
- Permitting and land access agreements completed at Gingin and Chandala in preparation for drilling in December.

EUCLA BASIN

- MOU signed with Diatreme Resources aimed at co-operation to add value and to fast track the commercialisation of the Cyclone and Cyclone Extended zircon-rich resources.
- Landholding in the Eucla Basin increased by 775sq km to 1,620sq km to cover 70km of target paleo-shorelines.

NORTH PERTH BASIN

Cooljarloo (Image 70%)

Atlas

Image has upgraded the majority of the JORC compliant resources at its Atlas deposit to Measured category. The Measured Resource is now 11.1Mt at 7.78% heavy minerals (HM) plus an Indicated Resource of 1.1Mt at 3.2%HM mainly confined to the northern end of the deposit. Resource estimates at varying cut-off grades for each resource category and total Measured plus Indicated Resources are summarised in Table 1. Resources are estimated using a 2.5%HM cut-off based on the scoping study completed in 2008.

The resource estimation was carried out using the results of infill drilling reported in April 2010 which increased drill hole density to an average of 100m line spacing and 20m hole spacing for most of the deposit, see Figure 1.

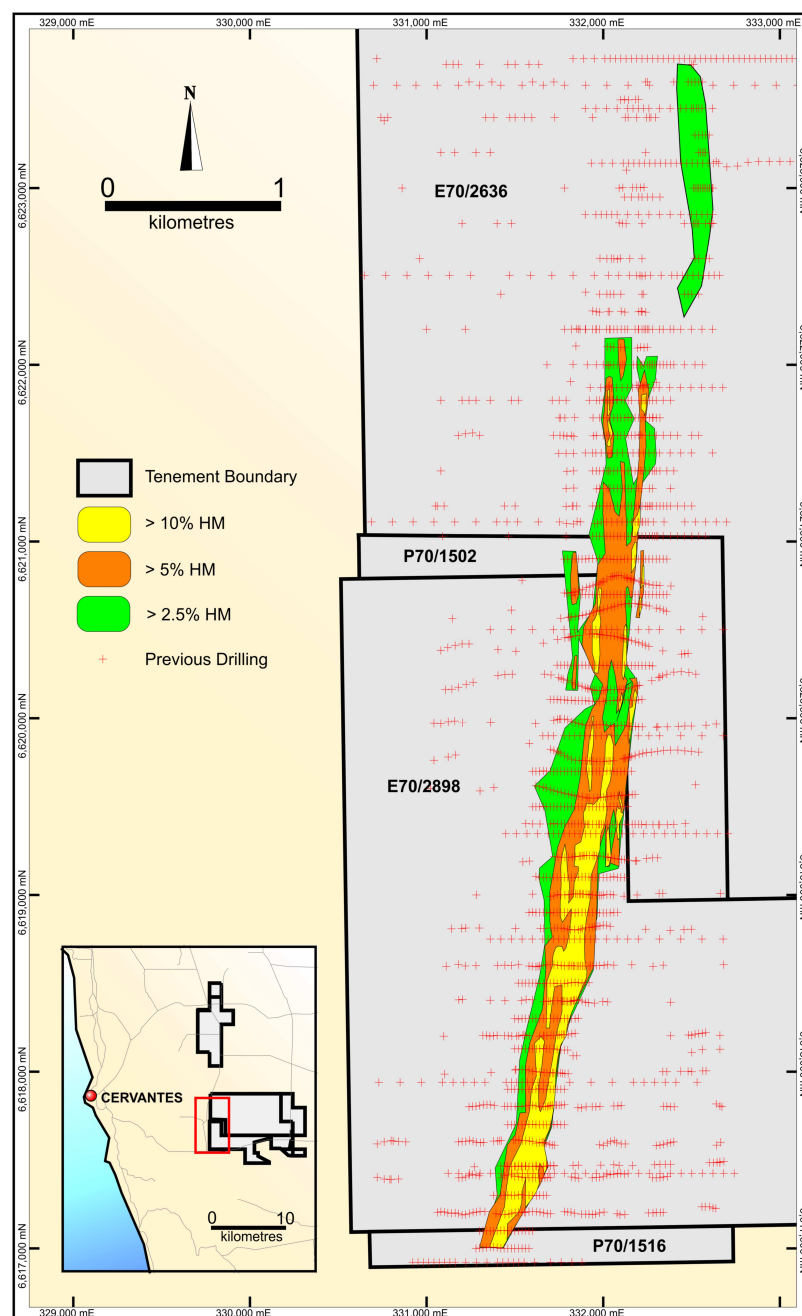


Figure 1
Atlas Resource Outlines and Drill Hole Locations

The infill drilling confirmed the continuity of the high grade core of the deposit, as illustrated by the 5% and 10%HM outlines in Figure 1. The +5%HM zone extends for approximately 5km along strike with widths of between 100m and 300m and contains a 3km-long, up to 200m wide, high-grade (>10%HM) core. This zone of enhanced mineral grades is expected to provide a robust foundation for mining.

Table 1
Atlas Resources as at October 2010

Category	HM Cut-off	Tonnes	HM	HM Tonnes	Slimes	OS
Indicated	5.00	12,227	5.94	727	15.50	13.35
Indicated	4.00	84,557	4.53	3,828	16.04	6.31
Indicated	3.00	649,398	3.52	22,881	18.94	4.46
Indicated	2.50	1,097,361	3.20	35,168	19.18	4.14
Indicated	2.00	1,694,923	2.88	48,848	19.43	3.69
Indicated	1.50	2,231,274	2.60	58,031	19.12	3.92
Indicated	1.00	2,691,628	2.37	63,801	18.91	4.05
Measured	5.00	6,354,819	10.85	689,691	16.27	4.28
Measured	4.00	7,917,947	9.59	759,459	15.96	4.54
Measured	3.00	9,846,988	8.40	826,694	15.76	4.86
Measured	2.50	11,057,905	7.78	859,883	15.70	5.04
Measured	2.00	12,845,355	7.00	899,730	15.74	5.30
Measured	1.50	16,070,616	5.94	955,175	15.75	5.66
Measured	1.00	22,783,967	4.55	1,037,023	15.37	5.84
Total	5.00	6,367,046	10.84	690,416	16.26	4.30
Total	4.00	8,002,504	9.54	763,288	15.96	4.56
Total	3.00	10,496,385	8.09	849,577	15.95	4.84
Total	2.50	12,155,266	7.36	895,043	16.02	4.96
Total	2.00	14,540,278	6.52	948,561	16.17	5.11
Total	1.50	18,301,890	5.54	1,013,184	16.16	5.45
Total	1.00	25,475,594	4.32	1,100,881	15.74	5.65

Slimes: minus 63 micron fraction OS: oversize, plus 1mm fraction

Metallurgical test work on a series of bulk samples from the deposit has been undertaken and preliminary results indicate that approximately 65% of the Ilmenite product may be suitable as synthetic rutile (SR) feed with TiO₂ contents of between 58% and 62% and combined uranium and thorium averaging 145ppm, well below the 500ppm cut-off for SR feed. With five SR kilns within trucking distance of Atlas, there appears to be an attractive potential market for the Atlas ilmenite product. Further work on this and other product qualities is scheduled to be completed before the end of December. Determination of an updated mineral assemblage has been delayed pending the results of the metallurgical test work and will be the subject of a further announcement when all results have been compiled. However, no significant changes are expected relative to previous announcements.

The resource estimate has been derived from holes drilled using industry-standard aircore drilling techniques. Geological domains were interpreted by Image employees and the geological interpretations were wireframed by an external consultant. The resource modelling was carried out by Mr Lynn Widenbar of Widenbar & Associates using the wireframes and drill data supplied by Image.

When compared to the August 2009 resource the re-estimation has resulted in an overall reduction of approximately 2.4million tonnes of sand and an increase in HM grade from 6.3% to 7.4% using a 2.5%HM cut-off, see Table 2. The HM grade increase has balanced the sand loss with contained HM tonnes within 2% of the 2009 tonnage estimate.

Table 2
Comparison to August 2009 Resource

22 October 2010 Resource Total				
HM Cut-off	Tonnes	HM	HM Tonnes	Slimes
2.50	12,155,266	7.4	895,043	16.02
03 August 2009 Resource				
2.50	14,565,983	6.3	909,791	15.62
Comparison				
Difference	-2,410,717	1.12	-14,749	0.40
% Diff	-17%	18%	-2%	3%

Rhea

A 6,000m drilling program has commenced on 100m line spacings at the Rhea prospect 8km to the east of Atlas and immediately north of the Tiwest Cooljarloo mining operations, see Figure 2. Previous wide-spaced drilling combined with detailed magnetic mapping indicates that potential exists for a substantial increase to Image's resource base in this area. The major target is the north-west trending Rhea strandline. Adjacent to the Rhea target are extensions of Tiwest's Middle Strand resource, which will also be drilled.

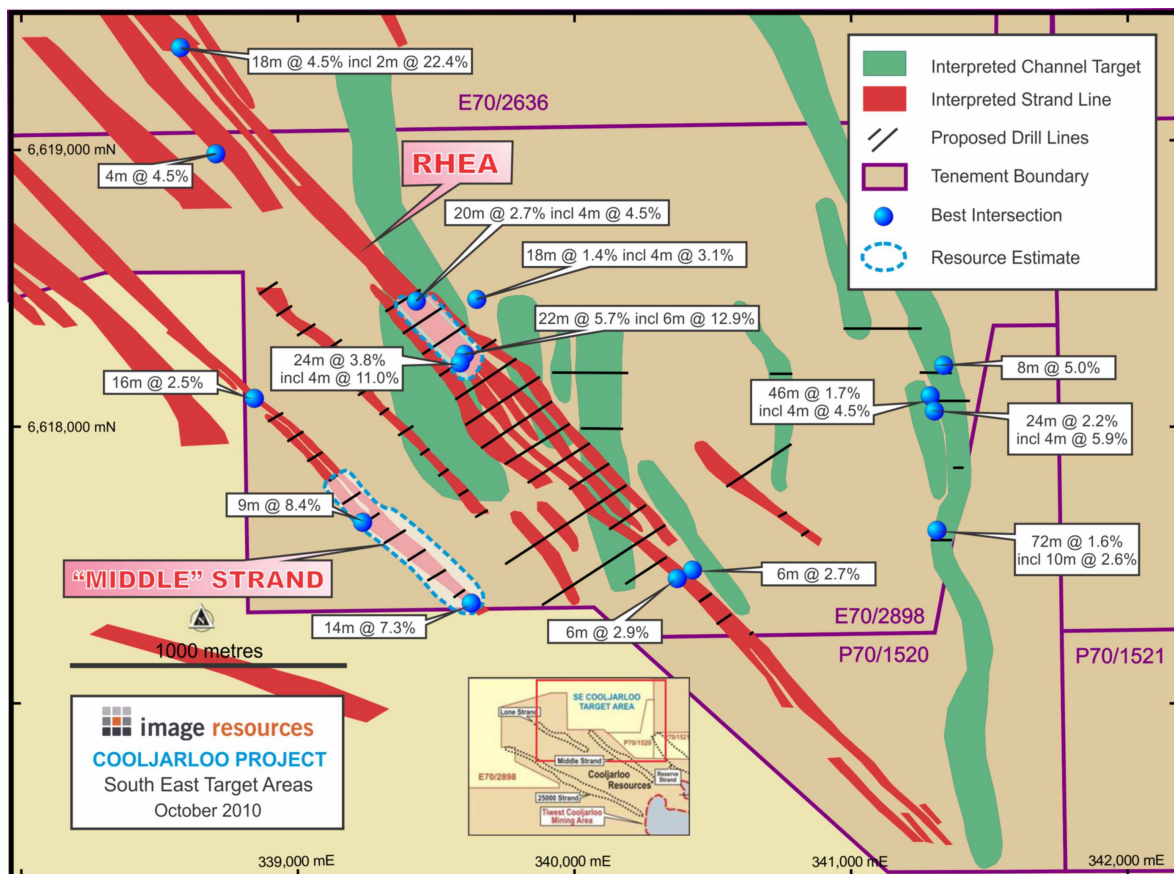


Figure 2
Proposed Drilling at Rhea and Middle Strand

Channels

Image has received co-funding to test channel targets from the West Australian government as part of the Exploration Incentive Scheme. Five of these targets will be tested in the current program. The channel targets have potential for large volumes of heavy mineral bearing sand amenable to dredging.

The channel drilling will penetrate well into the basement, where Image has previously reported the presence of a 2m coal intersection from 18m in drill hole 210. With historically identified coal resources (e.g. the Wonganderrah coal resource identified by CRA) and other intersections in the area, Image is encouraged to explore the coal potential of this area.

Gingin (Image 100%) and Chandala (Image earning up to 80%)

Following the very encouraging drilling results obtained during the previous quarter, permitting and land access agreements have been finalised in preparation for further drilling anticipated to commence in December. The drilling is designed to infill between previous high grade intersections and to test strike extensions of mineralisation within the 16km-long target zone.

EUCLA BASIN

During the quarter Image Resources and Diatreme Resources signed a memorandum of understanding (MOU) with respect to their contiguous Cyclone Extended and Cyclone Resources (IMA ASX release 22 September 2010). Image and Diatreme have agreed to co-operate with each other with the aim of entering into a commercial arrangement on the two deposits which abut over a common mineral tenement boundary, as shown in Figure 3.

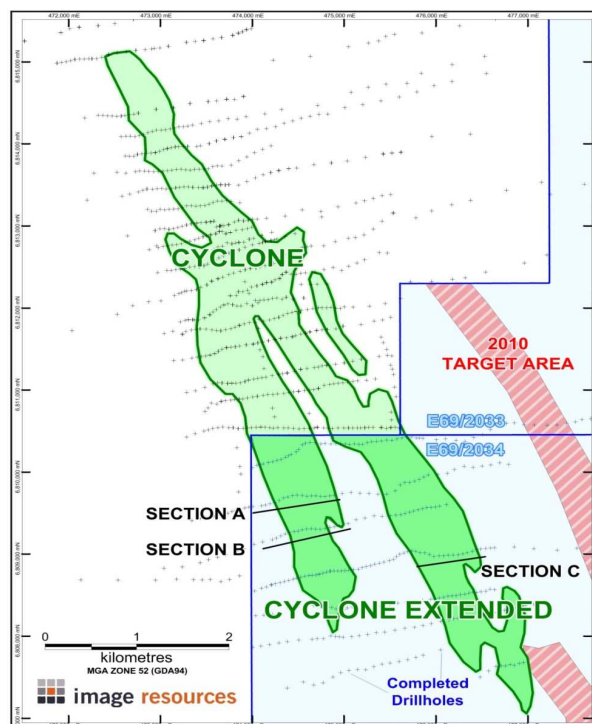


Figure 3
Cyclone and Cyclone Extended Resource Outlines
(1%HM cut-off, as estimated by Image Resources)

The common purpose is to advance these assets to feasibility and if warranted, to production in order to add substantial value for both companies. The co-operation may include collective negotiations with third parties who may wish to invest in or purchase the assets. It is noted that Diatreme recently signed an MOU with BaoTi, one of the largest end users of zircon in China.

Image's estimate of the defined resources at Cyclone and Cyclone Extended totals 2.4Mt of contained zircon and 1Mt of contained rutile and leucoxene at a 0.75%HM cut-off (IMA ASX release 23 July 2010) indicating a resource of global significance when compared to current world annual production of 1.3Mt of zircon. Zircon prices remain at a record high of US\$1,000/t and market conditions are expected to become even more favourable with current producers being unable to meet demand for both zircon and rutile.

Following the estimations of the maiden resource at Cyclone Extended, Image is planning further infill drilling at this resource as well as exploration drilling to test target areas to the south and south east of Cyclone Extended as shown in Figure 4.

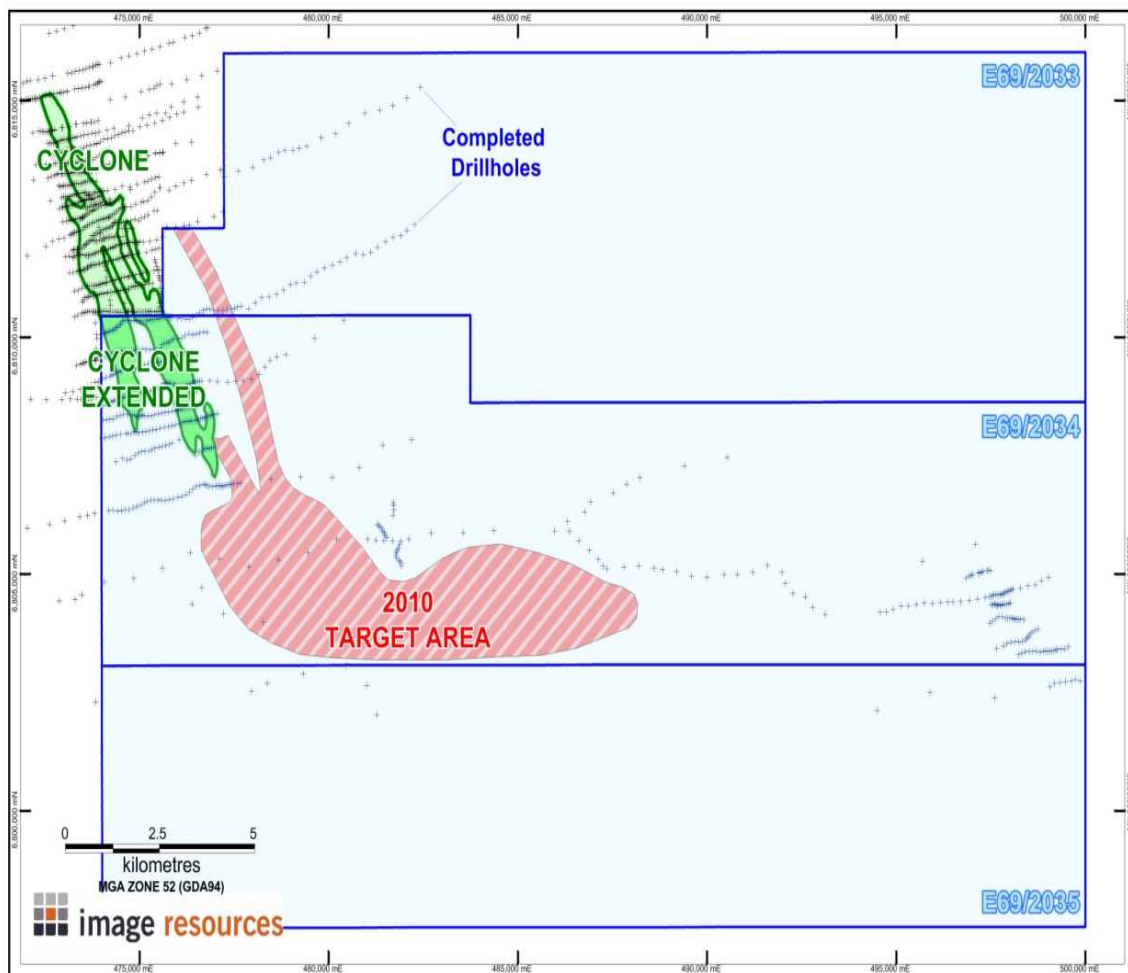


Figure 4
Cyclone Extended Exploration Target Area

As part of its ongoing heavy mineral exploration in the Eucla Basin, Image has applied for three tenements covering 775 sq km approximately 80km west of its Serpentine Lakes tenements and adjacent to its Wanna South and Forrest Lakes tenements, as shown in Figure 5. This acquisition brings Image's tenement holdings in this part of the Eucla Basin to 1,623 sq km.

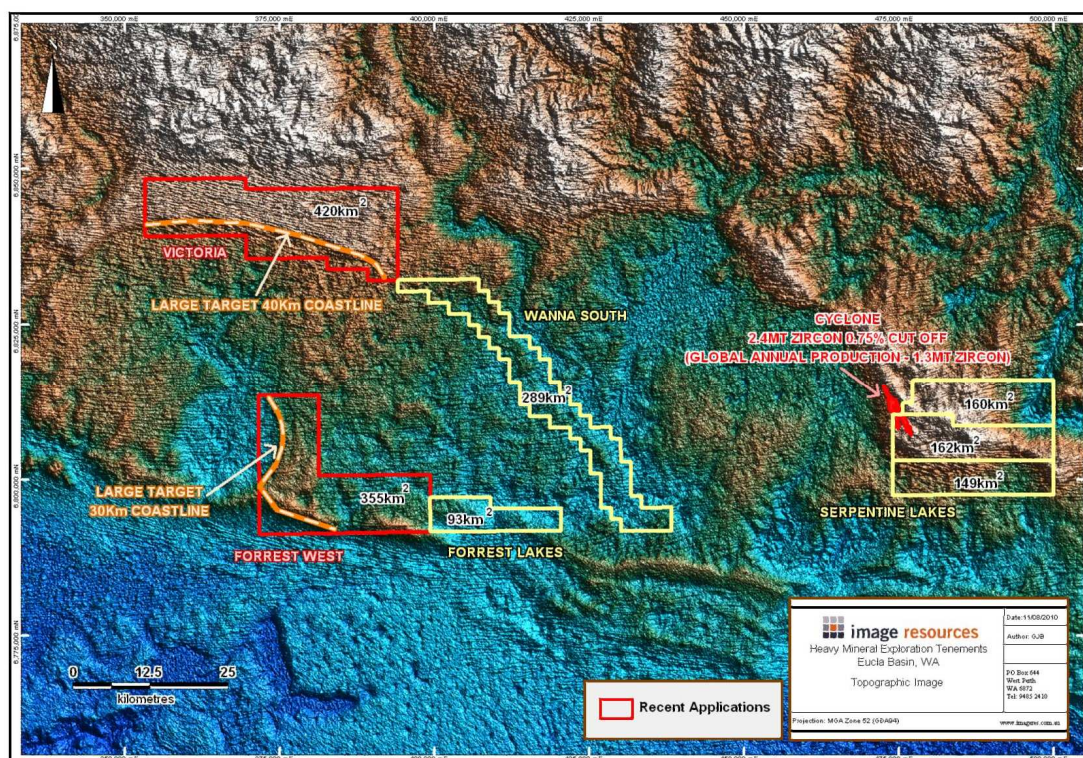


Figure 5
Image Exploration Tenure, Eucla Basin

The applications cover two separate shoreline features identified from digital elevation modelling. The northernmost feature consists of approximately 40km of palaeo coastline forming a curved south westerly facing bay on the Late Eocene-age Barton Shoreline and is covered by two exploration licences termed Victoria, totalling 420 sq km in area. The Barton Shoreline hosts the Cyclone and Cyclone Extended mineral sand deposits further to the east. The second shoreline feature is covered by a single tenement (Forrest West) of 355km² adjacent to Image's existing Forrest Lakes project. The Forrest West tenement covers a section of the Ooldea Shoreline down drift from a large palaeo drainage and estuary. The target area consists of lunette dunes formed on the eastern edge of the estuary and a potential headland to the east (down drift) of the drainage. The prospective area extends over a strike length of 30km. The target mineralisation in this area is either a typical strand type deposit along the shoreline or an analogue of the Notrab deposit held by Dominion Mining which is in a lunette environment and situated 50km north of Iluka's Jacinth-Ambrosia deposits. Iluka's Jacinth-Ambrosia deposits are situated on the Ooldea Shoreline in the South Australian part of the Eucla Basin.

Recent discoveries by the Red Metal-Bemax joint venture continue to highlight the potential of the Eucla Basin for the discovery of further world class heavy mineral deposits. Image views this central part of the Eucla Basin as presenting an exciting opportunity to replicate the successes further east in South Australia, with the Cyclone discovery potentially indicating a second high value heavy mineral province in the Eucla Basin. On completion of permitting Image plans to carry out aircore drilling with the aim of augmenting its existing discovery in this prospective region.

OTHER

Erayinia Joint Venture

Image has entered into farm-in and joint venture agreements with Integra Mining (ASX:IGR) on two exploration licences totalling 120sq km in area held by Image along strike from Integra's 500,000oz Aldiss Gold Project situated 130km east of Kalgoorlie (IGR ASX release 3 September 2010).

Under the terms of the agreements Integra may earn a 70% interest in the tenements by exploration expenditure of \$750,000 within a five year period, with a minimum expenditure of \$250,000 in the first year. The joint venture will allow Image to focus on its core heavy mineral assets whilst retaining equity in a grassroots gold play at a time of a rising gold price.

For more information on the company visit www.imageres.com.au
Please direct enquiries to:

Roger Thomson
Executive Director
Phone (08) 9485 2410
Mobile 0419 969 183
Email roger@imageres.com.au

George Sakalidis
Managing Director
Phone (08) 9485 2410
Mobile 0411 640 337
Email george@imageres.com.au

The information in this report that relates to exploration results is based on information compiled or reviewed by George Sakalidis BSc Hons, MAusIMM. 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 Persons as defined in the 2004 edition of the 'Australasian Code of 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.