



**Breakaway
Research**

December 2012

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Company Information

ASX Code	IMA
Share Price A\$	0.20
Ord Shares	140.1m
Options	8.8m
Estimated MCAP A\$	28.0m
Cash A\$	8.4m
Total Debt	-
Enterprise Value	19.6m

Directors

Non-Exec Chairman	Peter Thomas
Managing Director	Peter Davies
Executive Director	George Sakalidis

Substantial Share Holders

Pontian Orico Plantations	8.4%
Citi Corp Nominees	5.0%
Fredrick Ribton	4.8%
New Eastern Int. Inv.	3.7%
Wit Team Enterprises	2.9%

Company Details

Address	Level 2, 16 Ord Street West Perth WA 6005
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Web	www.imageres.com.au

1 Year Price Chart



Source: Bloomberg

Image Resources NL (IMA)

*High grade mineral sands projects
advancing towards production*

Recommendation: Speculative BUY

Company Update

Key Points

- **Clear strategy to advance North Perth Basin mineral sands project into production**
- **Fully funded feasibility study underway**
- **Resource upgrade at Boonanarring expected early 2013**
- **Envisaged mine site secured on freehold farm land**
- **Metallurgical test work underway will provide data for processing flow sheet design and product samples for potential off-takers**
- **First production targeted for early 2015**

Image Resources is now advancing towards development of its high grade mineral sand assets delineated within the North Perth Basin. A resource upgrade at the key Boonanarring deposit (due in Feb 2013) is likely to further enhance the already robust economics outlined in the scoping study. Image has now embarked on a 'bankable' feasibility study with first production targeted for late 2014.

Investment Thesis

After five years of exploration, Image Resources (ASX: IMA) has now created a significant portfolio of high grade mineral sands projects within the North Perth Basin, WA.

Following the successful outcomes of a scoping study completed in 2011, the company is now implementing a clear strategy to develop these assets with first production from the Boonanarring deposit possible by early 2015. The recent A\$6.7M capital raising (subject to shareholder approval) will be more than adequate to complete the necessary technical studies (as part of a broader feasibility study), the planned resource expansion drilling campaigns at Boonanarring and all company operating costs through to July 2013.

Initially, Image envisage construction of a 3.3Mtpa single mine and wet plant operation at Boonanarring. This initial, relatively low capital cost project should then provide the operating platform and cash flow for the staged development of parallel mining operations at Atlas and the other projects, together with the construction of a more capital intensive Dry Mill, capable of producing finished products.

This strategy is not only attractive in terms of project economics, but will provide a quicker path to production at lower risk, with a significantly lower up-front capital requirement than would be the case if a Dry Mill is constructed initially.



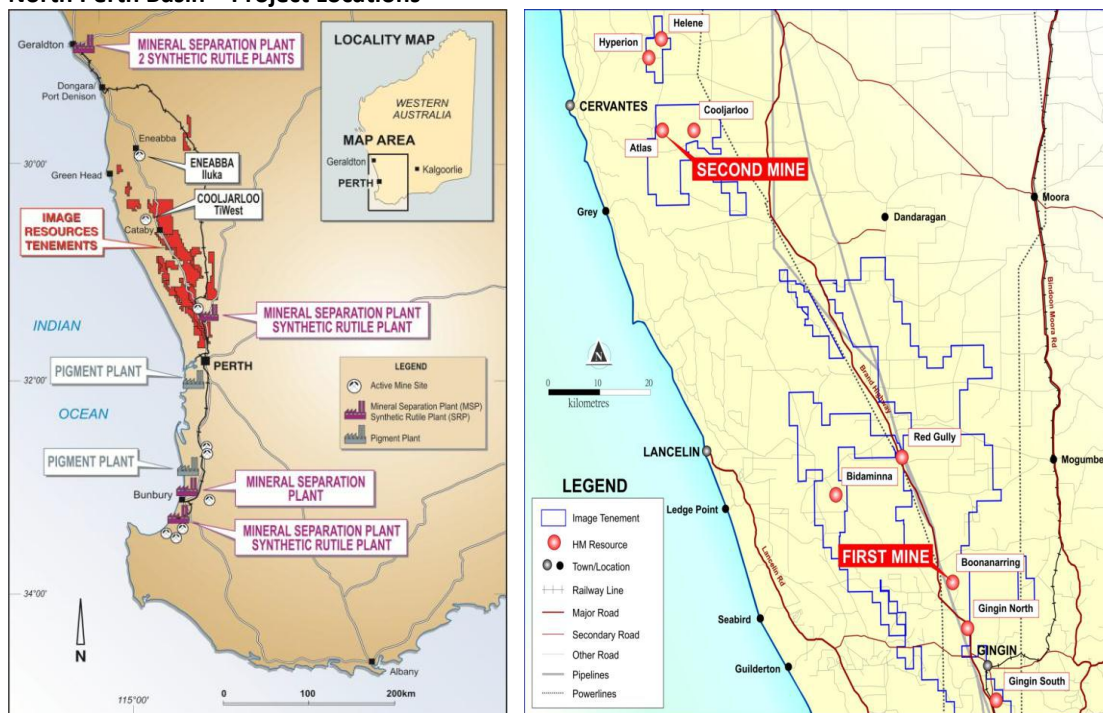
Company Update

North Perth Basin Project

Significant resource within the NPB

Image has a major land holding in the North Perth Basin (NPB) which comprises of a total JORC resource of 289Mt @ 2.9% HM (for ~8.4Mt of valuable Heavy Minerals). Within this resource, the company has identified a 'high grade' resource made up from seven nearby deposits which host a total of **52.9Mt @ 6.6% HM for ~3.5Mt of Heavy Minerals** with over 90% of the resource in the Measured and Indicated categories.

North Perth Basin – Project Locations



Source: Image Resources

The seven North Perth Basin Projects are:

Seven projects identified

- Boonanarring (existing ML on part of the prospect) – **First to be mined**
- Atlas and Atlas South (MLA on part of prospect) – **Second to be mined**
- Hyperion
- Helene
- Red Gully (existing ML)
- Gingin North (existing ML)
- Gingin South (existing ML on part of the prospect)

Scoping Study

Scoping study confirms robust economics

Image released a Scoping Study in August 2011 which was based on a resource of 45.5Mt and considered development of the 'high grade' resource component, using dry mining techniques. The larger 'low grade' resource was not considered and will be the subject of separate technical studies at a future date.



Robust scoping study likely to be further enhanced

The results of the study indicate robust economic returns based on a 3.6Mtpa multi pit operation extending from Gingin (in the south) to Cooljarloo (in the north).

However, since the completion of the scoping study, management believes the economics of the project can be greatly enhanced by an alternative development strategy which envisages initial development of Boonanarring deposit.

Boonanarring – first to be developed

Although it is acknowledged that the Atlas deposit is the most attractive mining target in terms of grade, strip ratio and product quality (resulting in higher margins), the site is expected to undergo a higher level of native title and environmental assessment, thus leading to a longer lead time before possible production.

Boonanarring assessed as lowest risk and quickest route to production

The Image team has assessed Boonanarring as currently hosting the best potential to **provide a quick and low risk route to production**. Consequently, much of the recent work undertaken over the last year has centred on testing the possible strike extensions to the north and south of the existing Boonanarring resource within the already granted Mining Lease (M70/1194).

Resource upgrade due in February 2013

Boonanarring currently hosts a JORC resource of 10.5Mt @ 7.0% HM (for 740kt of contained Heavy Minerals) with all of the resource in either the Measured or Indicated category. Within this resource, there is an eastern strand which contains significantly higher grades in terms of both HM and zircon. This resource is likely to be upgraded in the coming months. Drilling to date has confirmed high grade mineralisation extends for at least 5.5km (and likely 7.7km) to the north and 2.3km to the south, giving a total potential strike length of ~12.5km. Over 550 drill holes have been completed to date testing the strike extensions with the holes drilled at a sufficient density for a JORC Indicated Resource to be estimated. **A resource upgrade is due in February 2013.**

Targeting 15-25Mt at Boonanarring

Image is targeting a total resource at Boonanarring of between 15Mt and 25Mt, across the 12.5km of interpreted strike (depending on cut-off grade).

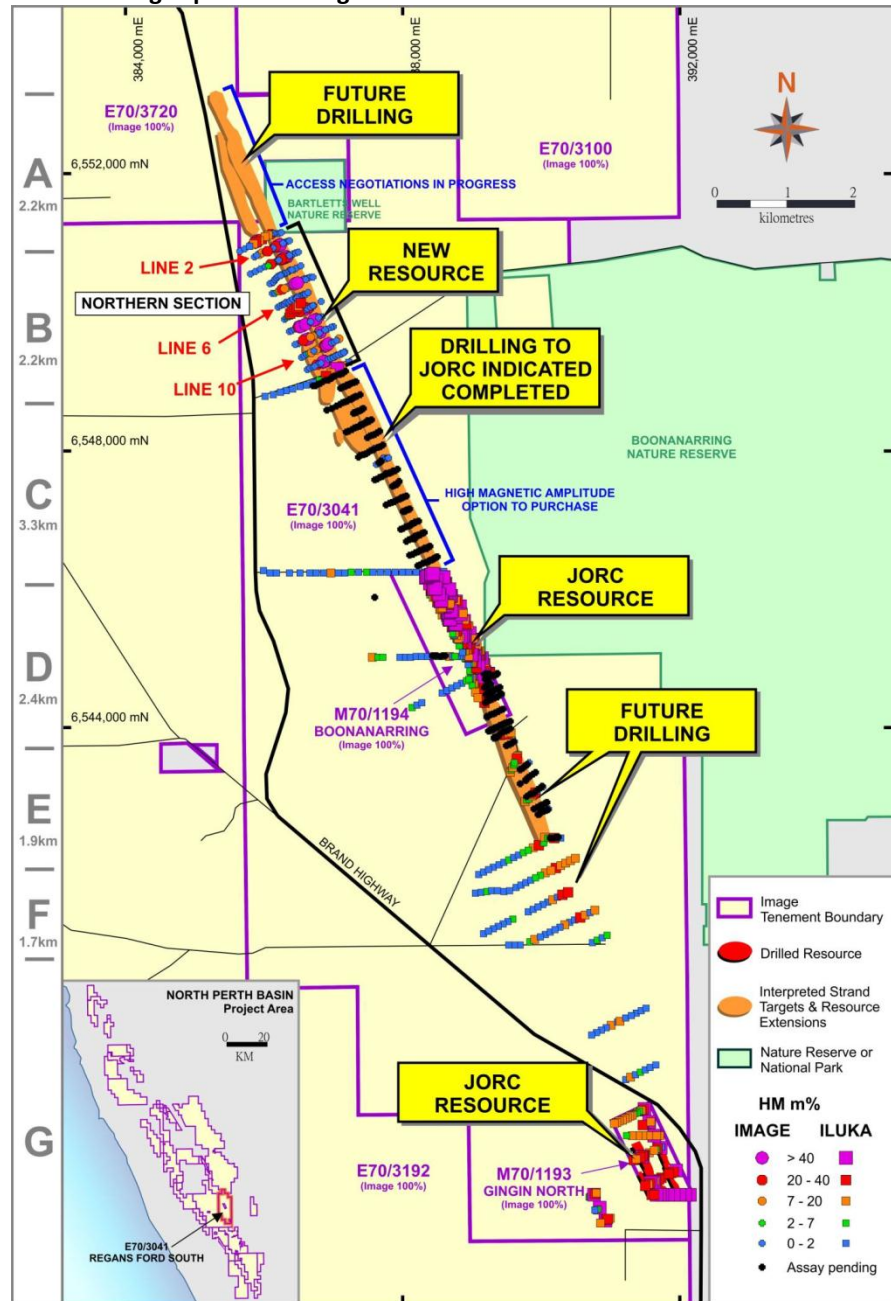
Resource Drilling and Feasibility Study Fully Funded

Following the recent placement at @ 20c/share to raise A\$6.7m, Image is now fully funded to continue resource drilling at the Boonanarring and Atlas deposits. Following the release of the upgraded JORC resource (due in February), Image will conduct detailed pit optimisation studies in conjunction with detailed estimates of the project economics.

Image expects a full feasibility study to be completed by mid-2013 with first production targeted for late 2014.



Boonanarring Exploration Targets



Interpreted north and south extensions to current 10.5Mt resource

Source: Image Resources

Metallurgical Test Work

Metallurgical test work to be used for flow sheet design

High grade ilmenite product likely

Representative bulk samples from Boonanarring are currently undergoing laboratory test work to obtain information on the processing characteristics of the mineralisation. This information will be used in the processing flow sheet and plant design. The testing will also produce bulk samples which can be sent to potential future off-takers.

Test work carried out earlier in the year indicates ilmenite produced from Boonanarring would be highly attractive to end users. Early indications suggest a coarse grained, low impurity product of ~55% TiO₂ is achievable.



Processing Operations – Site Secured

Site secured for processing plant

In May 2012, Image entered into an option agreement to purchase a block of freehold farm land which is expected to contain the core of the high grade mineralisation and which is viewed as an optimum site for establishing the initial mining and processing operations. The site is well serviced by existing infrastructure with access to a local work force.

Pathway to Production

Principle activity is now development

After a relatively short period in the mineral sands exploration phase, Image has now identified an extensive portfolio of high grade mineral sand deposits within the North Perth Basin. Breakaway has been encouraged by the company's change in principle activity as they transition from explorer to emerging producer.

Early cash flow without the significant CAPEX requirement

The company is implementing a strategy of initially developing the Boonanarring deposit to either produce a Heavy Mineral Sand concentrate for sale or for toll treatment. This strategy is not only attractive in terms of project economics, but will provide a quicker path to production at lower risk, with a significantly lower up-front capital requirement than would be the case if a Dry Mill is constructed initially.

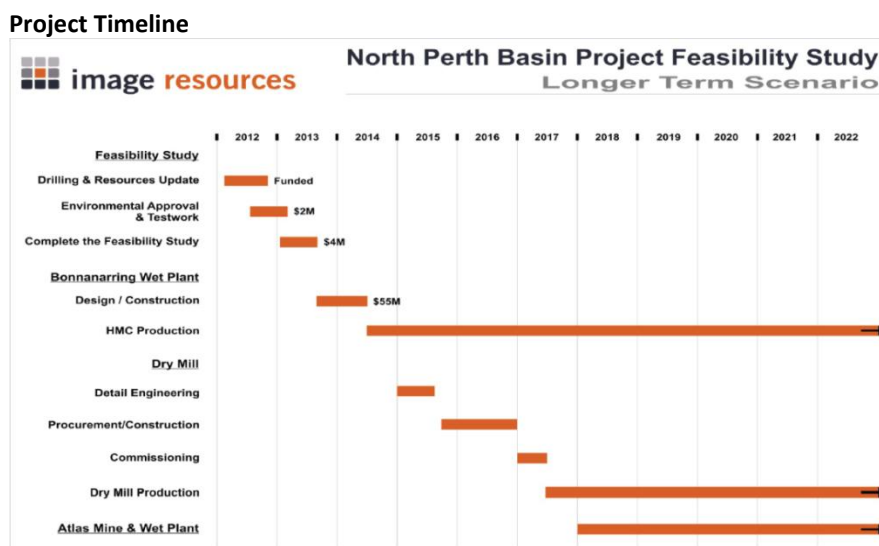
Cash flow to provide funding for Dry Mill

This initial low capital cost project should then provide the operating platform and cash flow for the staged development of parallel mining operations at Atlas and the other projects, together with the construction of a capital intensive Dry Mill which will be capable of delivering a finished product.

Image is also fortunate to have amassed a highly experienced local team to drive this project through to production. The calibre team is further enhanced by the consulting independent experts currently working on the Feasibility Study.

Project Time Line

Fully funded drill program and feasibility study



Source: Image Resources

First production targeted for 2014



Analyst Verification

We, Grant Craighhead and Andrew McLeod, as the Research Analysts, hereby certify that the views expressed in this research accurately reflect our personal views about the subject securities or issuers and no part of analyst compensation is directly or indirectly related to the inclusion of specific recommendations or views in this research.

Disclosure

Breakaway Investment Group (AFSL 290093) may hold direct and indirect shares in the Image Resources. It has also received a commission on the preparation of this research note.

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