



QUARTERLY ACTIVITIES REPORT – for quarter ended 31 December 2019

Image Resources NL
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IMA

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Issued Capital

Shares – Quoted
980,979,899

As at 31 December 2019

Board Members

Robert Besley
(Non-Executive Chairman)

Patrick Mutz
(Managing Director)

Chaodian Chen
(Non-Executive Director)

Aaron Chong Veoy Soo
(Non-Executive Director)

Huangcheng Li
(Non-Executive Director)

George Sakalidis
(Executive Director)

Peter Thomas
(Non-Executive Director)

Eddy Wu
(Non-Executive Director)

HIGHLIGHTS

- Boonanarring delivered strong performance through its first full year of operation with heavy mineral concentrate (HMC) production of 270kt at mid-point of guidance.
- Full year sales volumes of 237kt and steady realised pricing showed supportive underlying markets and increasing quality of Image's HMC.
- Unaudited Project EBITDA for the year of A\$72.9m was 4% above the upper end of guidance.
- Full year cash flow from operating activities of A\$59.8m and 31 December cash of A\$49.9m and debt of A\$56.4m.

	Mar Q	Jun Q	Sep Q	Dec Q	CY19	Guidance
Production						
HMC Production (kt)	68.7	66.4	66.3	68.6	270.0	260-280
HMC Sales (kt)	47.9	68.2	58.8	62.6	237.5	230-250
HMC Realised Price (A\$/t HMC)	517	624	639	661	616	590-610
Unit Costs (HMC sold)						
C1 Cash Costs (A\$/t HMC) ¹	371	280	344	319	325	320-350
AISC (A\$/t HMC) ²	427	337	410	401	390	370-390

Notes: 1 – C1 cash costs include mining, processing, general and admin and concentrate transport costs

2 – All-in sustaining cash costs (AISC) include C1 plus royalties, sustaining capital and corporate overheads

- December Quarter production of 68.6kt HMC was very strong despite downtime associated with relocation of mining operations from Block 'C' to Block 'B' occurring during the Quarter.
- Relocation of mining operations and the Feed Preparation Plant from Block 'C' to Block 'B' was successfully completed over 6 days in November 2019.
- Realised price of A\$661/t HMC over 3 shipments during the Quarter showed supportive underlying markets for Image's high-quality HMC product, despite slight weakness in zircon pricing which was largely offset by strong price appreciation in TiO₂ feedstock markets.
- Project operating costs, after stock adjustments, for the full year were A\$73.3m, which was 2% lower than the lower end of guidance of A\$75-85m.
- December Quarter project EBITDA was A\$24.3m, up 27% QoQ, with full year project EBITDA of A\$72.9m or 4% above the upper limit of guidance of A\$60-70m.
- Zircon prices softened slightly in Q4 however any negative effect on revenue was largely offset by higher prices for TiO₂ products in Q3 and Q4. The AUD/USD foreign exchange rate remained favourable at 0.70 at the end of December.
- Finished HMC inventory at end of the quarter was 57kt DMT with an estimated market value of more than A\$30m.
- Sunrise Energy Group has completed detailed design and issued procurement orders required for construction of a 2.3MW solar farm which will supply Boonanarring with approximately one quarter of its energy requirements.

ACTIVITIES REPORT

High Level Summary

Image Resources NL (ASX: IMA) (“Image” or “the Company”) is pleased to report the final quarter of its inaugural year of production at its 100%-owned, high-grade, zircon-rich Boonanarring mineral sands project, located 80km north of Perth in the North Perth Basin in WA.

Managing Director and CEO Patrick Mutz said “our first full year of production has been transformational to Image. We have delivered full year production results that meet guidance and representations to the market and our shareholders. We demonstrated strong operating cashflow and have a strengthening balance sheet which leaves Image in a solid position to build upon this success into our second year of operations.

In December we published an updated Ore Reserve statement, which included a 24% increase in total heavy mineral ore grade and a 50% increase in the in-situ zircon ore grade. However, it was disappointing that there was also an unpredicted overall reduction in ore tonnes. In response, we have launched a companywide, prioritised program code named Project MORE, which is an interdisciplinary program tasked with adding new Ore Reserves to the Boonanarring Project as quickly and efficiently as possible. This will be a key focus for Image throughout 2020 and beyond and we are confident of success given the prospective ground in which we operate.”

Photo 1 – HMC stockpiles at Boonanarring



Details

Safety

There was one Lost Time Injury (LTI) recorded during the quarter. This is only the second LTI recorded since the start of construction at Boonanarring in April 2018. This LTI was reported by a contractor as a minor shoulder injury in June 2019 but which did not improve on restricted duty and required corrective surgery in November.

Image continues to promote a positive safety culture which includes safety programs and procedures that encourage job safety analysis and planning as well as active incident reporting for the purpose of continual improvement of the health, safety and well-being of all employees, contractors, visitors and members of the community as well as protection of the environment. The success of these programs is monitored through the use of internal Health, Safety and Environment (HSE) audits and monthly Positive Performance Indicator scoring.

Community

Image continues to proudly contribute to the local community, including through local employment. At 31 December 59% of its workforce lived locally to the operation or within regional shires. The Company has an active and varied community support and

engagement program. During the quarter, program activities included a fundraising breakfast for the Gingin Outdoor Activity Space, mine site tours by the Gingin Playgroup and Gingin Men's Shed, and support to the Gingin Community Car.

Mining and Processing

Boonanarring produced 68.6kt of HMC in the December Quarter and 270kt HMC for the full year, compared to CY2019 guidance of 260-270kt. Production guidance for CY2020 was increased and set at 300-330kt HMC.

Mining and processing tonnages were broadly flat on the previous quarter but were adversely impacted by scheduled downtime to accommodate the relocation of mining and the Feed Preparation Plant from Block 'C' to Block 'B' and to a lesser extent by the presence of cemented material located in the overburden and top of mineralisation in the Eastern strand in Block 'B'.

Cemented material was encountered from mid-November to early December. The cementation is a localised zone thought to be related to a post depositional erosional event and subsequent presence of clay formed by a meandering creek system immediately above the Eastern Strand. Preliminary indications suggest a total of 32kt of ore have been impacted. No further cemented mineralisation was encountered beyond early December, but further cementation is continuing to be encountered within the overburden which is having a minor impact on mining productivity but it is not currently considered to be having a material impact on operations.

Table 1: Mining and Processing

		Mar Quarter	Jun Quarter	Sept Quarter	Dec Quarter	YTD
Mining						
Ore	kt	673	763	908	822	3,166
Waste	kt	5,437	5,540	6,428	6,093	23,498
Processing						
Ore Processed	kt	664	784	874	863	3,186
Grade Processed	HM%	11.1%	9.1%	8.0%	8.3%	9.0%
	ZrO2%	21%	21%	21%	18%	20%
	TiO2%	32%	32%	36%	36%	34%
Recovery	HM%	86%	82%	86%	87%	85%
	ZrO2%	98%	97%	98%	98%	98%
	TiO2%	92%	87%	86%	93%	90%
HMC Produced	kt	68.7	66.4	66.3	68.6	270.0
HMC Grade	HM%	92%	88%	91%	94%	91%
	ZrO2%	24%	25%	24%	19%	23%
	TiO2%	32%	32%	35%	35%	33%

Figure 1: Monthly ore processing rate (kt) and contained HM/ZrO₂/TiO₂ ore grades (%)

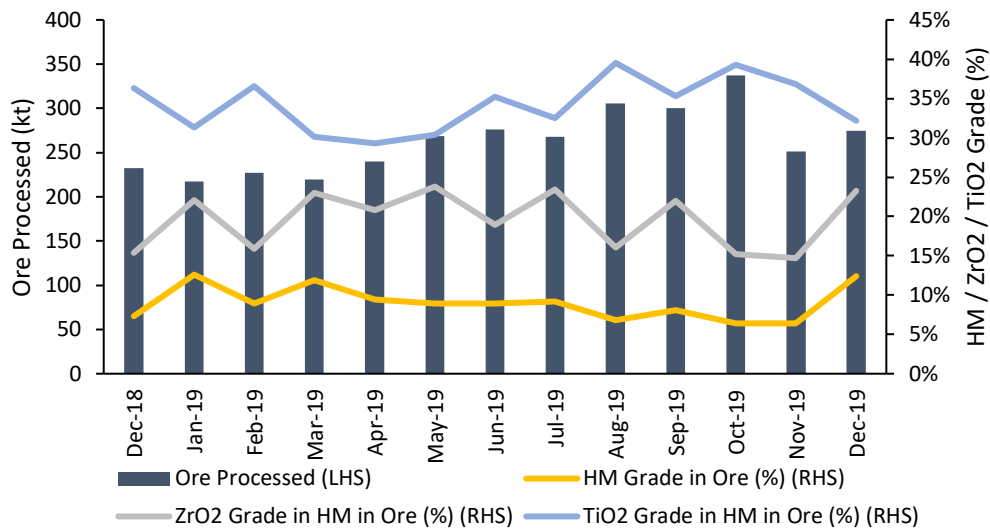
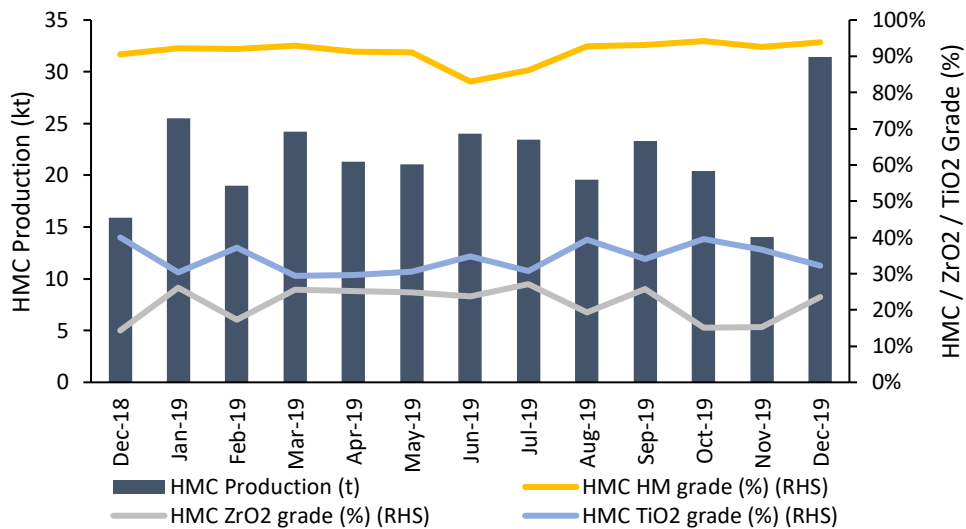


Figure 2: Monthly HMC production (kt) and contained HM/ZrO₂/TiO₂ within HMC grades (%)



Costs

Full year (CY2019) cash costs were within guidance. C1 cash costs of A\$325/t HMC sold were at the lower end of the A\$320-350/t HMC sold guidance range whilst All-in Sustaining Costs (AISC) of A\$390/t HMC sold were at the upper end of the A\$370-390/t HMC sold guidance range. Deferred mining and sustaining costs both rose in the December quarter due to the pre-stripping in Block 'B' and the subsequent relocation of mining from Block 'C'.

Table 2: Cash Costs

		Mar Quarter	Jun Quarter	Sept Quarter	Dec Quarter	YTD
Costs (HMC produced)						
Mining	A\$/t HMC	162	155	154	132	150
Deferred Mining	A\$/t HMC	0	0	14	33	12
Processing	A\$/t HMC	37	48	60	53	49
Site Support	A\$/t HMC	12	12	11	10	11
Logistics	A\$/t HMC	48	73	66	64	63
C1 Cash Costs	A\$/t HMC	259	288	305	291	285
Royalties	A\$/t HMC	17	30	27	29	26
Sustaining Capital	A\$/t HMC	4	15	14	26	15
Corporate	A\$/t HMC	18	13	18	19	17
AISC	A\$/t HMC	298	346	364	365	343
Costs (HMC sold)						
C1 Cash Costs	A\$/t HMC	371	280	344	319	325
AISC	A\$/t HMC	427	337	410	401	390

Sales

There were three HMC shipments throughout the December quarter leading to sales volumes of 62.5kt HMC in the period and 237.5kt HMC for the full year CY2019. Realised pricing improved in the December quarter with weakness in zircon markets being largely offset by higher TiO₂ prices and higher zircon content of the HMC.

Zircon market prices weakened during the December Quarter. The benchmark price for premium grade zircon used by Image to price its HMC decreased from a range average of US\$1,625/t down to US\$1,585/t in early October, and decreased further to US\$1,550/t in early December, for a total change of US\$75/t or 4.6% for the Quarter. Importantly, the softening zircon price has been largely offset by increasing market prices for TiO₂ products across the latter half of CY2019. The benchmark price for ilmenite increased by 22% from the end of June to US\$207/t at the end of December, and the benchmark price for rutile increased by 17% to US\$1,274/t for the same period.

Table 3: Sales and Stockpiles

		Mar Quarter	Jun Quarter	Sept Quarter	Dec Quarter	YTD
Sales						
HMC sold	kt	47.9	68.2	58.8	62.5	237.5
ZrO ₂ in Con	%	18%	22%	22%	23%	22%
TiO ₂ in Con	%	33%	28%	30%	32%	31%
Average price realised	A\$/t HMC	517	624	639	661	616
HMC Revenue	A\$m	24.8	42.5	37.6	41.3	146.2
Stockpiles						
HMC for shipping	kt	38.5	38.2	46.4	69.2	270.6

Corporate Summary

Image's revenue for the Quarter was A\$41.3m and A\$146.2m for the full year which was within the guidance range of A\$140-150m. Cost of goods sold was A\$17.0m for the quarter and A\$73.3m for the full year which was 2% lower than the lower end of the A\$75-85m guidance range. This represents a QoQ increase in revenue of 10% and a decrease in cost of goods sold of 16%.

Project EBITDA for the Quarter was A\$24.3m, up 27% QoQ reflecting the benefit of higher zircon grades in the HMC. Full year project EBITDA of A\$72.9m was 4% above the upper end of guidance of A\$60-70m.

Image had a cash position of A\$49.9m and a debt position of A\$56.4m at 31 December. The company generated cash flow from operating activities of A\$28.5m for the quarter and A\$59.8m for the full year.

CY19 Performance Against Guidance, CY20 Guidance and CY21 Forecast

CY20 guidance and CY21 forecasts are reflective of the updated Ore Reserve Estimate and consequent improved project economics. Image expects the HMC production rate to rise in CY20 and CY21 relative to CY19 as the operation encounters higher ore grades. Operating costs are expected to lift in CY20 relative to CY19 as the operation encounters higher stripping ratios associated with mining Blocks B and A. However, the stripping ratio is expected to decrease into CY21 resulting in lower operating costs.

Image will no longer be providing revenue or EBITDA guidance and any previously released guidance or forecasts of these metrics should no longer be relied upon.

Table 4: CY20 Guidance, CY21 Forecasts and CY19 Performance Against Guidance

		CY19 Guidance	CY19 Actual	CY20 Guidance	CY21 Forecast
Ore Processed	kt	3,100-3,300	3,186	3,000-3,300	3,500-3,800
HMC Produced	kt	260-280	270.0	300-330	300-330
HMC Sold	kt	230-250	237.5	300-330	300-330
Revenue	A\$m	140-150	146.2		
HMC Realised Price	A\$/t HMC	590-610	616		
Project Operating Costs ¹	A\$m	75-85	73.3	100-110	90-100
C1 Cash Costs (HMC sold)	A\$/t HMC	320-350	325	290-320	260-290
AISC Cash Costs (HMC sold)	A\$/t HMC	370-390	390	340-370	315-345
Project EBITDA	A\$m	60-70	72.9		

Notes: 1 – cost of production after stock adjustments.

Updated Ore Reserve Estimate and Mineral Resource Estimate

An updated Ore Reserve Estimate and Mineral Resource Estimate were announced to the ASX on 20 December 2019. The update was triggered by very large positive ore grade variances experienced in Q1 and Q2 of 2019 and a recognition of the presence of a very high-grade core of ore in the eastern strand. A close-spaced drilling program to appropriately delineate the high-grade core was launched in Q2 and completed in Q3, followed by final assays and study work in Q4.

Highlights of the updated Ore Reserve included a 24% increase in the total heavy minerals (THM) ore grade and a 50% increase in the in-situ zircon grade. Ore grade increased to 8.9% THM (up from 7.2% in 2017 Ore Reserve), the zircon content increased to 27.5% in the THM (up from 22.7%) and the in-situ zircon grade in the ore increased to 2.4% (up from 1.6%). However total tonnes of ore in the Ore Reserve significantly decreased to a final total of 10.7Mt.

Excluding reserve depletion from mining (2.7Mt for November 2018 through September 2019), the total tonnes of ore in the Ore Reserve decreased by 6.5Mt from the 2017 Ore Reserve. The decrease in ore tonnes included 2.2Mt from the lower grade, low zircon, overlying layer of mineralisation and 4.3Mt from the main, eastern and western ore strands which were determined through mining experience (followed by detailed microscopic analysis and re-modelling of the reserve wire-frame) to be uneconomic due to the presence of iron-rich laterite which assayed as THM.

While the reduction in total tonnes of ore in the Ore Reserve was unexpected and disappointing, the total tonnes of contained zircon in the remaining Ore Reserve was unchanged. In addition, the higher zircon content of the ore and overall higher ore grade allows for a higher annual production rate for the balance of the Ore Reserve and improved project economics. As such, production guidance for 2020 and forecast for 2021 have been increased from previous estimates. Lastly, a program to identify new Mineral Resources for conversion to new Ore Reserves at Boonanarring commenced in Q3 2019 and will continue as a high priority throughout 2020 and beyond with the goal of extending the mine life.

The Ore Reserve Estimate was completed Entech Pty Ltd in accordance with the guidelines of the JORC Code (2012 edition).

Full details of the basis of the Boonanarring Ore Reserve Estimate and Mineral Resource Estimate have been provided in the relevant ASX announcement dated 20 December 2019.

Exploration

Highlights:

- Exploration activities continued at an accelerated pace during the Quarter with a prioritised program of work focused on the identification of new Mineral Resources and Ore Reserves in the area that is within 10km from the current location of the Boonanarring wet concentration plant. Focus areas include the northern and southern extensions of the current Ore Reserve, as well as adjacent areas to the west.
 - This program was launched in July 2019 with an expanded exploration budget following the achievement of positive cashflow in Q2 2019.
- Early results under this focused program of work included the identification of a new, potentially 40km long mineralised shoreline to the west of the current Boonanarring Ore Reserve, named the 50mRL Strandline. Initial drilling results show promising heavy mineral ore grades at shallower depths than the current Ore Reserve. See 11 Dec 2019 ASX announcement 'NEW POTENTIALLY 40KM LONG MINERALISED SHORELINE IDENTIFIED ADJACENT TO BOONANARRING'. Drilling will be continuing in this area subject to access and work program approvals.
 - Subsequent to the end of the Quarter additional positive drilling results from the northern end of the 50mRL Strandline were received and announced on 30 January 2020.
- Drilling results in the norther extension of the Boonanarring deposit (Northern Extension Area or NEA) have been sufficiently positive that the Board approved the exercise of a land purchase option over a 1.3km section of the NEA.
 - Subsequent to the end of the Quarter, the purchase option was exercised and the purchase is scheduled to be finalised in February 2020.
- Drilling is continuing in the southern extension of the Boonanarring deposit and additional results will be announced in Q1 2020.

Under the program to identify new Mineral Resources and Ore Reserves within 10km of the current Boonanarring wet concentration plant, a total of 12,920m of drilling has been completed and a further 20,777m is planned in the next 5 months (Table 5).

Table 5 – Drilling Programs Completed in 2019 December Quarter and Planned for Q1 2020

	Project	# Holes Complete	Metres Complete	# Holes Remaining	Metres Remaining	Holes Total	Metres Total
E70/3720, E703100	Quinns Hill/Blue Lake	108	2,952	73	1,881	181	4,833
E70/3041	Regans Ford South Blue Lake			140	2,800	140	2,800
E70/3041 & E70/4689	Boonanarring West			13	455	13	455
E70/1131	Boonanarring Blocks A, B & C			100	4,256	100	4,256
M70/1194	Boonanarring Block D	49	1,657			49	1,657
E70/3041	Boonanarring South Blocks E & F	125	5,196			125	5,196
E70/3041	Gingin North	56	1,551			56	1,551
E70/3298, 2844, 4794, 4779	Bidamina	28	1,564	78	3,794	106	5,358
E70/4244	Woolka			94	3,760	94	3,760
E70/2898, 3997, P70/1516	Atlas			65	631	65	631
E70/3997	Munbinia			160	3,200	160	3,200
	Total:	366	12,920	723	20,777	1,089	33,697

Boonanarring 50mRL Strandline

Drilling aimed at extending the mine-life at Boonanarring has identified **a new mineralized shoreline trend to the west of and parallel to the Boonanarring Ore Reserve area and that based on drill sample assays and ground-based magnetic survey results may potentially extend for up to 40km** (see 11 December ASX announcement). Drilling aimed at extending the mine life at Boonanarring is being conducted in target areas to the north, south and west of the current Boonanarring Ore Reserve. Preliminary results have been positive and have led to the identification of this new mineralized shoreline, which has been labelled **50mRL Strandline**, as the mineralised base of mineralisation ranges from 48-55m RL.

The 50mRL Strandline has been interpreted to extend up to 40km from south of the town of Gingin to north of the Boonanarring Northern Extension Area as shown in Figure 7. It includes previously identified mineralisation in the western sections of Image's Gingin South and Gingin North projects and has now been found to include the recently identified Boonanarring West mineralisation and the Boonanarring Northwestern Extension with promising shallow high-grade results announced recently referred to in this report.

An extensive drilling program of a total 416 holes for 11,210m is now being planned over the most promising areas identified along this 40km 50mRL Strandline. Access for drilling is available for 50% of the planned holes and the Company is seeking to complete the remaining access with three landholders. Already drilling has started at Boonanarring West, Gingin North and a new access agreement has been completed with Boonanarring Blue Lake. Importantly, all planned drilling is within economic pumping distance of the current Boonanarring wet concentration plant and are considered high priority.

At the Gingin North project (Figure 8) a large drilling program of 56 air-core holes for 1,551m has been completed. This area is of interest mainly because of the proliferation of the Boonanarring, Piggery Strands, overlying layer and the adjacent 50mRL, which are subject to access. Results are pending.

Additional promising, shallower, high-grade results from the Northwestern Extension Area were also announced subsequent to the end of the Quarter on 30 January 2020.

Further drilling of 415 holes for 11,210m (excluding the Boonanarring Northwestern Extension drilling) is planned here with further and ongoing drill programs already underway at Boonanarring West and Gingin North.

Boonanarring Northwestern Extension

An initial 108-hole totalling 2,952m program (averaging 27m per hole) at a newly defined area in the northwestern portion of the Boonanarring NEA has been completed with 70% of the assays received to date. The results are very promising and have outlined two shallow high-grade strands of 1.2km in length, which are being followed up promptly with an infill and extension drill program of 73holes for 1881m, followed by composites for evaluation of the mineral assemblage to be used in a new Mineral Resources study.

Due to the promising results within both the Northwestern and Northern Extensions, the Board approved the exercise of a land purchase option for Lot 503 owned by Central Stockcare. The option was exercised subsequent to the end of the Quarter and the purchase will be finalised in early February 2020.

The most recent drilling in this area identified two strongly mineralised parallel strands, which are each 1.2km long. A 108-hole 2,952m program has been completed. and due to the promising shallow results a further 73 holes for 1,881m are planned (Figures 3, 4 and 5).

The western strand has some excellent intersections including 4m @ 14.5% HM from 15m in IM01074, 3m @ 14.3% HM from 17m in IM01078, 5m at 12.2% HM from 13m in IM01076, 4m at 10.9% HM from 11m in IM01000, 2m at 17.1% HM from 16m in IM01003 and 2m at 23.0% HM from 14m in IM1036. The eastern strand has some extremely good shallow intersections including 4m at 23.8% HM from 10m in IM01015, 4m at 27.1% HM from 8m in IM01010, 3m at 14.8% HM from 9m in IM1020 and 2m at 27.1% HM from 9m in IM1084. The eastern strand has grades similar to the currently mined Boonanarring Eastern strand and augers well for the follow up drilling program commencing shortly.

Preliminary microscope work has shown some elevated zircon and some finer grained mineral sands, which are to be checked with quantitative Qemscan analyses of the relevant HM sachets, prior to a new Mineral Resources Estimate for these two strands. A detailed 100m-spaced ground magnetic survey over the Central Stockcare property has mainly been used to help target the two main strands prior to the drilling programs being carried out.

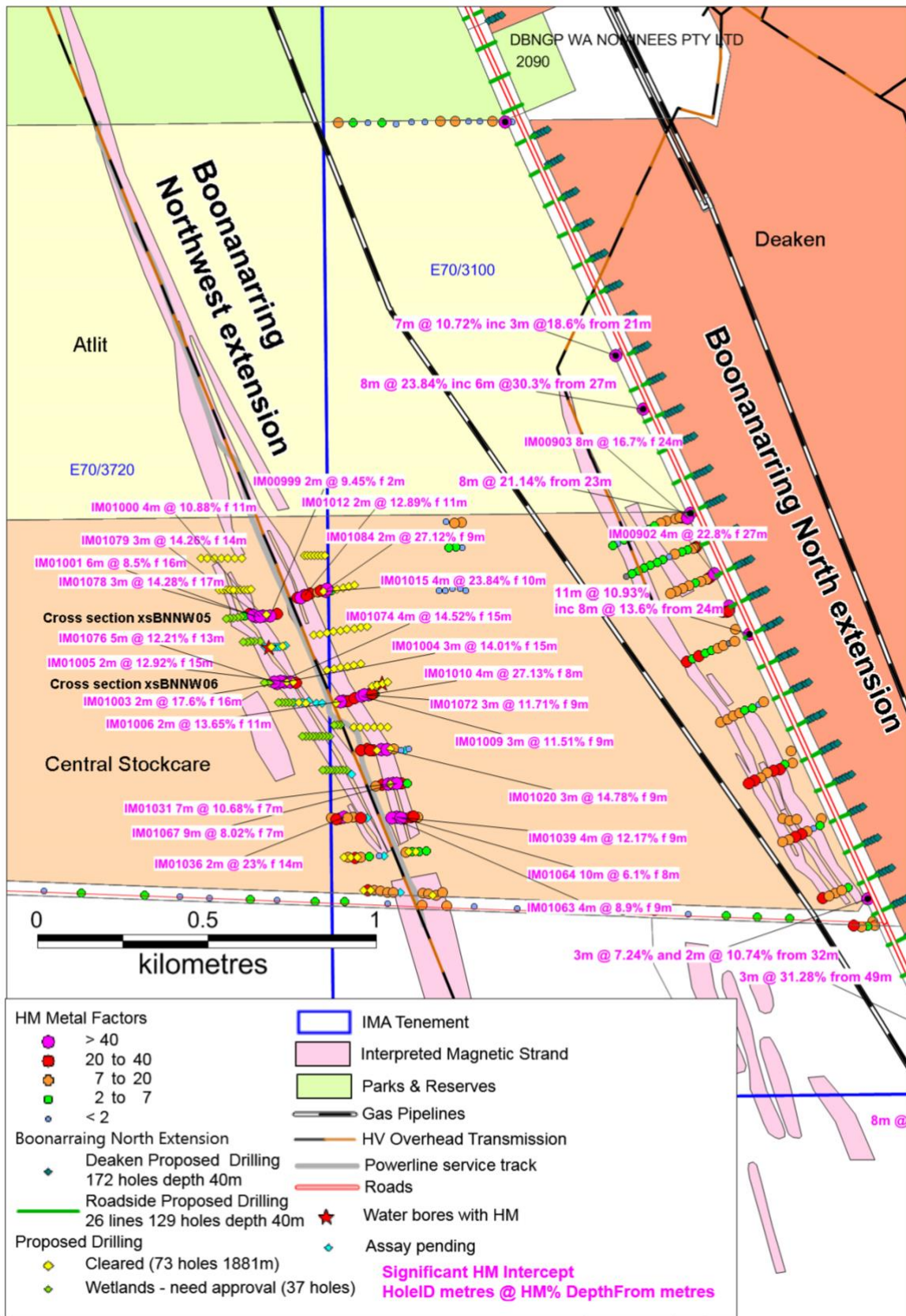


Figure 3 – Central Stockcare Lot 503 Boonarraring Northern (completed) and Northwestern Extension (70% of the drilling completed) and Proposed Roadside and Deaken drilling.

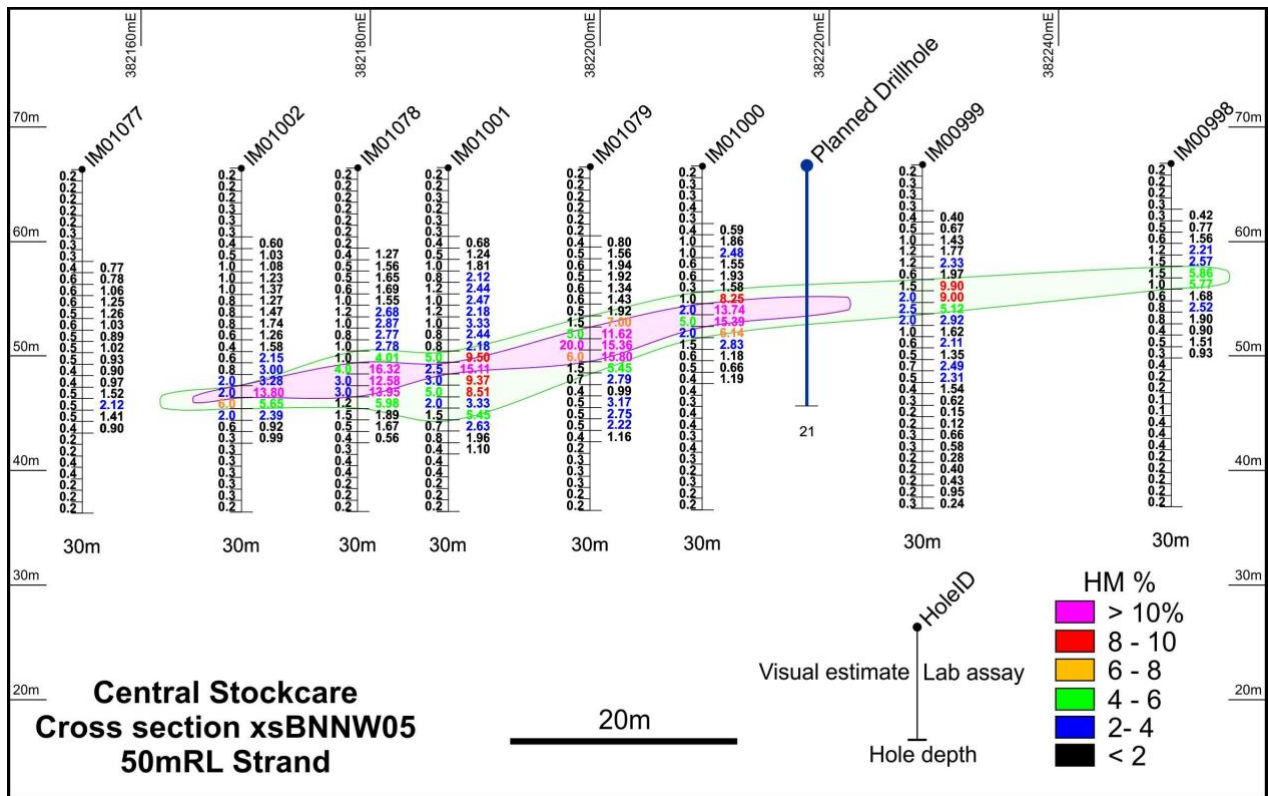


Figure 4 – Central Stockcare Cross Section

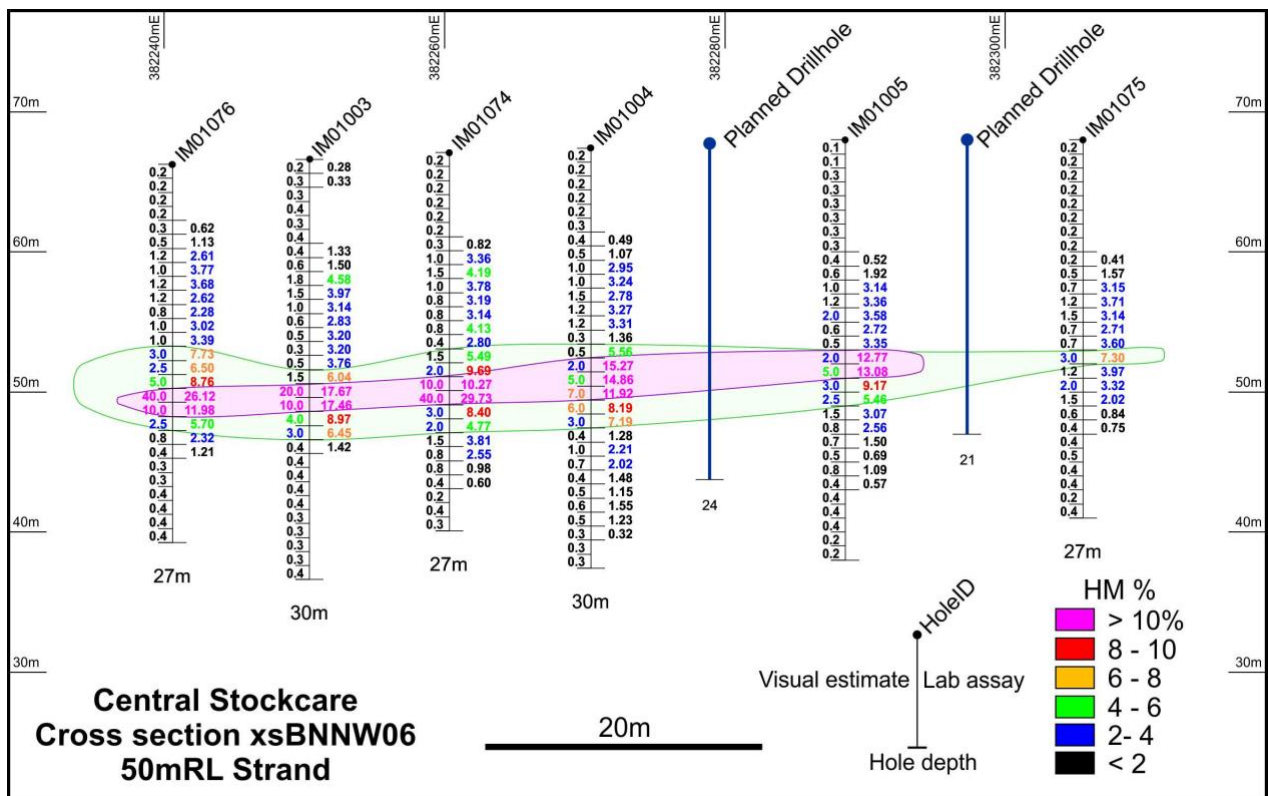


Figure 5 – Central Stockcare Cross Section

Boonanarring Northern Extension

An initial program has also been completed over a 1.3km length of the Boonanarring NEA with 82 holes totalling 3,129m (averaging 38m per hole). This program has shown that the high-grade core within the eastern strand extends under the Brand Highway. Additional drilling is being planned to determine the exact position of the deposit relative to the Brand Highway and will require drilling along and to the east of the highway. A program of work has been issued for approval by DMIRS along the highway.

A roadside drilling program of 130 holes totaling 5,200m (subject to Main Roads and POW approval) and a drilling program on land to the east side of the Brand highway, of 86 holes totaling 3,440m (subject to the finalisation of an access agreement) will add significantly to the delineation of mineralization in the NEA and its possible linkage with the Red Gully Deposit 5km to the north

The most promising mineralised intercepts in this area were 8m at 16.7% HM from 24m in IM00903 and 4m at 22.8% HM from 28m in IM00902 (Figure 3) similar to the high-grade zones in Boonanarring deposit. This program has shown that the high-grade core within the current Boonanarring Eastern strand likely extends into this area and appears to extend under the Brand Highway and potentially to the east of the Brand Highway. Mineralised intercepts indicate a likely lower strip ratio if Ore Reserves are defined in this area.

In addition, a roadside drilling program of 129 holes totalling 5,160m (subject to Main Roads and POW approval) and a 172-hole 6,880m program just east of the Brand Highway (subject to access approval) is planned and will help outline the extent of the high-grade core across the full extent of the NEA on the mineralized trend towards Image's Red Gully deposit, which starts 3-4km north of the NEA. This prospective high-grade shoreline starting from Red Gully in the north, through the Boonanarring Deposit and ending at Gingin North in the south, is 32km in length.

Boonanarring Southern Extension

The direct southern continuation of mineralisation of the current Boonanarring Ore Reserve into Block E and F is being evaluated over a 3.5km distance. In addition, the Piggery Strand, which is located just west of the Boonanarring deposit is being assessed over a 5km length and both strands have just been recently drill tested with laboratory results pending (Fig. 4).

The most eastern strand of the Boonanarring deposit at the 75mRL is open to the south and has been now drill tested over a 3.5km length. The parallel Piggery Strand is 250m west of the Boonanarring deposit and has its mineralised base at a similar 65mRL, it was infilled as the drill density is too coarse at 20m and sometimes 40m spacings and has now been tested over a 5km length. In total there were 174 holes for 6,853m drilled after all access and POWs were approved, testing both the eastern and the piggery strands, with laboratory results pending.

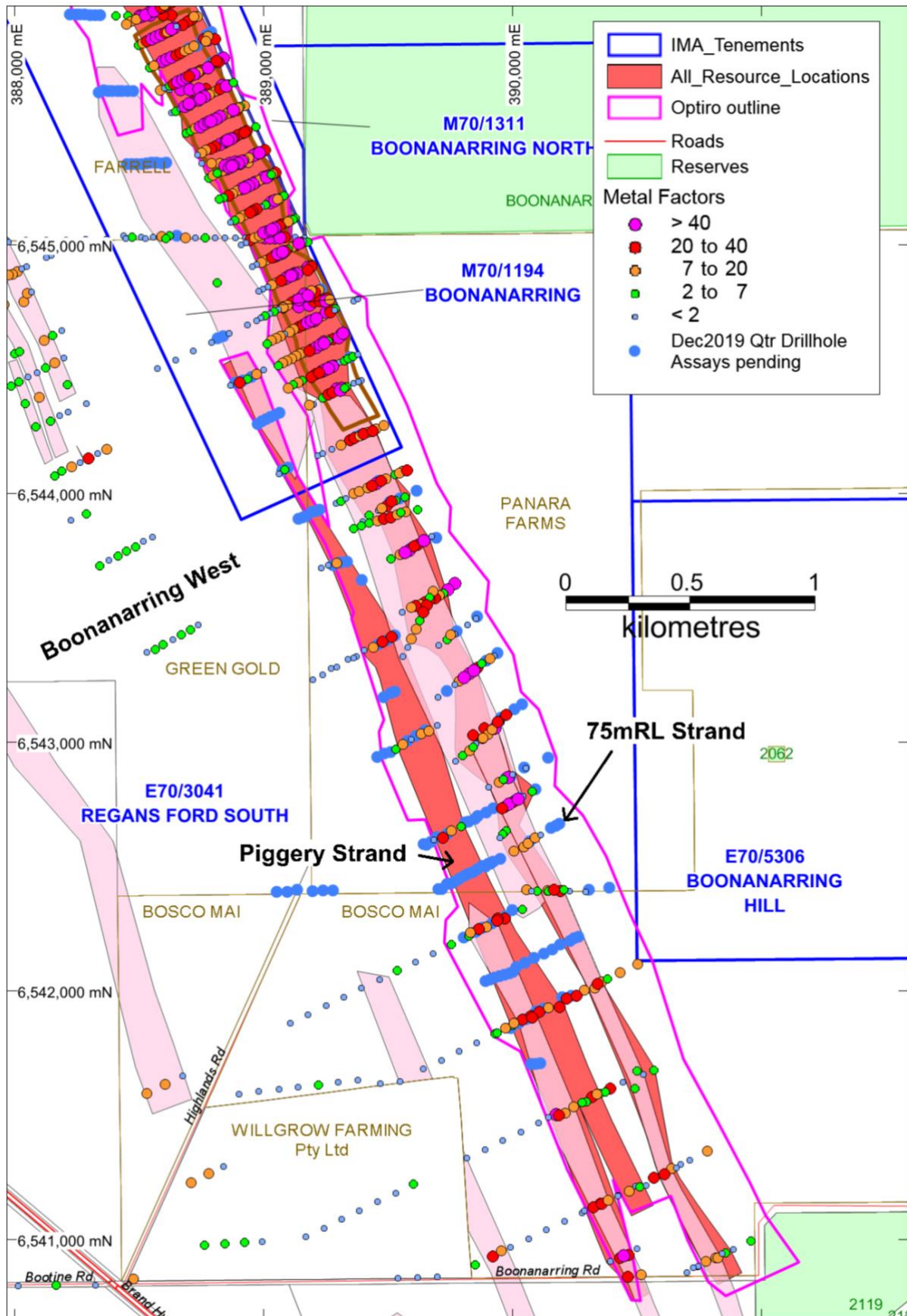


Figure 6 – Boonanarring Southern Extension Infill Drilling Blocks D and E within IMA, Panara Farms and Bosco Mai landholdings.

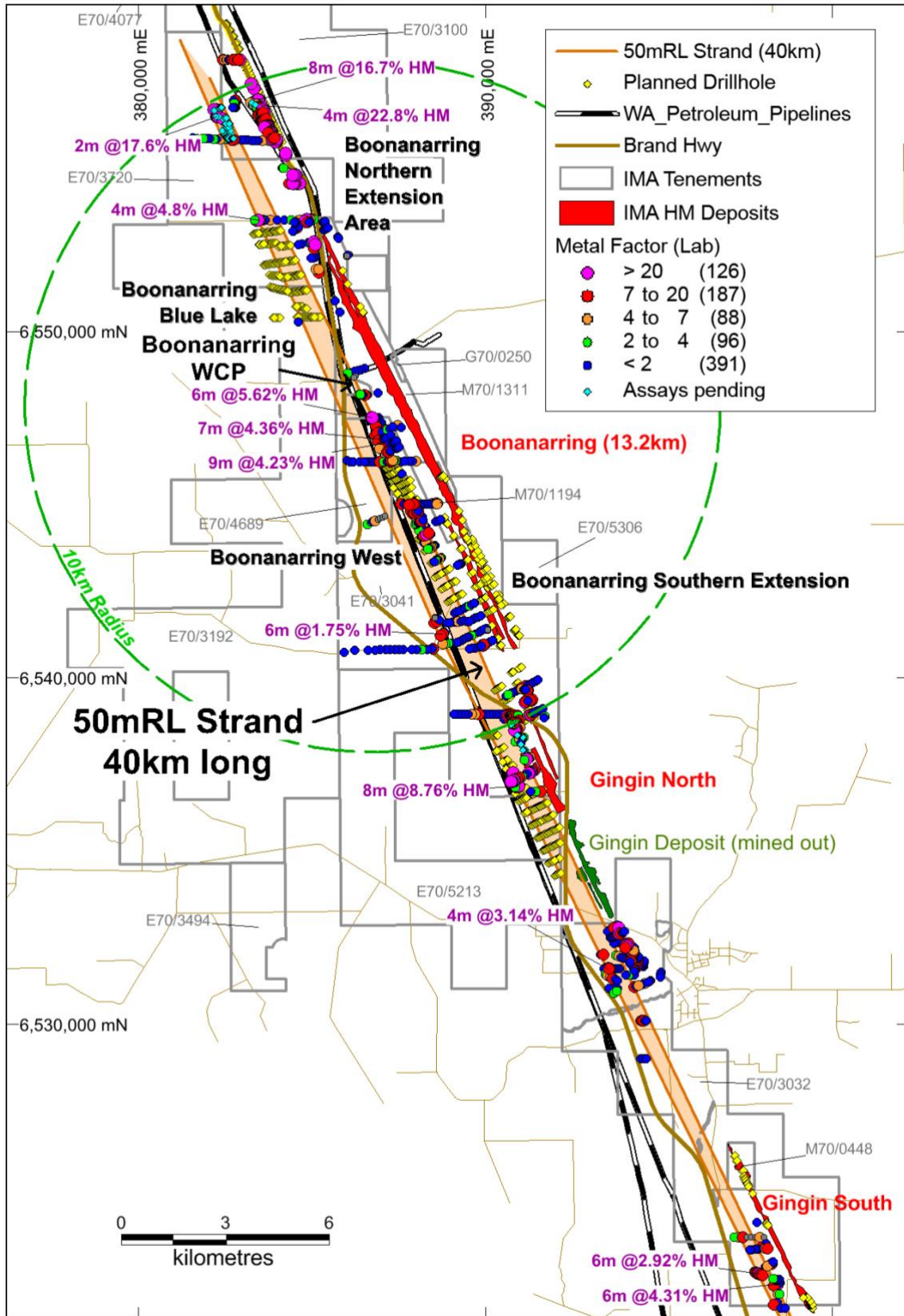


Figure 7 – Boonanarring Northern and Southern Extension drilling and new 40km-long 50mRL shoreline.

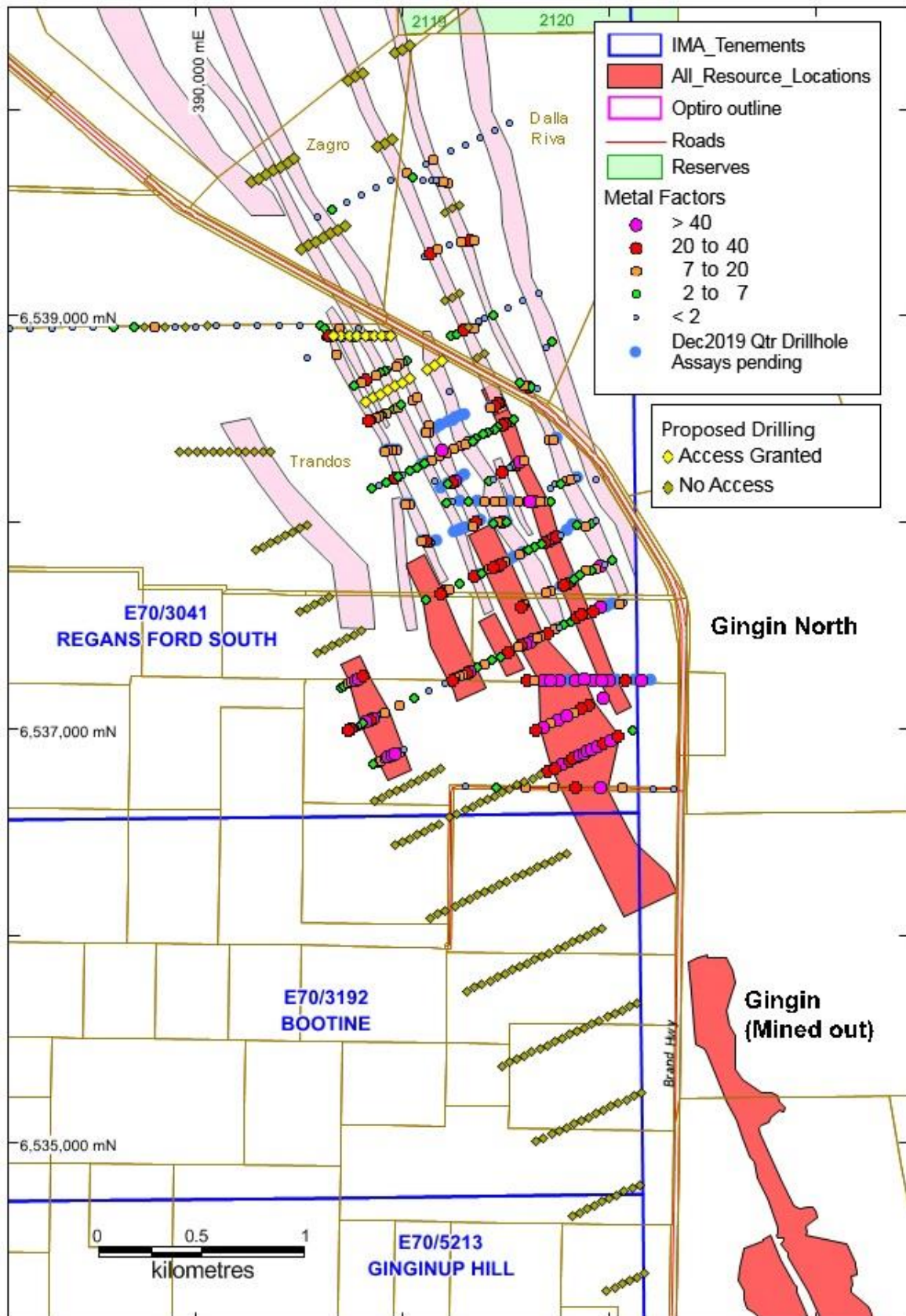


Figure 8 – Gingin North completed and planned drilling.

COMPETENT PERSON'S STATEMENTS – EXPLORATION RESULTS, MINERAL RESOURCES AND ORE RESERVES

Information in this report that relates to Exploration Results, Mineral Resources and Ore Reserves (other than Boonanarring and Atlas Mineral Resources and Ore 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 Ore 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.

Table 6 – Tenement Schedule

Tenement Schedule in accordance with ASX Listing Rule 5.3.3

Tenements held at the end of the December Quarter 2019

Location	Tenement	Nature of Interest	Project	Equity (%) held at start of Quarter	Equity (%) held at end of Quarter
WA	E28/1895	Granted	ERAYINIA	100%	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	E70/3494	Granted	BRYALANA	100%	100%
WA	E70/3720	Granted	BLUE LAKE	100%	100%
WA	E70/3892	Granted	CHAPMAN HILL	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	M70/1194	Granted	BOONANARRING	100%	100%
WA	P70/1516	Granted	COOLJARLOO	100%	100%
WA	M70/1311	Granted	BOONANARRING NORTH	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 WEST	100%	100%
WA	E70/4779	Granted	MIMEGARRA	100%	100%
WA	E70/4794	Granted	REGANS FORD NORTH	100%	100%
WA	E70/4795	Application	BIDAMINNA SOUTH	100% pending grant	100% pending grant
WA	E70/4919	Granted	ORANGE SPRINGS	100%	100%
WA	E70/4946	Granted	RED GULLY NORTH	100%	100%
WA	E70/4949	Granted	NAMMEGARRA	100%	100%
WA	E28/2742	Granted	MADOONIA DOWNS	100%	100%
WA	E70/5192	Application	WINOOKA SOUTH	100% pending grant	100% pending grant
WA	E70/5193	Granted	CHAPMAN HILL NORTH	100%	100%
WA	E70/5213	Application	GINGINUP HILL	100% pending grant	100% pending grant
WA	E70/5268	Application	WOOLKA SOUTH	100% pending grant	100% pending grant
WA	E70/5306	Application	BOONANARRING HILL	100% pending grant	100% pending grant

Mining Tenements acquired during the Quarter

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Mining Tenements disposed during the Quarter

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Table 7 – Mineral Resources and Ore Reserves Statements as at 1 October 2019

High Grade Ore Reserves - Strand Deposits; in accordance with the JORC Code (2012)										
Project/Deposit	Category	Tonnes (million)	% HM	% Slimes	HM Tonnes (million)	VHM (%)	Ilmenite (%)	Leucoxene (%)	Rutile (%)	Zircon (%)
Boonanarring ¹	Proved	3.5	13.9	16.0	0.5	82.7	44	4.6	2.2	31.9
Boonanarring ¹	Probable	7.1	6.4	16.0	0.5	76.6	49	1.7	2.8	23.1
Total Boonanarring		10.7	8.9	16.0	0.9	79.6	46	3.2	2.5	27.5
Atlas ²	Probable	9.5	8.1	15.5	0.8	73.3	50.7	4.5	7.5	10.6
Total Atlas		9.5	8.1	15.5	0.8	73.3	50.7	4.5	7.5	10.6
Total Ore Reserves		20.2	8.5	15.8	1.7	76.8	48.3	3.8	4.7	19.9

1 Refer to Boonanarring Ore Reserves Release 20 December 2019

<http://www.imageres.com.au/images/joomd/157680627920191220OreReserveUpdateHigherOreGradeandIn-SituZircon.pdf>

2 Atlas Reserves refer to the 30 May 2017 release “Ore Reserves Update for 100% Owned Atlas Project”

<http://www.imageres.com.au/images/joomd/149611340720170530ORERESERVESUPDATEFOR100OWNEDATLASPROJECT.pdf>

1. COMPLIANCE STATEMENT - Boonanarring Ore Reserves

The information in this report that relates to the estimation of Ore Reserves for the Boonanarring Project is extracted from the Company’s ASX announcement dated 20 December 2019 and is available to view on the Company’s website. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original announcement and that all material assumptions and technical parameters underpinning the estimates in the original announcement continue to apply and have not materially changed. The Company confirms that the form and context in which any Competent Person’s findings are presented have not been materially modified from the original market announcement.

2. COMPLIANCE STATEMENT - Atlas Ore Reserves

The information in this report that relates to the estimation of Ore Reserves for the Atlas Project is extracted from the Company’s ASX announcement dated 30 May 2017 and is available to view on the Company’s website. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original announcement and that all material assumptions and technical parameters underpinning the estimates in the original announcement continue to apply and have not materially changed. The Company confirms that the form and context in which any Competent Person’s findings are presented have not been materially modified from the original market announcement.

High Grade Mineral Resources - Strand Deposits; in accordance with the JORC Code (2012) @ 2.0% HM Cut-off										
Project/Deposit	Category	Tonnes (million)	% HM	% Slimes	HM Tonnes (million)	VHM (%)	Ilmenite (%)	Leucoxene (%)	Rutile (%)	Zircon (%)
Boonanarring ³	Measured	8.8	10.3	14	0.9	78.1	46	3.8	2.3	26.0
Boonanarring ³	Indicated	14.6	4.6	17	0.7	71.2	48	2.6	2.7	17.9
Boonanarring ³	Inferred	6.9	3.5	20	0.2	59.4	45	4.9	3.9	5.6
Boonanarring Total		30.3	6.0	17.0	1.8	72.7	46	3.6	2.7	20.4
Atlas ³	Measured	9.9	7.9	16.1	0.8	71.0	49.1	4.2	7.2	10.5
Atlas ³	Indicated	6.4	3.7	17.3	0.2	56.5	41.6	3.4	4.7	6.8
Atlas ³	Inferred	1.8	4.0	19.9	0.1	41.5	29.0	3.3	4.4	4.8
Atlas Total		18.1	6.0	16.9	1.1	65.9	46.1	4.0	6.5	9.3
Sub-Total Atlas/Boonanarring		48.4	6.0	17.0	2.9	70.1	46.1	3.7	4.1	16.2

Mineral Resources - Strand Deposits; in accordance with JORC Code (2012) @ 2.0% HM Cut-off											
Project/Deposit	Category	Volume	Tonnes	% HM	% Slimes	HM Tonnes	VHM	Ilmenite	Leucoxene	Rutile	Zircon
		(million)	(million)			(million)	(%)	(%)	(%)	(%)	(%)
Helene ⁴	Indicated	6.4	13.2	4.3	18.6	0.57	88.7	74.6	0.0	3.6	10.5
Hyperion ⁴	Indicated	2.4	5.0	6.3	19.0	0.32	69.4	55.8	0.0	6.3	7.3
Cooljarloo Nth Total		8.8	18.2	4.8	18.7	0.88	81.8	67.9	0.0	4.6	9.4
Previously Reported Mineral Resources - Strand Deposits; in accordance with JORC Code (2004) @ 2.5% HM Cut-off											
Project/Deposit	Category	Volume	Tonnes	% HM	% Slimes	HM Tonnes	VHM	Ilmenite	Leucoxene	Rutile	Zircon
		(million)	(million)			(million)	(%)	(%)	(%)	(%)	(%)
Gingin Nth ⁴	Indicated	0.7	1.3	5.7	15.7	0.1	75.4	57.4	9.3	3.2	5.5
Gingin Nth ⁴	Inferred	0.6	1.1	5.2	14.0	0.1	78.4	57.3	11.3	3.7	6.0
Gingin Nth Total		1.3	2.4	5.5	15.0	0.1	76.7	57.3	10.2	3.4	5.7
Gingin Sth ⁴	Measured	0.9	1.5	4.4	7.2	0.1	79.4	50.7	15.3	5.6	7.8
Gingin Sth ⁴	Indicated	3.2	5.8	6.5	7.1	0.4	90.6	67.6	9.8	5.1	8.1
Gingin Sth ⁴	Inferred	0.4	0.7	6.5	8.4	0.0	91.6	67.4	7.5	5.8	10.9
Gingin Sth Total		4.5	8.1	6.1	7.3	0.5	89.2	65.3	10.3	5.2	8.3
Red Gully ⁴	Indicated	1.9	3.4	7.8	11.5	0.3	89.7	66.0	8.3	3.1	12.4
Red Gully ⁴	Inferred	1.5	2.6	7.5	10.7	0.2	89.0	65.4	8.2	3.0	12.3
Red Gully Total		3.4	6.0	7.7	11.2	0.5	89.4	65.7	8.2	3.1	12.4
Sub-Total Gingin & Red Gully		9.2	16.5	6.6	9.8	1.1	87.8	64.5	9.4	4.1	9.7
Historic Deposit Mineral Resources - Strand deposit; in accordance with JORC Code (2004) @ 2.5% HM Cut-off											
Project/Deposit	Category	Volume	Tonnes	% HM	% Slimes	HM Tonnes	VHM	Ilmenite	Leucoxene	Rutile	Zircon
		(million)	(million)			(million)	(%)	(%)	(%)	(%)	(%)
Regans Ford ⁵	Indicated	4.5	9.0	9.9	16.8	0.9	94.3	70.0	10.0	4.3	10.0
Regans Ford ⁵	Inferred	0.5	0.9	6.5	18.5	0.1	90.5	68.3	7.7	4.4	10.1
Regans Ford Total		5.0	9.9	9.6	17.0	1.0	94.1	69.9	9.9	4.3	10.0
Grand Totals		49.1	93.0	6.3	16.0	5.8	79.1	56.7	5.2	4.2	13.0

3. COMPLIANCE STATEMENT - Boonanarring/Atlas Mineral Resources

The information in this report which relates to the estimation of Mineral Resources at Boonanarring is extracted from the Company's ASX announcement dated 20 December 2019 and is available to view on the Company's website. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original announcement and that all material assumptions and technical parameters underpinning the estimates in the original announcement continue to apply and have not materially changed. The Company confirms that the form and context in which any Competent Person's findings are presented have not been materially modified from the original market announcement.

The information in this report which relates to the estimation of Mineral Resources at Atlas is extracted from the Company's ASX announcement dated 8 May 2017 and is available to view on the Company's website. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original announcement and that all material assumptions and technical parameters underpinning the estimates in the original announcement continue to apply and have not materially changed. The Company confirms that the form and context in which any Competent Person's findings are presented have not been materially modified from the original market announcement.

4. COMPLIANCE STATEMENT – MINERAL RESOURCE ESTIMATES

The information in this table that relates to Mineral Resources is based on information compiled by Lynn Widenbar BSc, MSc, DIC MAusIMM MAIG employed by Widenbar & Associates who is a consultant to the Company. 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.

5. HISTORIC INFORMATION - REGANS FORD DEPOSIT

The information in this table that relates to tonnes, grades and mineral assemblage is based on historic information published by Iluka Resources Limited and indicating the mineral resources were compiled in accordance with the JORC Code (2004).

Mineral Resources - Dredge deposits; in accordance with JORC Code (2012) @ 1.0% HM Cut-off											
Project/Deposit	Category	Volume BCM (million)	Tonnes (million)	% HM	% Slimes	HM Tonnes (million)	VHM (%)	Ilmenite (%)	Leucoxene (%)	Rutile (%)	Zircon (%)
Titan ⁶	Indicated	10.3	21.2	1.8	22.1	0.38	86.0	71.9	1.5	3.1	9.5
Titan ⁶	Inferred	58.5	115.4	1.9	18.9	2.2	85.9	71.8	1.5	3.1	9.5
Total Titan	Total	68.8	136.6	1.9	19.4	2.6	85.9	71.8	1.5	3.1	9.5
Telesto ⁶	Indicated	1.7	3.5	3.8	18.4	0.13	83.3	67.5	0.7	5.6	9.5
Calypso ⁶	Inferred	27.1	51.5	1.7	13.7	0.85	85.6	68.1	1.6	5.1	10.8
Mineral Resources - Dredge deposits; in accordance with JORC Code (2004) @ 1.0% HM Cut-off											
Project/Deposit	Category	Volume BCM (million)	Tonnes (million)	% HM	% Slimes	HM Tonnes (million)	VHM (%)	Ilmenite (%)	Leucoxene (%)	Rutile (%)	Zircon (%)
Bidamina ⁶	Inferred	26.3	44.6	3.0	3.6	1.3	96.8	83.1	7.2	1.0	5.5
Total Dredge		123.9	236.2	2.1	15.2	4.9	87.8	73.1	2.6	3.2	9.0

6. COMPETENT PERSON'S STATEMENT – MINERAL RESOURCES ESTIMATES

The information in this presentation that relates to Mineral Resources is based on information compiled by Lynn Widenbar BSc, MSc, DIC MAusIMM MAIG employed by Widenbar & Associates who is a consultant to the Company. 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 2012 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.

+Rule 5.5

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity	
IMAGE RESOURCES NL	
ABN	Quarter ended ("current quarter")
57 063 977 579	31/12/2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers 1	53,348	145,409
1.2 Payments for		
(a) exploration & evaluation	(1,030)	(3,163)
(b) development	-	-
(c) production	(20,104)	(75,336)
(d) staff costs	(708)	(2,394)
(e) administration and corporate costs	(491)	(1,750)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	9	50
1.5 Interest and other costs of finance paid	(2,554)	(3,061)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	28,470	59,755

+ See chapter 19 for defined terms

1 September 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(3,707)	(9,794)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	76
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material) Term Deposits greater than 90 days matured	-	-
2.6 Net cash from / (used in) investing activities	(3,707)	(9,718)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	1,534
3.4 Transaction costs related to issues of shares, convertible notes or options	-	(39)
3.5 Proceeds from borrowings	-	566
3.6 Repayment of borrowings	(9,620)	(14,186)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other – Employee Share Loan Repayments	109	109
3.10 Net cash from / (used in) financing activities	(9,511)	(12,016)

+ See chapter 19 for defined terms

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	35,805	11,886
4.2	Net cash from / (used in) operating activities (item 1.9 above)	28,470	59,755
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3,707)	(9,718)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(9,511)	(12,016)
4.5	Effect of movement in exchange rates on cash held	(1,122)	28
4.6	Cash and cash equivalents at end of period ¹	49,935	49,935

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	45,920	35,790
5.2	Call deposits	15	15
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	49,935	35,805 ¹

¹ Previous quarter cash balance excludes \$A12.25 million received in October for a shipment dispatched in September.

6. Payments to directors of the entity and their associates		Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	370,900
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

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+ See chapter 19 for defined terms

7.	Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8.	Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1	Loan facilities	56,410	56,410
8.2	Credit standby arrangements	55	55
8.3	Other	-	-
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Loan held is as follows:

- A senior secured debt facility of US\$38,850,000 + capitalised interest of US\$7,257,672 less repayments to date of US\$6,586,811. (US\$39,520,861 at 31 Dec 2019) Interest rate is 14% for the first fifteen months following draw down on 25 May 2018 and 13% thereafter for the balance of the loan. Interest is paid quarterly in arrears. Further details can be found in the announcement lodged with the ASX on 8 March 2018.

9.	Estimated cash outflows for next quarter	\$A'000
9.1	Exploration and evaluation	1,400
9.2	Development	-
9.3	Production	22,000
9.4	Staff costs	800
9.5	Administration and corporate costs	500
9.6	Other – Capital 1	7,000
9.7	Total estimated cash outflows	31,700

1. Includes purchases of land.

+ See chapter 19 for defined terms

1 September 2016

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	Refer Quarterly Report			
10.2	Interests in mining tenements and petroleum tenements acquired or increased	Refer Quarterly Report			

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:

(Director/Company secretary)

Date: 31 Jan 2020

Print name: Dennis Wilkins

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

+ See chapter 19 for defined terms

1 September 2016