Media Release

RE: MOU with Image Resources Limited

The Directors of Murray Zircon Pty Ltd are pleased to announced the company has signed a non-binding Memorandum of Understanding (MOU) with Image Resources Limited (Image) to assess the viability of a transaction whereby Murray Zircon would receive up to 47% of the share capital of Image in exchange for Murray Zircon providing its ore processing equipment, infrastructure, operational expertise and senior management personnel to rapidly advance the development of Image’s flagship high grade mineral sands deposits in the North Perth Basin in Western Australia.

Image Resources is an Australian publicly listed and advanced mineral sands exploration company looking to transition to project development and production. Image’s flagship projects are its 100%-owned Boonanarring and Atlas high-grade minerals sand deposits. In accordance with its feasibility study (FS), initial production is planned from the Boonanarring deposit located near the township of Gingin approximately 65km north of Perth in an area with significant existing infrastructure.

The Boonanarring and Atlas deposits are arguably the highest grade, high zircon, ready for development deposits in Australia.

Image conducted the FS on the Boonanarring and Atlas deposits in 2012-13 with results announced July 2013. Highlights of the FS include:

- **Probable ore reserve:** 24M tonnes ore grading 8.2% heavy minerals (HM) at 2.5% HM cut-off grade; HM containing 15% zircon;
- **10 year mine life;** conventional dry mining;
- **Capital costs** A$64M including working capital;
- **Construction time:** 18 months;
- **Pre-tax NPV:** A$145M at 8% discount rate;
- **Pre-tax IRR:** 57.4%;
- **Payback period:** 22 months;
• Significant additional JORC Resources in adjacent projects and significant exploration potential in Boonanarrning and surrounding area.

Murray Zircon’s CEO Mr Patrick Mutz commented, “Murray Zircon has been actively operating the Mindarie Mineral Sands Project since 2012 and has developed significant experience as a low cost producer; operating with ore grades of approximately 3.5%HM. In March 2015, we completed mining of the last mineral strand deposit in the immediate area of Mindarie and are evaluating options for our next mining location. This opportunity with Image fits nicely in Murray Zircon’s plans to continue with minerals sands production; and the higher ore grade is crucial to mining sustainably in the current depressed minerals sands market.

Importantly, MZ’s ore processing equipment is of the right capacity and processing capability to accommodate Image’s Boonanarrning ore with only minor adjustments. This means the project will benefit by getting access to a complete package of pre-engineered and fully commissioned and proven ore processing equipment and infrastructure that is available immediately for transfer to Boonanarrning.”

MZ equipment to be provided includes an in-pit mine slurry unit; pipelines and booster pump skids; poles and wires; complete Primary Concentration Plant including slimes thickener, associated water tanks and HMC dewatering equipment; maintenance equipment and critical spares; laboratory equipment; rolling stock and miscellaneous office/ablution buildings.

Other aspects of the MOU include a proposal for a zircon products off-take agreement and a mineral separation plant (MSP) purchase option.

The off-take agreement will be with MZ’s parent company Guangdong Orient Zirconic Ind Sci & Tech Co., Ltd. (OZC), one of China’s largest zircon processing companies and with the most comprehensive range of zirconium products in the world. OZC is listed on the Shenzhen Stock Exchange (Code: 002167) with a market capitalisation of approximately RMB 7.9 Billion (AU$1.5 billion).

Image is to receive a purchase option for MZ’s MSP (including a concentrate upgrade plant and a hot acid leach circuit for zircon) located at Mindarie. The option will be for 3 years and exercisable by payment of cash and/or script.

In accordance with its FS, Image will seek to secure a satisfactory mineral separation toll-processing agreement with a larger MSP operator in WA in the short-term to minimise start-up capital and risk. The MSP purchase option will provide a backup plan to toll-processing and a longer term go-it-alone mineral separation opportunity.

The MOU outlines a proposed timeline for completion such that production at Boonanarrning could begin as early as mid-2016.

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