



Image Resources NL

ANNUAL REPORT

**FINANCIAL YEAR
ENDED 31 DECEMBER 2017**

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DIRECTORS

ROBERT BESLEY
Non-Executive Chairman

PATRICK MUTZ
Managing Director

GEORGE SAKALIDIS
Executive Director - Exploration

AARON CHONG VEYO SOO
Non-Executive Director

PETER THOMAS
Non-Executive Director

CHAODIAN CHEN
Non-Executive Director

FEI WU
Non-Executive Director

COMPANY SECRETARY

DENNIS WILKINS
(DW Corporate)

WEBSITE

www.imageres.com.au

FOR SHAREHOLDER INFORMATION CONTACT

SHARE REGISTRY

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Telephone 1 300 992 916 (within Australia)
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FOR INFORMATION ON THE COMPANY CONTACT

PRINCIPAL & REGISTERED OFFICE

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West Perth WA 6005

PO Box 469
West Perth WA 6872

Telephone (08) 9485 2410
Facsimile (08) 9486 8312

BANKERS

Bank of Western Australia Ltd
Hay Street, West Perth WA 6005

AUDITORS

Greenwich & Co Audit Pty Ltd
35 Outram Street, West Perth WA 6005
Telephone: (08) 6555 9500

STOCK EXCHANGE

Australian Securities Exchange (ASX)
ASX Code - IMA (Fully paid shares)

ISSUED CAPITAL

861,289,987 fully paid ordinary shares
3,000,000 unlisted options:

ABN: 57 063 977 579

The principal focus of Image Resources NL (“**Image**” or “**the Company**”) during the 2017 calendar year was the finalisation of the updated feasibility study for its 100%-owned, high-grade Boonanarring Mineral Sands Project (the “**Project**”) in the North Perth Basin located 80 Kilometres north-northwest of Perth. The feasibility study results were announced on 30 May 2017; and subsequently the Company has been focussed on delivering a financing solution for the development of the Project.

Boonanarring/Atlas Feasibility Study Update

The highlights from the study results were as follows:

- Pre-Tax NPV of A\$135M at an 8% discount rate,
- IRR of 64% and pre-tax EBITDA of A\$266M,
- Rapid pay-back of capital post production start-up of less than 2 years, and
- Initial development capital, including contingency and resalable land of only A\$52M.

In November, the Company updated its bankable feasibility study (BFS) financial model to include significantly higher forecasted mineral sand commodity prices from TZMI, than were used in the original BFS results announced 30 May 2017.

Revised BFS financial metrics included:

- Project Pre-Tax NPV increased from A\$135M to A\$197M (8% discount rate);
- Project Pre-Tax IRR increased from 64% to 104%;
- Pre-tax EBITDA increased from A\$266M to A\$339M, and
- Payback period decreased from 22 months to 16 months.

Boonanarring Project Capital Financing

In March 2017, the Company secured the services of PCF Capital of Perth to act as financial advisor to identify potential debt providers. The initial focus was on attracting interest from big banks to seek to secure a loan package with more conventional terms and conditions, and generally lower interest rates.

The Company released the BFS results in May 2017 and focused on identifying, analysing and actively pursuing project finance options to support the development of the Project.

In October 2017, the Company secured the services of Jett Capital of New York to identify non-banking financial institutions as potential debt providers for Boonanarring. Following comparative analysis of a number of indicative debt facility proposals, the Company selected a preferred provider and executed a non-binding term sheet which triggered the start of due diligence in late December.

In October 2017, Euroz Securities Limited was selected to be lead broker to assist Image with raising equity capital for the Project.

Subsequent to the end of the year:

- On 8 March 2018, the Company announced the execution of a Loan Note Subscription Agreement with Switzerland-based Pala Investments Limited (“Pala”) as the ‘arranger’, and Pala and USA-based Castlelake, L.P. as the Loan Note Holders, to provide AU\$50M from the issue of senior secured loan notes to be used for the construction and commissioning of the Boonanarring Project, drawdown of funds is subject to satisfaction of certain conditions precedent;
- On 14 March 2018, the Company announced the issue of 250 million shares at 10 cents per share to raise A\$25 million (before costs) as the balance of capital required for the construction and commissioning of the Boonanarring Project. The share issue settled on 28 March 2018.

Boonanarring Ore Reserves & Mineral Resources

In January 2017, the Company announced an update of the Boonanarring Mineral Resource estimate in accordance with the JORC Code (2012). Total Mineral Resources increased from 21.5 million tonnes (Image 2013 Mineral Resource estimate) to 43.7 million tonnes, albeit at lower overall HM grade. The additional tonnes of Mineral Resources stem from an expanded mineralisation area, the delineation of an overlying layer of lower grade mineralisation and using a lower cut-off grade of 2.0%HM compared to 2.5% in 2013.

On 21 August 2017, the Company announced a 60% increase in ore tonnes in the 'Proved' category of Ore Reserves at Boonanarring (Table 1 – Exploration). This change was based on grade control drilling completed in March 2017 and designed to increase the confidence level of the Boonanarring Mineral Resources and Ore Reserves. The re-estimation of Ore Reserves was conducted by Optiro Pty Ltd (Optiro) in accordance with the guidelines of the Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code - 2012 edition).

When compared to the previously estimated Ore Reserves for Boonanarring the total tonnes of Proved Ore Reserves increased by 60% from 5.8 million to 9.3 million tonnes, albeit at a lower heavy mineral (HM) grade, but importantly at a higher concentration of zircon in the HM.

Environmental Approvals and Land Access

The Company had already secured Part IV environmental approval prior to the start of the calendar year for the development of the Boonanarring Project. A number of other approvals were received during the year. The final regulatory approval ('Works Approval') required for the start of construction and commissioning of the Boonanarring Project was received on 30 October 2017.

On 10 January 2017, the Company exercised its option to purchase 550 hectares of land required for the initial plant site and mine development at Boonanarring. Completion of this purchase occurred in April 2017. A further 230 hectares of land was secured for access for mining at Boonanarring via a lease agreement with the landowner, and negotiations of purchase option agreements for two additional land parcels totalling 1,187 hectares were advanced significantly by the end of the year.

Heavy Mineral Commodity Prices

After a significant fall in heavy mineral commodity prices from 2013 to mid-2016, consensus forecasts show increasing prices for at least the next five years. Recent market evidence supports an increasingly positive view on the outlook for mineral sands commodity prices in general, and zircon prices in particular.

The positive outlook for zircon prices is particularly important for the Company as the sale of zircon represents over 70% of revenues from Boonanarring. The BFS, and the subsequent update, assumed a long term premium zircon price of US\$1,405 per tonne.

Effective from 1 January 2018, Tronox Limited increased the sales price for its premium grade zircon by 10% to US\$1,455 per tonne. Iluka Resources Limited increased the market price for its zircon effective 1 April 2018, from the previous price of US\$1,295 to US\$1,410 per tonne. These price movements suggest that the long term zircon price assumption in the BFS may be conservatively low.

Other Mineral Resources and Prospects

Whilst the Company's primary focus remains the development of the Boonanarring and Atlas deposits and fast-tracking the transition from advanced explorer to mineral sands miner, it also continues to consider options to unlock value from its other projects with high-grade mineral resources such as Red Gulley, Gingin North, Gingin South, Helene and Hyperion. In addition, the Company has continued work on the Bidamina Project mineral resources as a potential leucoxene-rich, dredge mining project and has also identified Woolka as an area that could deliver a significant dredge mining resource.

Exploration

Boonanarring Northern Extensions

Landowners are actively being contacted to arrange access agreements for delineation drilling over the 5.6km northern extension of the high-grade Boonanarring deposit announced on 13 March 2017. This extension area is deemed to be within economic pumping distance of the planned location of the Boonanarring wet concentration plant. The Company confirmed, after drilling the northernmost 2.6km extension shown in Figure1, that the Boonanarring high grade extension delineated included zircon grades range from 16.4% to 22.2% of the HM content. The drill results included outstanding high-grade intersections of 8m @ 23.8% HM in drill hole IX00245, 8m @ 21.1% HM in IX00244 and 8m @ 16.3% HM in IX00250 (ASX release 26/06/2017).

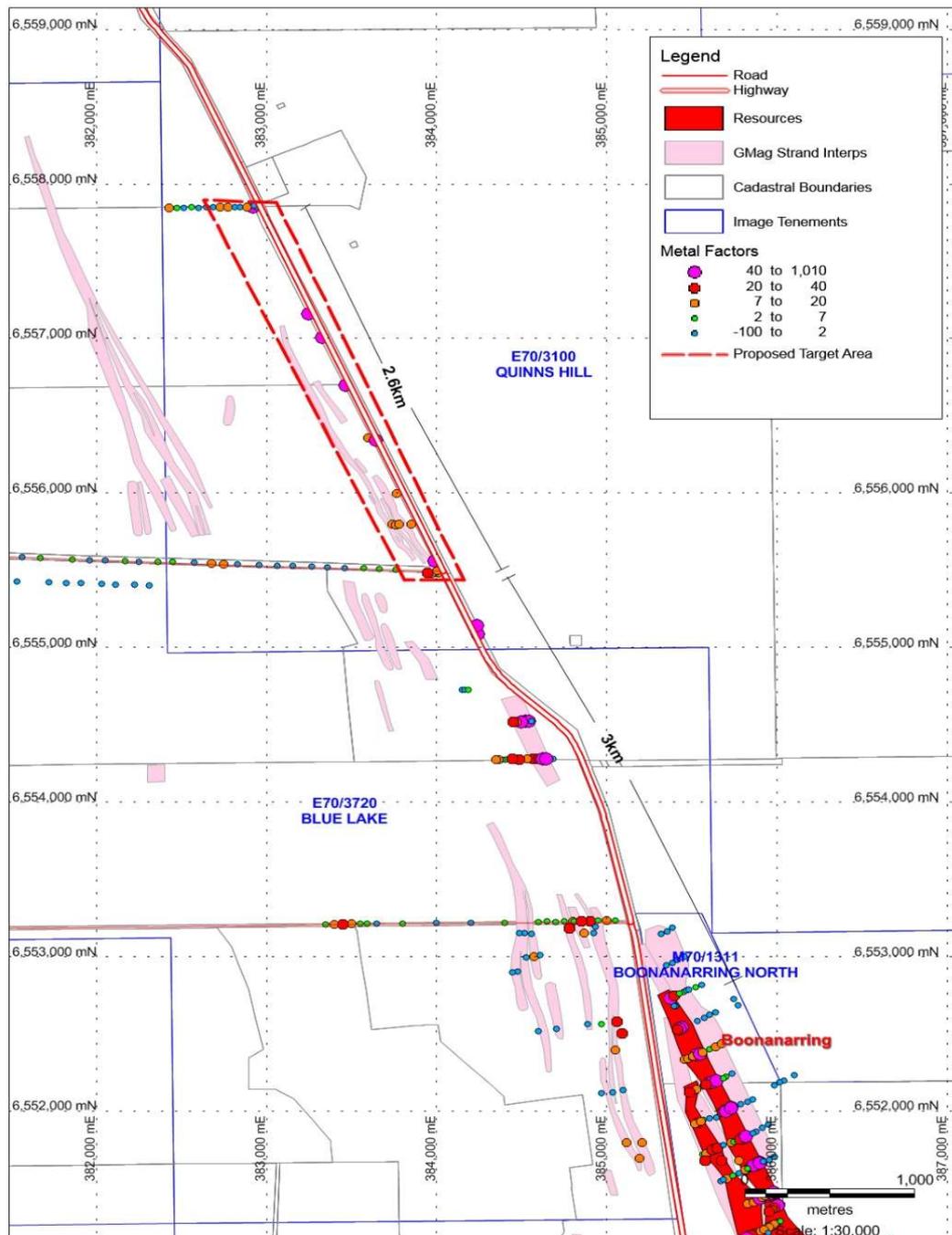


Figure 1. Location of Drill Holes and Composite Samples in Boonanarring Northern Extension

Boonanarring Southern Extensions

An access agreement has been signed with the landowner at Gingin North which is interpreted to contain the southernmost extension of the Boonanarring deposit. The Gingin North drilling was mainly designed to test for the southernmost extension of the Boonanarring deposit and near surface mineralisation to the west. Twenty holes have been completed totalling 538m (Figure 2). Results are pending while a further 50 holes are being planned.

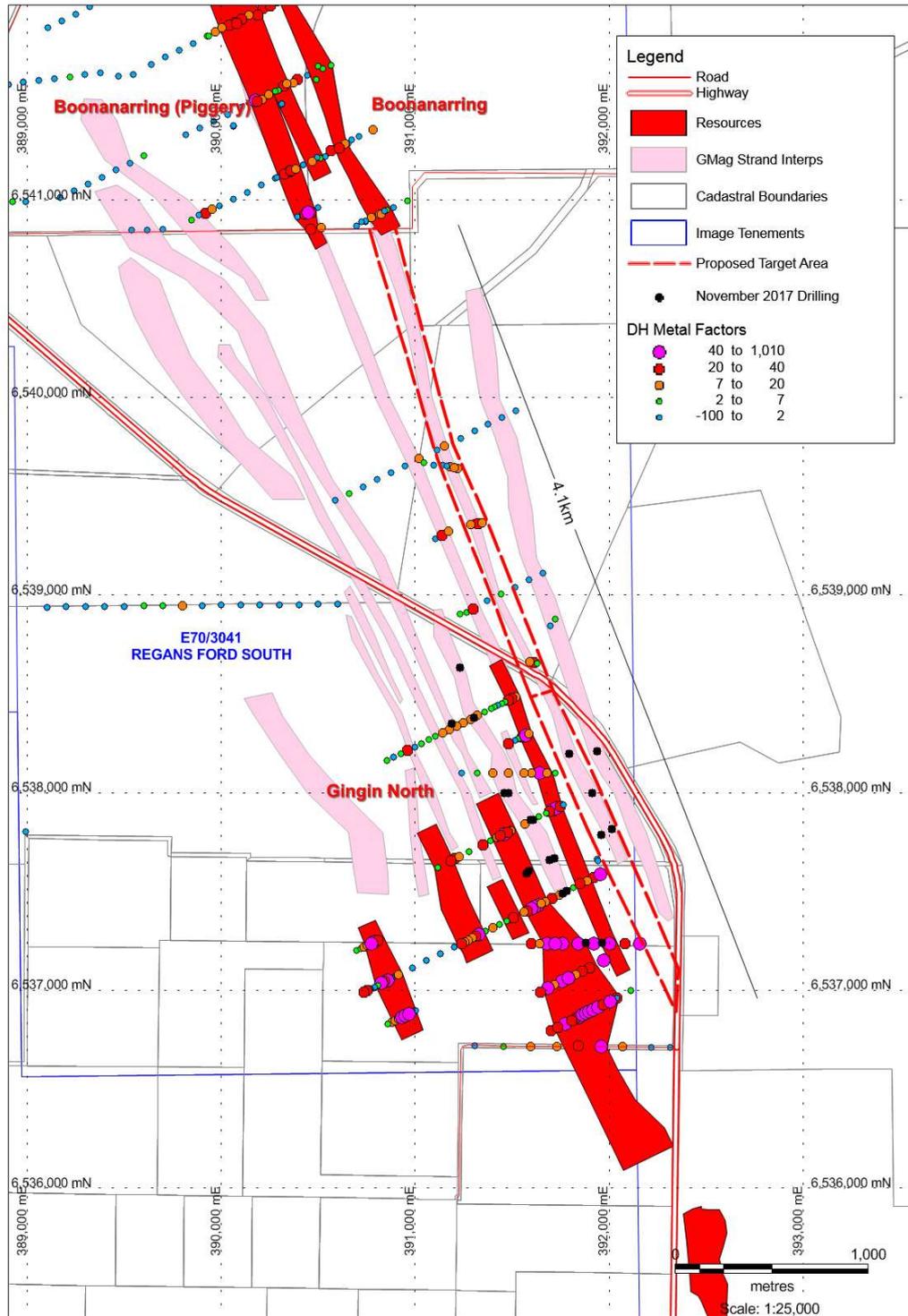


Figure 2. Boonanarring Southern extension showing past and current drill programmes

Boonanarring Western Parallel Extensions

The Boonanarring West drilling was designed to test for potential adjacent and parallel mineralisation to the Boonanarring Deposit (Figure 3). A sizeable target has been defined 3km by 0.3km and two programmes of drilling have now been carried out here, comprising 15 holes for 411m. A further 7 holes for 200m are planned for early February 2018. This target is only 600m west of the Boonanarring Deposit and augers well for the potential to add valuable mine life.

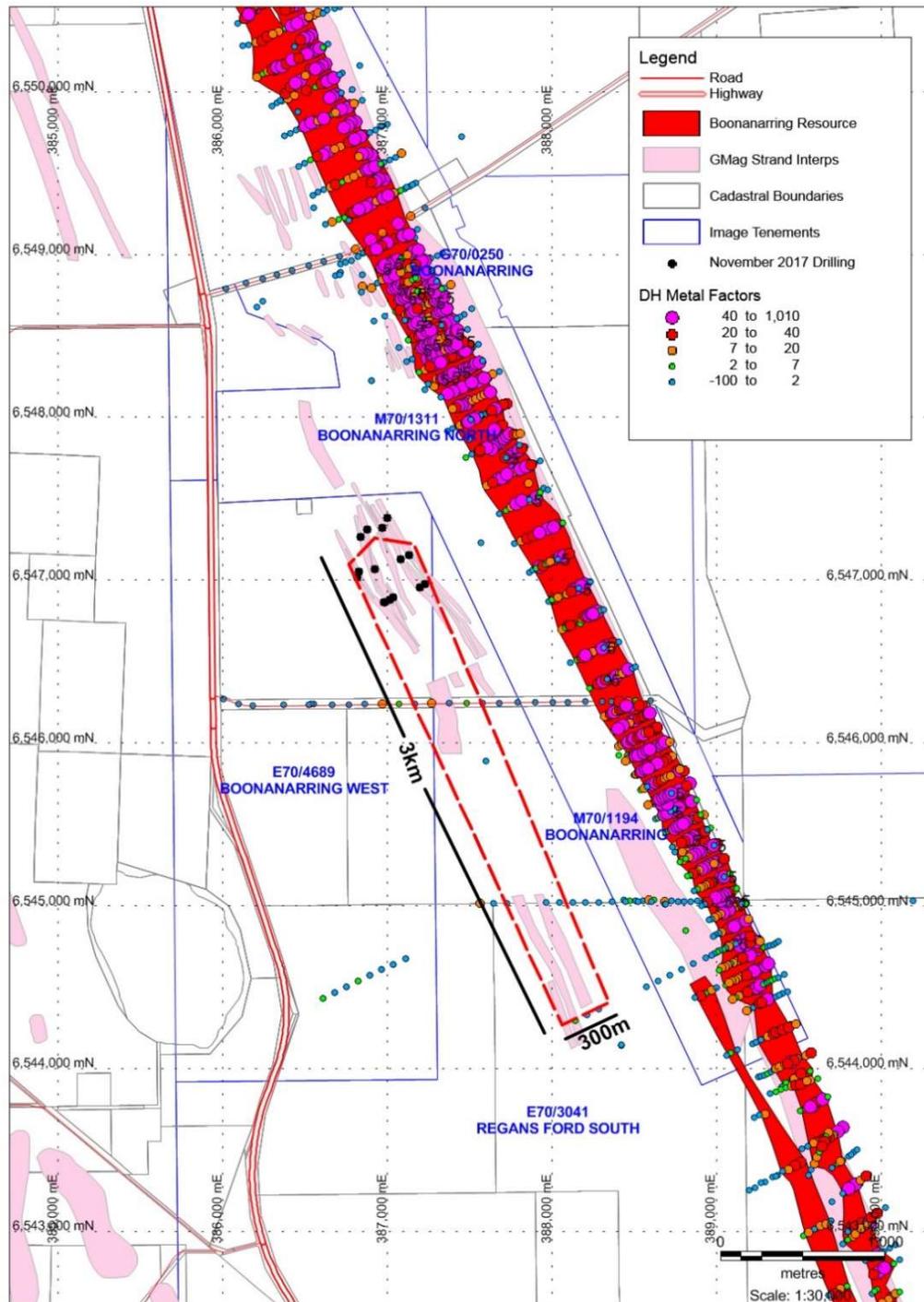


Figure 3. Boonanarring West Target 3km by 0.3km showing current drilling west of the Boonanarring Deposit

Bidamina Northern Extensions

The Bidamina drilling programme was designed to investigate the northern extension of the Bidamina deposit, which has potential to be 18km in length (Figure 4) and to examine in detail the leucoxene content which were previously confirmed to be unusually enriched and increasing in a northern direction to up to 69% of the THM. Thus far, 25 holes have been drilled totalling 1,311m. In early February 2018 a further 14 holes for 700m are planned.

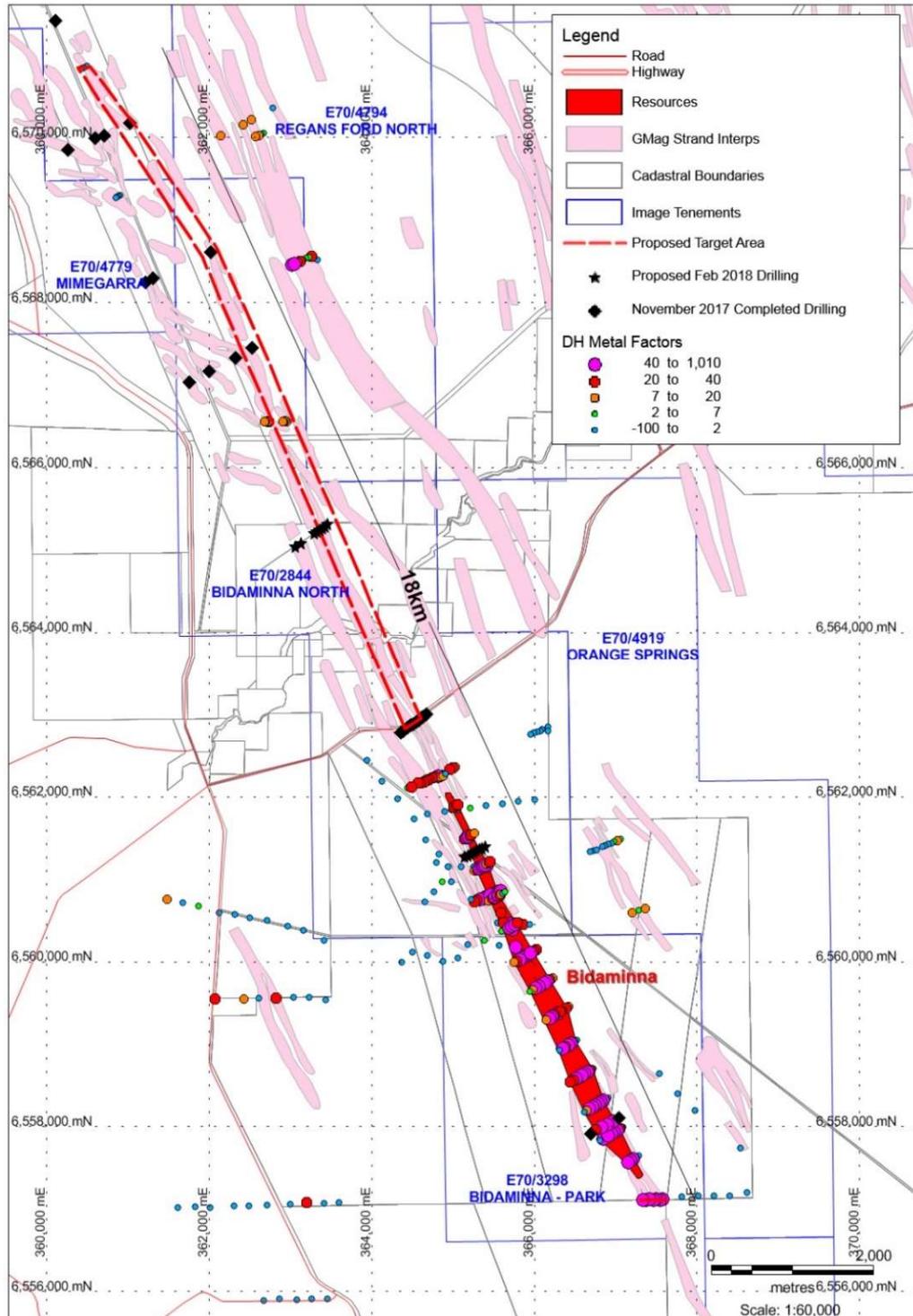
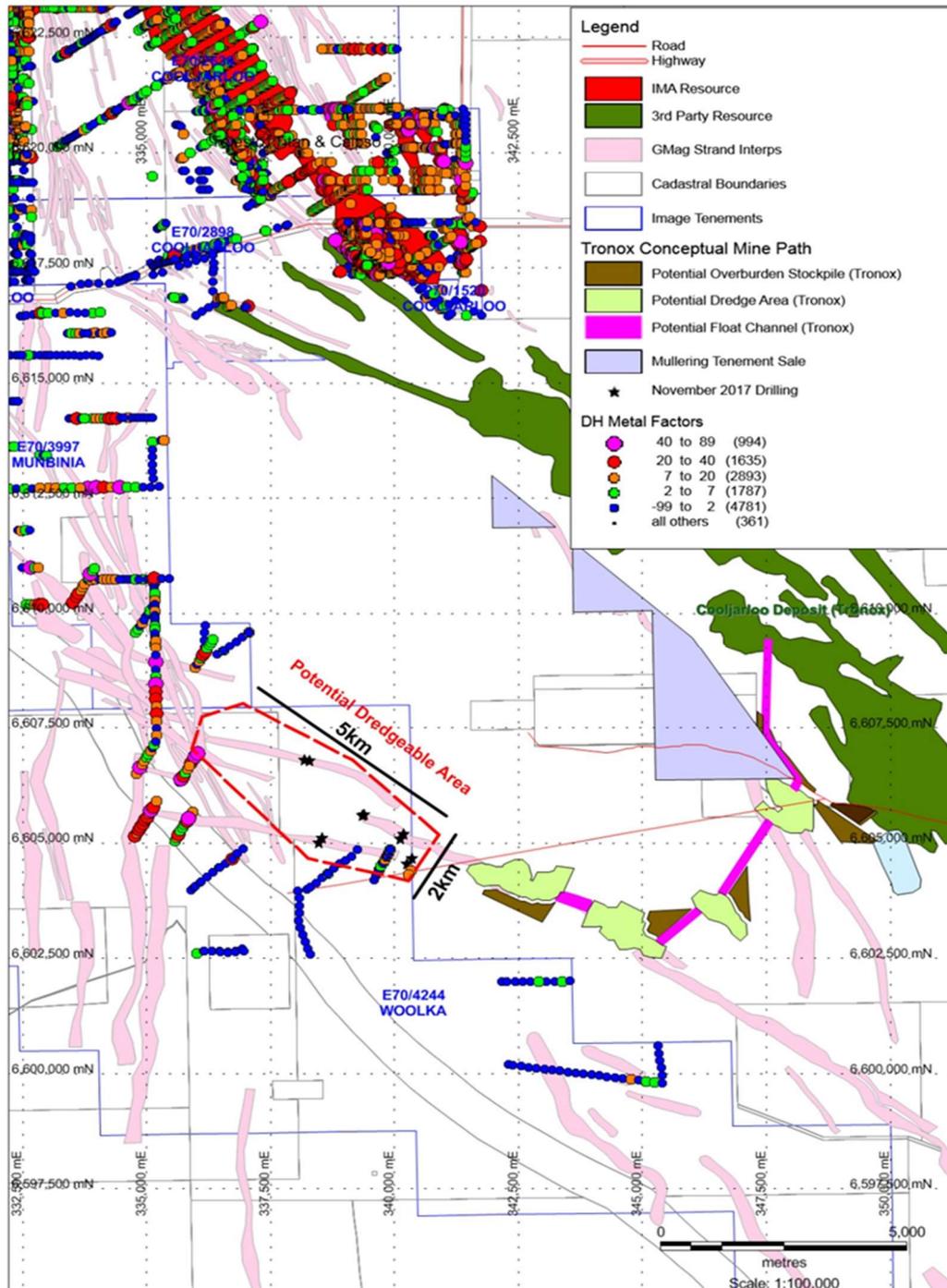


Figure 4. Bidamina Northern Extension Target showing past and current drill programmes.

Woolka Major Dredge Target

The Woolka drilling was designed to test for large dredgeable targets over an area of 5km by 2km, which is adjacent to and west of Tronox’s dredge mining operations (Figure 5). Thus far, 10 holes totalling 411m have been completed. In early February 2018 a further 5 holes for 200m are planned.



Completed Exploration Drilling

Drilling at Bidamina, Woolka, Winooka, Boonanarring West and Gingin North was completed in November 2017 (Table 1) totalling 79 holes for 3,231 metres.

Table 1. Completed Drilling Programme November 2017

<u>Prospect</u>	<u>No. Holes</u>	<u>Total Metres</u>
Bidamina	25	1,311
Woolka	10	411
Winooka	9	560
Boonanarring West	15	411
Gingin North	20	538
Total	79	3,231

A short 31 drill hole programme will be completed in February 2018 on Bidamina (14 holes), Bibby Springs (5 holes), Woolka (5holes) and Boonanarring West (7 holes) to infill and further test several targets picked up from the November 2017 and prior drilling programmes.

Table 2. Mineral Resources and Ore Reserves as at 3 August 2017

High Grade Ore Reserves - Strand Deposits; in accordance with the JORC Code (2012)											
Project/Deposit	Category	Volume	Tonnes	% HM	% Slimes	HM Tonnes	VHM (%)	Ilmenite (%)	Leucoxene (%)	Rutile (%)	Zircon (%)
Boonanarring ²	Proved	5,008,000	9,344,000	8.6	14.3	803,771	76.081	48.9	1.8	2.2	23.2
Boonanarring ²	Probable	5,565,000	10,514,000	5.9	17.6	622,429	78.653	52.3	1.8	2.7	21.9
Total Boonanarring		10,573,000	19,858,000	7.2	16.1	1,426,200	77.203	50.4	1.8	2.4	22.7
Atlas ²	Probable	5,000,000	9,477,000	8.1	15.5	767,637	73.3	50.7	4.5	7.5	10.6
Total Atlas		5,000,000	9,477,000	8.1	15.5	767,637	73.3	50.7	4.5	7.5	10.6
Total Ore Reserves		15,573,000	29,335,000	7.5	15.9	2,193,837	75.8	50.5	2.7	4.2	18.4
High Grade Mineral Resources - Strand Deposits; in accordance with the JORC Code (2012) @ 2.0% HM Cut-off											
Project/Deposit	Category	Volume	Tonnes	% HM	% Slimes	HM Tonnes	VHM (%)	Ilmenite (%)	Leucoxene (%)	Rutile (%)	Zircon (%)
Boonanarring ¹	Measured	6,359,359	11,799,213	8.0	14	942,167	74.3	48.3	1.7	2.2	22.0
Boonanarring ¹	Indicated	11,802,047	22,265,400	4.9	18.3	1,081,208	71.7	49.2	2.2	2.5	17.8
Boonanarring ¹	Inferred	4,987,703	9,420,449	4.5	21	422,507	68.8	50.0	3.5	3.4	11.9
Boonanarring Total		22,886,875	43,485,062	5.6	18	2,445,882	72.2	49.0	2.2	2.6	18.4
Atlas ¹	Measured	5,210,526	9,900,000	7.9	16.1	782,000	71.0	49.1	4.2	7.2	10.5
Atlas ¹	Indicated	3,368,421	6,400,000	3.7	17.3	237,000	56.5	41.6	3.4	4.7	6.8
Atlas ¹	Inferred	947,368	1,800,000	4.0	19.9	72,000	41.5	29.0	3.3	4.4	4.8
Atlas Total		9,526,316	18,100,000	6.0	16.9	1,091,000	65.9	46.1	4.0	6.5	9.3
Sub-Total Atlas/Boonanarring		32,413,191	61,585,062	5.7	17.7	3,536,882	70.3	48.1	2.8	3.8	15.6
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 (%)
Gingin Nth ³	Indicated	680,175	1,318,642	5.7	15.7	75,163	75.4	57.4	9.3	3.2	5.5
Gingin Nth ³	Inferred	580,000	1,090,000	5.2	14.0	57,116	78.4	57.3	11.3	3.7	6.0
Gingin Nth Total		1,260,175	2,408,642	5.5	15.0	132,279	76.7	57.3	10.2	3.4	5.7
Gingin Sth ³	Measured	872,830	1,526,122	4.4	7.2	67,149	79.4	50.7	15.3	5.6	7.8
Gingin Sth ³	Indicated	3,241,835	5,820,480	6.5	7.1	377,167	90.6	67.6	9.8	5.1	8.1
Gingin Sth ³	Inferred	398,573	732,912	6.5	8.4	47,566	91.6	67.4	7.5	5.8	10.9
Gingin Sth Total		4,513,238	8,079,514	6.1	7.3	491,882	89.2	65.3	10.3	5.2	8.3
Helene ³	Indicated	5,568,110	11,466,106	4.6	18.6	522,854	88.7	74.6	0.0	3.6	10.5
Hyperion ³	Indicated	1,786,781	3,742,471	7.7	19.3	286,673	69.4	55.8	0.0	6.3	7.3
Cooljarloo Nth Total		7,354,891	15,208,577	5.3	18.8	809,528	81.9	67.9	0.0	4.6	9.4
Red Gully ³	Indicated	1,930,000	3,409,768	7.8	11.5	265,962	89.7	66.0	8.3	3.1	12.4
Red Gully ³	Inferred	1,455,000	2,565,631	7.5	10.7	192,422	89.0	65.4	8.2	3.0	12.3
Red Gully Total		3,385,000	5,975,399	7.7	11.2	458,384	89.4	65.7	8.2	3.1	12.4
Sub-Total Other		16,513,304	31,672,132	6.0	14.1	1,892,073	85.2	66.0	5.4	4.3	9.6
Historic Deposit - Strand deposit (Under EL application)											
Project/Deposit	Category	Volume	Tonnes	% HM	% Slimes	HM Tonnes	VHM (%)	Ilmenite (%)	Leucoxene (%)	Rutile (%)	Zircon (%)
Regans Ford ⁴	Indicated	4,505,285	9,024,226	9.9	16.8	893,398	94.3	70.0	10.0	4.3	10.0
Regans Ford ⁴	Inferred	455,933	918,536	6.5	18.5	59,705	90.5	68.3	7.7	4.4	10.1
Regans Ford Total		4,961,218	9,942,762	9.6	17.0	953,103	94.1	69.9	9.9	4.3	10.0

RESOURCES AND RESERVES SCHEDULE



Previously Reported Mineral Resources - Dredge deposits; in accordance with JORC Code (2004) @ 1.0% HM Cut-off

Project/Deposit	Category	Volume	Tonnes	% HM	% Slimes	HM Tonnes	VHM (%)	Ilmenit (%)	Leucoxen (%)	Rutile (%)	Zircon (%)
Titan ³	Indicated	10,335,053	21,163,741	1.8	22.1	378,831	86.0	71.9	1.5	3.1	9.5
Titan ³	Inferred	58,517,775	115,445,391	1.9	18.9	2,205,007	85.9	71.8	1.5	3.1	9.5
Total Titan	Total	68,852,828	136,609,132	1.9	19.4	2,583,838	85.9	71.8	1.5	3.1	9.5
Telesto ³	Indicated	1,716,328	3,512,204	3.8	18.4	134,499	83.3	67.5	0.7	5.6	9.5
Calypto ³	Inferred	27,113,647	51,457,008	1.7	13.7	854,186	85.6	68.1	1.6	5.1	10.8
Bidamina ³	Inferred	26,260,000	44,642,000	3.0	3.6	1,339,260	96.8	83.11	7.2	1.0	5.5
Total Dredge		123,942,803	236,220,344	2.1	15.2	4,911,783	88.7	74.1	3.1	2.9	8.6

1. COMPLIANCE STATEMENT Boonanarring/Atlas Resource

The information in this report that relates to the estimation of Mineral Resources is based on information compiled by Mrs Christine Standing, who is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM) and the Australian Institute of Geoscientists (AIG). Mrs Standing is a full-time employee of Optiro Pty Ltd and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which she 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'. Mrs Standing consents to the inclusion in this report of the matters based on her information in the form and context in

2. COMPLIANCE STATEMENT Boonanarring/Atlas Reserve

The Ore Reserves statement has been compiled in accordance with the guidelines of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code – 2012 Edition). The Ore Reserves have been compiled by Jarrod Pye, Mining Engineer and full-time employee of Image Resources, under the direction of Andrew Law of Optiro, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Law has sufficient experience in Ore Reserves estimation relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". Mr Law consents to the inclusion in the report of the matters compiled by him in the form and context in which it appears.

3. COMPETENT PERSON'S STATEMENT – MINERAL RESOURCE 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 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

4. HISTORIC INFORMATION - REGANS FORD DEPOSIT

The information in this presentation 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).

Your directors present their report on the Company for the year ended 31 December 2017.

DIRECTORS

The following persons were directors of Image Resources NL ("**Image**") during the year and up to the date of this report, unless stated otherwise:

Robert Besley
Peter Thomas
George Sakalidis
Aaron Chong Veoy Soo
Chaodian Chen
Fei Wu
Patrick Mutz

PRINCIPAL ACTIVITIES

The principal activities of the Company during the year was the completion of a bankable feasibility study of the 100%-owned high-grade Boonanarring and Atlas mineral sands projects in the North Perth Basin in Western Australia and then actively seeking project finance to support the development of the Boonanarring mineral sands project.

RESULTS FROM OPERATIONS AND FINANCIAL POSITION

During the year the Company recorded an operating loss of \$8,014,023 (6 months to 31 December 2016: \$2,852,955). Basic loss per share for the year was 1.48 cents (6 months to 31 December 2016: 0.75 cents). Diluted loss per share in respect of both periods ended 31 December 2017 and 31 December 2016 are the same as for the basic loss per share.

During the year the net assets of the Company increased by \$4,672,757 to \$14,914,684 including cash and cash equivalents increasing by \$3,314,927 to \$4,422,650 and property, plant and equipment increasing by \$1,888,607 being for equipment and land purchases. This was largely funded by \$12,666,030 being raised through share issues offset by exploration and tenement expenses of \$5,096,598 and other expenses of \$2,697,161.

DIVIDENDS

No amounts have been paid or declared by way of dividend by the Company since the end of the previous financial year and the directors do not recommend the payment of any dividend.

REVIEW OF OPERATIONS

A review of operations is covered elsewhere in this Annual Report.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

All significant changes in the state of affairs of the Company during the year are discussed in detail above.

SIGNIFICANT EVENTS SUBSEQUENT TO REPORTING DATE

Other than the following matters:

- On 13 February 2018, at a general meeting of shareholders, shareholders gave approval for the Company to issue up to 300,000,000 shares at an issue price of 10 cents or not less than 80% of the VWAP of shares (calculated over the five days on which sales of shares were recorded before the day on which the issue is made),
- On 13 February 2018, shareholders also gave approval for the Company to administer and issue securities under an Employee Share Plan. The shareholders also gave approval for the Company to provide financial assistance to employees in the form of interest free loans to enable the employees to participate in the Employee Share Plan,
- On 8 March 2018, the Company announced the execution of a Loan Note Subscription Agreement with Switzerland-based Pala Investments Limited ("Pala") as the 'arranger', and Pala and USA-based Castllake, L.P. as the Loan Note Holders, to provide AU\$50M from the issue of senior secured loan notes to be used for the construction and commissioning of the Boonanarring Project; and
- On 14 March 2018, the Company announced the issue of 250 million shares at 10 cents per share to raise A\$25 million (before costs) as the balance of capital required for the construction and commissioning of the Boonanarring Project with site construction to begin prior to 31 March 2018. The share issue settled on 28 March 2018.

There were no other material significant events subsequent to the reporting date.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report as the directors believe, on reasonable grounds, that the inclusion of such information would be likely to result in unreasonable prejudice to the Company.

ENVIRONMENTAL ISSUES

The Company carries out operations in Australia which are subject to environmental regulations under both Commonwealth and State legislation in relation to those exploration activities. The Company's exploration director is responsible for being aware of, and monitoring compliance with, regulations. During or since the financial year there have been no known significant breaches of these regulations.

INFORMATION ON DIRECTORS AND COMPANY SECRETARIES

Robert Besley **Chairman**

Appointed as Director and Chair on 8 June 2016 Robert Besley is also Chairman of Silver City Minerals Ltd (ASX:SCI) and has more than 40 years' experience in the mining industry. Mr Besley has served in a number of Government and industry advisory roles including several years as Deputy Chairman of the NSW Minerals Council. He holds a BSc (Hons) in Economic Geology from the University of Adelaide and is a Member of the Australian Institute of Geoscientists. He managed the creation, listing and operation of two successful mining companies; CBH Resources Limited which he led as Managing Director from a small exploration company to Australia's 4th largest zinc producer; and Australmin Holdings Limited (acquired by Newcrest) which brought into production a gold mine in WA and mineral sands mine in NSW. More recently he was a founding Director of KBL Mining Limited which operated the Mineral Hill copper-gold mine in NSW and is Chairman of Silver City Minerals Limited, which is actively exploring for silver-lead-zinc in the Broken Hill District. He was a Non-Executive and independent Director of Murray Zircon from commencement of development and production of the Mindarie Mineral Sands Project until June 2016. He also serves on the Company's audit and remuneration committees. During the past three years he has served as a director of the following other listed companies:

- ▶ KBL Mining Limited, appointed 29 February 2008, resigned 17 November 2016.
- ▶ Silver City Minerals Limited - appointed 5 March 2010, continuing.

Patrick Mutz **Managing Director**

Patrick Mutz has more than thirty years of international mining industry experience in technical (metallurgist), managerial, consulting and executive roles in all aspects of the industry from exploration through project development, mining and mine rehabilitation. He has operational experience in open cut, underground, and in-situ mining and related processing, on projects in the USA, Germany, Africa and Australia. Since his arrival in Australia from the USA in 1998, he has served as CEO / Managing Director of a number of publicly listed and private mining companies based in South Australia, Victoria and Western Australia, primarily involved with project development and company transitioning from exploration to production. Mr Mutz is a Fellow of the AusIMM and a member of the Australian Institute of Company Directors. He holds a Bachelor of Science (Honours) and an MBA from the University of Phoenix in the US. Prior to joining Image Patrick was CEO of Murray Zircon Pty Ltd focusing on the development and mining and processing operations of its 100%-owned Mindarie Mineral Sands Project in South Australia, where he led the company on its goal of becoming South Australia's newest mineral sands mining company at that time. Mr Mutz has not been a director of any other listed public companies in the past 3 years.

Peter Thomas **Non-Executive Director**

Mr Thomas, having served on ASX listed company boards for over 30 years, has been a non-executive director of Image Resources NL since 10 April 2002. For over 30 years until June 2011, he ran a legal practise on his own account specialising in the delivery of wide ranging legal, corporate and commercial advice to listed explorers and miners. He serves on the Company's remuneration committee. During the past three years he has served as a director of the following other listed companies:

- ▶ Emu NL – appointed August 2007, continuing.
- ▶ Middle Island Resources Limited – appointed March 2010, continuing.

George Sakalidis **Executive Director - Exploration**

Mr Sakalidis is an exploration geophysicist with over 35 years' industry experience. His career has included extensive gold, diamond, base metals and mineral sands exploration. Mr Sakalidis has been involved in a number of significant mineral discoveries in Western Australia, including the Three Rivers and Rose gold deposits, the Dongara Mineral Sands Deposits, the Boonanarring-Gingin South-Hyperion Mineral Sands Deposits and he was involved in the tenement applications over the Silver Swan nickel deposit. He was also involved with the tenement application for the recently discovered Monty Copper mineralisation adjacent to the Degruessa Copper deposit. He was the founding Director of Magnetic Minerals Limited, which was taken over in March 2003 after he was instrumental in the discovery of the Dongara mineral sand deposits north of Eneabba. He is a founding Director and is currently an Executive Director of this Company (since listing on 4 July 2002) and is Managing Director of Magnetic Resources NL (which listed on 5 April 2007). Mr Sakalidis is also a founding director of ASX listed companies Meteoric Resources NL, Emu NL, and Potash West NL. During the past three years he has also served as a director of the following other listed companies:

- ▶ Meteoric Resources NL - appointed February 2004, resigned November 2017.
- ▶ Magnetic Resources NL - appointed August 2006, resigned October 2014, reappointed 29 January 2016.

Aaron Chong Veoy Soo **Non-Executive Director**

Mr Soo has been a long term supporter and shareholder in Image Resources. Mr Soo is an advocate & solicitor practising in West Malaysia with 16 years of experience in legal practice and currently a partner in Stanley Ponniah, Ng & Soo, Advocates & Solicitors. He also serves on the Company's audit committee. Mr Soo has not been a director of any other listed public companies in the past 3 years.

Chaodian Chen

Non-Executive Director

Mr Chen founded Orient Zirconic in 1995 and has built the company into a leading company in the zirconium industry. He served as President and Chairman of the company until mid-2013 when China National Nuclear Corporation (CNNC) became the largest shareholder in Orient Zirconic. He became the Chairman of Murray Zircon when the company was founded in 2011 as a result of Orient Zirconic's first investment in mining in Australia. Mr Chen is the Vice President of China non-ferrous metals industry association titanium zirconium & Hafnium Branch. He holds an EMBA degree and is a Certified Engineer. He also owns a number of patents involving the processing of zircon. During the past three years he has also served as a director of the following other listed company:

- ▶ Guangdong Orient Zirconic Ind Sci & Tech Co., Ltd, resigned 9 November 2016.

Fei (Eddy) Wu

Non-Executive Director

Mr Wu has solid operational experience in the Australian resource and mining industry. He specialises in combining the strengths of Australian upstream mining with Chinese downstream processing and end use to optimise the strategy for resource development and maximise the resource value. As the first CEO of Murray Zircon, he built and led the team to complete the development and start-up at the Mindarie mineral sands project in late 2012. Mr Wu was appointed as a Non-Executive Director of Murray Zircon in early 2013. He was the CEO of Queensland Mining Corporation Limited (QMC) from August 2013 until January 2018. He is currently a Non-Executive Director of QMC and the CEO of WIM Resources Pty Ltd. Eddy graduated from the University of Science and Technology, Beijing. He holds a Master's Degree in Commerce (Finance) from the Australian National University and a Master's Degree in Science from Cass Business School, City University London. He also serves on the Company's audit and remuneration committees as Chair of both. During the past three years he has also served as a director of the following other listed company:

- ▶ Queensland Mining Corporation Limited. Appointed 9 August 2013, continuing.

Dennis Wilkins

Company Secretary (Appointed 25 September 2012)

Mr Wilkins is the founder and principal of DW Corporate Pty Ltd, a leading privately held corporate advisory firm servicing the natural resources industry. Since 1994 he has been a director of, and involved in the executive management of, several publicly listed resource companies with operations in Australia, PNG, Scandinavia and Africa. From 1995 to 2001 he was the Finance Director of Lynas Corporation Ltd during the period when the Mt Weld Rare Earths project was acquired by the group. He was also founding director and advisor to Atlas Iron Limited at the time of Atlas' initial public offering in 2006. Since July 2001 Mr Wilkins has been running DW Corporate Pty Ltd, where he advises on the formation of, and capital raising for, emerging companies in the Australian resources sector.

AUDIT COMMITTEE

At the date of this report the members of the Company's audit committee comprise Messrs Besley, Soo and Wu (with Mr Wu undertaking the role of the Chair of that committee). During the year, the committee held one meeting. All members attended this meeting.

REMUNERATION COMMITTEE

At the date of this report the Remuneration Committee ("committee") comprises Messrs Besley, Thomas and Wu (with Mr Wu undertaking the role of the Chair of that committee). During the year, the committee held one meeting. All members attended this meeting.

MEETINGS OF DIRECTORS

During the financial year ended 31 December 2017, there were 6 meetings of directors held. Attendances by each director during the year were as follows:

	Directors' Meetings		Audit Committee		Remuneration Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Robert Besley	6	6	1	1	1	1
Peter Thomas	6	6	-	-	1	1
George Sakalidis	6	6	-	-	-	-
Aaron Soo	6	6	1	1	-	-
Chaodian Chen	6	6	-	-	-	-
Fei Wu	6	6	1	1	1	1
Patrick Mutz	6	6	-	-	-	-

REMUNERATION REPORT (Audited)

Names and positions held of key management personnel (defined by the Australian Accounting Standards as being “those people having authority and responsibility for planning, directing, and controlling the activities of an entity, either directly or indirectly. This includes an entity’s directors”) in office at any time during the financial year were:

Key Management Personnel	Position
Robert Besley	Non-Executive Chairman
Patrick Mutz	Managing Director
Peter Thomas	Non-Executive Director
Aaron Soo	Non-Executive Director
George Sakalidis	Executive Director – Exploration
Fei (Eddy) Wu	Non-Executive Director
Chaodian Chen	Non-Executive Director
John McEvoy	Chief Financial Officer

The Company’s policy for determining the nature and amount of emoluments of key management personnel is set out below:

Key Management Personnel Remuneration and Incentive Policies

The Remuneration committee’s mandate is to make recommendations to the Board with respect to appropriate and competitive remuneration and incentive policies (including basis for paying and the quantum of any bonuses), for key management personnel and others as considered appropriate to be singled out for special attention, which:

- motivates them to contribute to the growth and success of the Company within an appropriate control framework;
- aligns the interests of key leadership with the interests of the Company’s shareholders;
- are paid within any limits imposed by the Constitution and make recommendations to the Board with respect to the need for increases to any such amount at the Company’s annual general meeting; and
- in the case of directors, only permits participation in equity-based remuneration schemes after appropriate disclosure to, due consideration by and with the approval of the Company’s shareholders.

Non-Executive Directors

- The committee is to ensure that non-executive directors are not provided with retirement benefits other than statutory superannuation entitlements.
- To the extent that the Company adopts a remuneration structure for its non-executive directors other than in the form of cash and superannuation, the disclosure thereof shall be made to stakeholders and approvals obtained as required by law and the ASX listing rules.

Incentive Plans and Benefits Programs

The committee is to:

- review and make recommendations concerning long-term incentive compensation plans, including the use of equity-based plans. Except as otherwise delegated by the Board, the committee will act on behalf of the Board to administer equity-based and employee benefit plans, and as such will discharge any responsibilities under those plans, including making and authorising grants, in accordance with the terms of those plans;
- ensure that, where practicable, incentive plans are designed around appropriate and realistic performance targets that measure relative performance and provide remuneration when they are achieved; and
- review and, if necessary, improve any existing benefit programmes established for employees.

Retirement and Superannuation Payments

Prescribed benefits were provided by the Company to directors by way of superannuation contributions to externally managed complying superannuation funds during the year. These benefits were paid as superannuation contributions to satisfy (at least) the requirements of the Superannuation Contribution Guarantee Act and in satisfaction of any salary sacrifice requests. All contributions were made to accumulation type funds selected by the director and accordingly actuarial assessments were not required.

Relationship between Company Performance and Remuneration

There is no relationship between the financial performance of the Company for the current or previous financial year and the remuneration of the key management personnel. Remuneration is set having regard to market conditions and encourage the continued services of key management personnel.

Use of Remuneration Consultants

The Company did not employ the services of a remuneration consultant during the financial year ended 31 December 2017 to make a remuneration recommendation in relation to any Key Management Personnel.

Current Board Remuneration Structure

The current remuneration structure for the board is as follows:

Director	Annual Directors Fees	Committee Fees
Mr R Besley (Non-Executive Chairman)	\$40,000 + statutory super	\$5,000 + statutory super
Mr P Mutz (Managing Director)	\$340,000 inclusive of super	-
Mr P Thomas (Non-Executive Director)	\$30,000 + statutory super	\$5,000 + statutory super
Mr A Soo (Non-Executive Director)	\$30,000	-
Mr F Wu (Non-Executive Director)	\$30,000 + statutory super	\$5,000 + statutory super
Mr C Chen (Non-Executive Director)	\$30,000	-
Mr G Sakalidis (Executive Technical Director)	\$175,000 inclusive of super	-

Key Management Personnel Remuneration

Table 1: Remuneration for the year ended 31 December 2017

	Short-term benefits			Post-employment	Total cash and cash equivalent benefits (\$)	Share-based payments	Total (\$)
	Directors Fees/Salary (\$)	Other Fees & contractual payments (\$)	Non-monetary benefits (\$)	Statutory superannuation (\$)		Equity-settled share based payments (\$)	
Non-Executive Directors							
Robert Besley	45,000	-	-	4,275	-	-	49,275
Peter Thomas	35,000	-	-	3,325	-	-	38,325
Aaron Soo	30,000	-	-	-	-	-	30,000
Fei (Eddy) Wu	35,000	-	-	3,325	-	-	38,325
Chaodian Chen	30,000	-	-	-	-	-	30,000
Executive Directors							
Patrick Mutz	253,363	54,616	-	27,766	-	17,881	353,626
George Sakalidis	136,510	-	-	12,968	-	-	149,478
Executive Officers							
John McEvoy	259,615	-	-	24,664	-	-	284,279
Total	824,488	54,616	-	76,323	-	17,881	973,308

Table 2: Remuneration for the 6 months ended 31 December 2016

	Short-term benefits			Post-employment	Total cash and cash equivalent benefits (\$)	Share-based payments	Total (\$)
	Directors Fees (\$)	Other Fees & contractual payments (\$)	Non-monetary benefits (\$)	Statutory Superannuation (\$)		Equity-settled share based payments (\$)	
Non-Executive Directors							
Robert Besley	22,500	-	-	2,138	-	-	24,638
Peter Thomas	17,500	-	-	1,662	-	-	19,162
Aaron Soo	15,000	-	-	-	-	-	15,000
Fei (Eddy) Wu	17,500	-	-	1,662	-	-	19,162
Chaodian Chen	15,000	-	-	-	-	-	15,000
Executive Directors							
Patrick Mutz	105,000	32,245	-	15,000	-	24,119	176,364
George Sakalidis	76,230	-	-	7,242	-	-	83,472
Executive Officers							
John McEvoy ¹	20,833	-	-	1,979	-	-	22,812
Total	289,563	32,245	-	29,683	-	24,119	375,610

Note 1 Mr McEvoy became a KMP on 1 December 2016.

Table 3: Compensation options as at 31 December 2017

	Granted No.	Grant Date	Fair value per option at grant date	Exercise price per option (note 23)	Expiry Date	First Exercise Date	Last Exercise Date	Vested No.	Vested %
Executive Director			\$	\$					
Patrick Mutz	1,500,000	30-Nov-16	0.013	0.085	4-Dec-18	30-Nov-16	4-Dec-18	1,500,000	100
Patrick Mutz	1,500,000	30-Nov-16	0.015	0.10	4-Dec-18	30-Apr-17	4-Dec-18	1,500,000	100

Key Management Personnel Contracts

Remuneration arrangements for Key Management Personnel are formalised in employment agreements. The following outlines the details of contracts:

Executives

Patrick Mutz – Managing Director

- Base Salary - \$340,000 per annum inclusive of superannuation
- Performance bonus - \$100,000 per annum awarded as part of an executive performance incentive scheme and on completion of measured key performance indicators and performance above and beyond mere ordinary performance.
- Allowances – The Company will contribute up to \$60,000 per 12 month period or proportion thereof for a company vehicle or taxis and car rental provided for use on company business, accommodation whilst located in Perth and towards airfares for travel between Adelaide and Perth. The allowances for accommodation and airfares are provided for in the contract until 31 December 2018.
- The agreement may be terminated by the Company by the provision of three months written notice. The employee may terminate the contract by the provision of two months' notice.
- Unvested options terminate upon resignation as Managing Director in accordance with the terms on which the options were granted.

DIRECTORS' REPORT



George Sakalidis – Executive Director – Exploration

- Base Salary - \$175,000 per annum inclusive of superannuation based on a 70% commitment of time being an average of 28 hours work per week. Salary is paid monthly based on a rate of \$110 per hour plus 9.5% superannuation.
- The agreement may be terminated by the provision of one month's written notice by either the Company or Mr Sakalidis.

John McEvoy – Chief Financial Officer

- Base Salary - \$250,000 per annum plus minimum superannuation guarantee contribution of 9.5%.
- The agreement may be terminated by the provision of three month's written notice by either the Company or Mr McEvoy.

Non Executives

Clause 91 (1) of the Company's Constitution provides that Directors are entitled to receive Directors' fees within the limits approved by shareholders in general meeting. Shareholders approved the aggregate fees to be paid to Directors to be \$300,000 per annum on 30 November 2009.

Each Non-Executive Director's actual remuneration for the year ended 31 December 2017 and 6 months to 31 December 2016 is shown above. Each Non-Executive Director has an unspecified term of appointment, which is subject to the Company's Constitution. Conditions are reviewed at least annually by the Remuneration Committee. There are no termination benefits for any Non-Executive Director.

Base fees for each non-executive director during their period in office were as follows:

	Base Fees per annum \$	Audit Committee Fee \$	Remuneration Committee Fee \$	Superannuation %
Robert Besley	40,000	-	5,000	9.5
Peter Thomas	30,000	-	5,000	9.5
Aaron Soo	30,000	-	-	-
Fei (Eddy) Wu	30,000	-	5,000	9.5
Chaodian Chen	30,000	-	-	-

Consultant Agreements

DW Corporate Services Pty Ltd: provides the services of Dennis Wilkins as Company Secretary. These services are provided under a services agreement for a fixed monthly retainer fee of \$2,000 plus additional services charged at specified hourly rates. Four months' written notice of termination is required from either party.

Guaranteed Rate Increases

There are no guaranteed rate increases fixed in the contracts of any of the key management personnel.

Options and Rights Granted as Remuneration

During the financial year no options were issued to / or exercised by key management personnel to acquire fully paid ordinary shares.

Options held by Key Management Personnel

KMP	Balance at Beginning of Year No.	Grant Details		Exercised		Lapsed No.	Balance at End of Year No.
		No.	Value \$	No.	Value \$		
Directors							
Patrick Mutz	3,000,000	-	-	-	-	-	3,000,000
Totals	3,000,000	-	-	-	-	-	3,000,000

Other than listed above no Key Management Person or their related entities held options in the Company during the financial year.

KMP	Balance at End of Year No.	Vested			Unvested
		Exercisable No.	Unexercisable No.	Total at End of Year No.	Total at End of Year No.
Directors					
Patrick Mutz	3,000,000	3,000,000	-	3,000,000	-
Totals	3,000,000	3,000,000	-	3,000,000	-

Shares held by Key Management Personnel

The number of shares in the company held at the beginning and end of the year and net movements during the financial year by key management personnel and/or their related entities are set out below:

Name	Balance at Beginning of Year or Date of Appointment	Other Changes during the Year	Balance at End of Year or Date of Retirement
Directors			
Robert Besley	400,000	166,667	566,667
Peter Thomas	2,104,306	-	2,104,306
Aaron Soo	15,988,861	(4,988,861)	11,000,000
Fei Wu	-	-	-
Chaodian Chen	-	-	-
George Sakalidis	3,878,489	500,000	4,378,489
Patrick Mutz	-	-	-
Executive Officer			
John McEvoy	475,000	950,834	1,420,834
Totals	22,846,656	(3,371,360)	19,470,296

Other Equity-related KMP Transactions

There have been no other transactions involving equity instruments apart from those described in the tables above relating to options, rights and shareholdings.

Other Transactions with KMP and/or their Related Parties

There were no other transactions conducted between the Company and KMP or their related parties, apart from those disclosed above relating to equity, compensation and loans, that were conducted other than in accordance with normal employee, customer or supplier relationships on terms no more favourable than those reasonably expected under arm's length dealings with unrelated persons.

End of remuneration report audited.

OPTIONS

At the date of this report, there were 3,000,000 options over 3,000,000 unissued ordinary shares in the Company as follows: Refer to note 22 for further details of the options outstanding.

Grant Date	Date of Expiry	Exercise Price	Number under Option
5 December 2016	4 December 2018	8.5 cents	1,500,000
5 December 2016	4 December 2018	10 cents	1,500,000

Option holders do not have any rights to participate in any issues of shares of the Company during or since the end of the reporting year.

For details of options issued to directors and executives as remuneration, refer to the remuneration report.

During the year ended 31 December 2017 no ordinary shares were issued on the exercise of options granted. No further shares have been issued since year-end. No amounts are unpaid on any of the shares.

CORPORATE STRUCTURE

Image is a no liability company incorporated and domiciled in Australia.

ACCESS TO INDEPENDENT ADVICE

Each director has the right, so long as he is acting reasonably in the interests of the Company and in the discharge of his duties as a director, to seek independent professional advice and recover the reasonable costs thereof from the Company. The advice shall only be sought after consultation about the matter with the chairman (where it is reasonable that the chairman be consulted) or, if it is the chairman that wishes to seek the advice or it is unreasonable that he be consulted, another director (if that be reasonable). The advice is to be made immediately available to all Board members other than to a director against whom privilege is claimed.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has entered into agreements indemnifying, to the extent permitted by law, all the directors and officers of the Company against all losses or liabilities incurred by each director and officer in their capacity as directors and officers of the Company. During the year an amount of \$31,548 (6 months to 31 December 2016: \$12,140) was incurred in insurance premiums for this purpose.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out in this annual report.

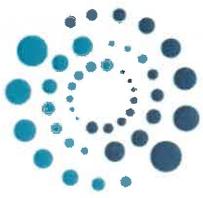
Signed in accordance with a resolution of the directors



SIGNED: ROBERT BESLEY

CHAIRMAN

Perth, 28 March 2018



Auditor's Independence Declaration

As auditor for the audit of Image Resources NL for the period ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

- I) no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit; and
- II) no contraventions of any applicable code of professional conduct in relation to the audit.

Greenwich & Co Audit Pty Ltd
Greenwich & Co Audit Pty Ltd

Andrew May
Audit Director

28 March 2018
Perth

CORPORATE GOVERNANCE STATEMENT



Image Resources NL and the Board are committed to achieving and demonstrating the highest standards of corporate governance. Image Resources NL has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

The 2017 Corporate Governance Statement is dated at 27 March 2018 and reflects the corporate governance practices in place throughout the period ended 31 December 2017. The 2017 Corporate Governance Statement was approved by the Board on 27 March 2018. A description of the Group's current corporate governance practices is set out in the Group's Corporate Governance Statement which can be viewed at www.imageres.com.au.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the Year Ended 31 December 2017



	Notes	Year to 31 Dec 2017 (\$)	6 months to 31 Dec 2016 (\$)
Revenue			
Interest and dividends income		19,373	20,699
Other revenue	3	8,805	5,497
Expenses			
Depreciation expense	11	(53,132)	(25,000)
Exploration and evaluation expenses		(5,096,598)	(1,484,003)
Other expenses	3	(2,697,161)	(1,257,326)
Finance costs		(230,252)	(112,822)
Loss before income tax		(8,048,965)	(2,852,955)
Income tax benefit	4	34,942	-
Loss from continuing operations		(8,014,023)	(2,852,955)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Changes in the fair value of available for sale financial assets		2,869	(20)
Other comprehensive income for the period, net of tax		2,869	(20)
Total loss and other comprehensive income for the period		(8,011,154)	(2,852,975)
Total loss and other comprehensive income for period attributable to members of the Company		(8,011,154)	(2,852,975)
Basic loss per share (cents per share)	7	(1.48)	(0.75)
Diluted loss per share (cents per share)	7	(1.48)	(0.75)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2017



	Notes	31 Dec 2017 (\$)	31 Dec 2016 (\$)
Current Assets			
Cash and cash equivalents	8	4,422,650	1,107,723
Trade and other receivables	9	81,756	15,142
Other assets	10	126,065	117,886
Total Current Assets		4,630,471	1,240,751
Non-Current Assets			
Property, plant and equipment	11	14,642,083	12,753,476
Inventory	13	755,514	756,084
Other financial assets	12	16,780	7,514
Total Non-Current Assets		15,414,377	13,517,074
TOTAL ASSETS		20,044,848	14,757,825
Current Liabilities			
Trade and other payables	14	940,445	416,284
Provisions	15	158,876	127,614
Borrowings	16	34,843	-
Total Current Liabilities		1,134,164	543,898
Non-Current Liabilities			
Borrowings	16	3,996,000	3,972,000
Total Non-Current Liabilities		3,996,000	3,972,000
TOTAL LIABILITIES		5,130,164	4,515,898
NET ASSETS		14,914,684	10,241,927
Equity			
Contributed equity	17	68,917,165	56,251,135
Reserves	17	42,269	21,519
Accumulated losses		(54,044,750)	(46,030,727)
TOTAL EQUITY		14,914,684	10,241,927

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the Year Ended 31 December 2017



	Contributed Equity (\$)	Available for Sale Financial Asset Reserve (\$)	Employee Benefit Reserve (\$)	Accumulated Losses (\$)	Total (\$)
Balance at 1 July 2016	56,283,014	(2,580)	393,640	(43,571,412)	13,102,662
<i>Comprehensive loss</i>					
Operating loss for the period	-	-	-	(2,852,955)	(2,852,955)
Other comprehensive loss	-	(20)	-	-	(20)
Total comprehensive loss for the year	-	(20)	-	(2,852,955)	(2,852,975)
<i>Transactions with owners in their capacity as owners</i>					
Options expired during the period	-	-	(393,640)	393,640	-
Equity settled share based payment transactions	-	-	24,119	-	24,119
Cost of share issue	(31,879)	-	-	-	(31,879)
Total transactions with owners in their capacity as owners	(31,879)	-	(369,521)	393,640	(7,760)
Balance at 31 December 2016	56,251,135	(2,600)	24,119	(46,030,727)	10,241,927
Balance at 1 January 2017	56,251,135	(2,600)	24,119	(46,030,727)	10,241,927
<i>Comprehensive loss</i>					
Operating loss for the year	-	-	-	(8,014,023)	(8,014,023)
Other comprehensive income	-	2,869	-	-	2,869
Total comprehensive loss for the year	-	2,869	-	(8,014,023)	(8,011,154)
<i>Transactions with owners in their capacity as owners</i>					
Shares issued during the year	13,353,548	-	-	-	13,353,548
Cost of share issue	(687,518)	-	-	-	(687,518)
Equity settled share based payment transactions	-	-	17,881	-	17,881
Total transactions with owners in their capacity as owners	12,666,030	-	17,881	-	12,683,911
Balance at 31 December 2017	68,917,165	269	42,000	(54,044,750)	14,914,684

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
For the Year Ended 31 December 2017



	Notes	Year to 31 Dec 2017 (\$)	6 months to 31 Dec 2016 (\$)
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		6,008	21,714
Payments to suppliers and contractors		(2,497,325)	(1,342,770)
Interest received		21,582	19,401
Interest paid		(206,252)	(112,877)
Net cash used in operating activities	18	(2,675,987)	(1,414,532)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,459,359)	(83,721)
Proceeds from sale of property, plant and equipment		182	-
Payments for exploration and evaluation		(5,239,945)	(1,145,602)
Payments for restricted cash – term deposit for bank guarantee		-	(20,000)
Reclassification of deposits at call		-	750,000
Net cash used in investing activities		(6,699,122)	(499,323)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from new issues of shares	17	13,353,548	-
Payments for share issue costs		(698,355)	(14,556)
Proceeds from borrowings	16	112,159	-
Repayment of borrowings	16	(77,316)	-
Net cash inflows from / (used in) financing activities		12,690,036	(14,556)
Net increase / (decrease) in cash and cash equivalents		3,314,927	(1,928,411)
Net foreign exchange difference		-	-
Cash and Cash equivalents at beginning of the year		1,107,723	3,036,134
Cash and cash equivalents at the end of the year	8	4,422,650	1,107,723

The accompanying notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 31 December 2017



This financial report includes the financial statements and notes of the Company.

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

The financial statements were authorised for issue on 27 March 2018.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Going Concern

As outlined in Note 21, subsequent to year end the Company entered into a \$50m senior secured debt facility and raised \$25m from an equity raising for the construction and commissioning of an open cut mine and wet concentration plant at the Boonanarring Mineral Sands Project. The Company recognises that its ability to continue as a going concern to meet its debt when they fall due is dependent on successful development of the open-cut mine broadly within budgeted cost expectations, ongoing compliance with debt covenants, and the mines subsequent profitable operation. The Directors have reviewed the business outlook and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Company will achieve the matters set out above.

However, the conditions outlined above create uncertainty that may cast significant doubt as to whether the Company will continue as a going concern and, therefore whether the Company will realize its assets and extinguish its liabilities in the normal course of business and at the amounts stated in these financial statements. This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that may be necessary should the Company be unable to continue as a going concern.

Accounting Policies

a) Revenue

Interest revenue is recognised on a proportional basis taking into account interest rates applicable to the financial asset.

Research and development tax incentives are recognised as other revenue during the financial year in which the claim for refund is made.

Profit on sale of exploration areas of interest is recognised upon the transfer of ownership.

All revenue is stated net of the amount of goods and services tax (GST).

b) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by non-casual employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. There is no liability for long service leave entitlements.

c) Exploration and Evaluation Expenditure

All exploration and evaluation expenditure is expensed to the Statement of Profit or Loss and other Comprehensive Income as incurred. The effect of this write-off is to increase the loss incurred from continuing operations as disclosed in the Statement of Profit or Loss and other Comprehensive Income and to decrease the carrying values in the Statement of Financial Position. That the carrying value of mineral assets, as a result of the operation of this policy, is zero does not necessarily reflect the board's view as to the market value of that asset.

d) Asset Acquisitions

The cost method is used for all acquisitions of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value of assets given up at the date of acquisition plus costs incidental to the acquisition.

Costs relating to the acquisition of new areas of interest are classified as either exploration and evaluation expenditure or mine properties based on the stage of development reached at the date of acquisition.

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
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e) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

f) Income Tax

The income tax expense for the year comprises current income tax expense and deferred tax expense.

Current income tax expense charged to the Statement of Profit or Loss and Other Comprehensive Income is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities and assets are therefore measured at the amounts expected to be paid to or recovered from the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses, if any in fact are brought to account.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

g) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

h) Impairment of Assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Profit or Loss and Other Comprehensive Income. This policy has no application where paragraph (c) Exploration and Evaluation Expenditure applies.

i) Earnings per Share

(i) *Basic Earnings per Share* – Basic earnings per share (EPS) is determined by dividing the loss from continuing operations after related income tax expense by the weighted average number of ordinary shares outstanding during the financial year.

(ii) *Diluted Earnings per Share* – Options that are considered to be dilutive are taken into consideration when calculating the diluted earnings per share.

**NOTES TO AND FORMING PART OF THE
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j) Property, plant, and equipment

Property, plant and equipment is stated at historical cost, less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items and costs incurred in bringing the asset into use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are recognised in the income statement as incurred.

Mine development costs are capitalised only once a decision to mine is made and the development is fully funded.

Depreciation

The depreciable amount of all plant, equipment and motor vehicles are depreciated on a straight-line basis over the asset's useful life to the Company commencing from the time the asset is held ready for use.

The depreciation rates used for the class of plant, equipment and motor vehicle depreciable assets range between 20% and 100%.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The assets' residual values, useful lives and depreciation methods are reviewed at each reporting period and adjusted prospectively, if appropriate.

k) Financial Instruments

Recognition and Initial Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either the purchase or sale of the asset.

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified at fair value through profit and loss, in which case transaction costs are expensed to profit and loss immediately.

Classification and Subsequent Measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- the amount at which the financial asset or financial liability is measured at initial recognition;
- less principal repayments;
- plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and
- less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit and loss.

The Company does not designate any interests in joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity or determinable payments.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 31 December 2017



They are subsequently measured at fair value with changes in such fair value (i.e., gains and losses) recognised in other comprehensive income (except for impairment losses and foreign exchange gains and losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit and loss.

Available-for-sale financial assets are included in current assets where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as non-current assets.

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Fair Value

Fair value is determined based on closing market prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models. The expression "fair value" – and derivatives thereof – wherever used in this report bears the meaning ascribed to that expression by the Australian Accounting Standards Board.

Impairment

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the profit or loss.

Financial Guarantees

Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition.

The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The fair value of financial guarantee contracts has been assessed using a probability weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting in a year period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposed if the guaranteed party were to default.

De-recognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

l) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

m) Leases

Lease payments for operating leases (where substantially all the risks and benefits remain with the lessor) are charged as an expense in the periods in which they are incurred.

Lease incentives under operating leases, if any, are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

n) Contributed Equity

Ordinary share capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

o) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

**NOTES TO AND FORMING PART OF THE
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p) Segment Reporting

Operating segments are reported in a manner that is consistent with the internal reporting to the chief operating decision maker ("CODM"), which has been identified by the Company as the Managing Director and other members of the Board of directors.

q) Critical Accounting Estimates, Assumptions and Judgements

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data obtained both externally and from within the Company.

Taxation

Balances disclosed in the financial statements and the notes thereto related to taxation are based on best estimates by directors. These estimates take into account both the financial performance and position of the Company as they pertain to current income tax legislation and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current tax position represents the directors' best estimate pending an assessment being received from the Australian Taxation Office.

Environmental Issues

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation and the directors understanding thereof. At the current stage of the Company's development and its current environmental impact, the directors believe such treatment is reasonable and appropriate.

Impairment

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Share based payments

Share-based payment transactions made from time to time, in the form of options to acquire ordinary shares, are ascribed a fair value using the Black-Scholes option pricing model. This model uses assumptions and estimates as inputs.

r) New Accounting Standards for Application in Future Years

There are a number of new Accounting standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Company and have not been applied in preparing these financial statements. The Company does not plan to adopt these standards early.

These standards are not expected to have a material impact on the Company in the current or future period until mandatory adoption.

NOTE 2 OPERATING SEGMENTS

Segment Information

Identification of reportable segments

The Company has identified that it operates in only one segment based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Company is a minerals sands exploration and evaluation company. Currently all the Company's mineral sands tenements and resources are located in Western Australia.

Revenue and assets by geographical region

The Company's revenue is received from sources and assets located wholly within Australia.

Major customers

Due to the nature of its operations, the Company does not yet provide products or ongoing services.

Financial information

Reportable items required to be disclosed in this note are consistent with the information disclosed in the Statement of Profit or Loss and Other Comprehensive Income and Statement of Financial Position and are not duplicated here.

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
For the Year Ended 31 December 2017**



	Year to 31 Dec 2017 (\$)	6 months to 31 Dec 2016 (\$)
NOTE 3 REVENUE AND EXPENDITURE		
REVENUE		
Other Income		
Revaluation of available for sale financial assets	6,397	-
Rendering of Services	2,408	5,497
	<u>8,805</u>	<u>5,497</u>
EXPENDITURE		
Other Expenses		
Loss on disposal of property, plant and equipment	(2,286)	-
Occupancy costs	(169,872)	(73,772)
Filing and ASX Fees	(43,436)	(30,111)
Corporate, staff and management	(1,827,345)	(625,478)
Other expenses from continuing operations	(654,222)	(527,965)
	<u>(2,697,161)</u>	<u>(1,257,326)</u>
NOTE 4 INCOME TAX		
The components of tax expense comprise:		
Current tax	-	-
Deferred tax asset/liability	-	-
	<u>-</u>	<u>-</u>
The prima facie tax on loss from ordinary activities before income tax is reconciled to income tax as follows:		
Loss from continuing operations before income tax	8,014,023	2,852,955
Prima facie tax benefit attributable to loss from continuing operations before income tax at 30%	2,404,207	855,887
Tax effect of Non-allowable and additional deductible items		
• Revaluation of available-for-sale financial assets	1,919	-
• Capital raising costs	(77,294)	(24,559)
• Exploration expenses not deductible	(530,082)	-
Effect of tax losses and temporary differences not brought to account	(1,706,372)	(831,328)
Under provision for prior period arising from R and D tax refund	(92,378)	-
Income tax offset attributable to the Company	-	-
Unrecognised temporary differences		
Net deferred tax assets (calculated at 30%) have not been recognised in respect of the following items:		
Prepayments	663	(389)
Provisions	8,227	80,322
Capital raising costs	209,283	6,728
Unrecognised deferred tax assets relating to the above temporary differences	<u>218,173</u>	<u>86,661</u>

Unrecognised deferred tax assets

The Company has accumulated tax losses of \$42,277,297 (2016: \$36,210,256).

The potential deferred tax benefit of these losses of \$12,683,189 will only be recognised if:

- (i) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the losses and deductions to be released;
- (ii) the Company continues to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the losses.

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
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	Year to 31 Dec 2017 (\$)	6 months to 31 Dec 2016 (\$)
NOTE 5 KEY MANAGEMENT PERSONNEL COMPENSATION		
Short-term employee benefits	879,104	321,808
Post-employment benefits	76,323	29,683
Equity-settled share based payments	17,881	24,119
	<u>973,308</u>	<u>375,610</u>

Short-term employee benefits

These amounts include fees and benefits paid to non-executive Chair and non-executive directors as well as all salary and paid leave benefits awarded to executive directors and other KMP.

Post-employment benefits

These amounts are the costs of superannuation contributions payable for the period.

Equity-settled share based payments

This amount is calculated as the fair value of the options and represents the value of the services received during the period the options are held over the financial period. This value was calculated using the Black-Scholes option pricing model. Further information on the share based payment transaction is disclosed in Note 22.

Further key management personnel remuneration information has been included in the Remuneration Report section of the Directors Report.

Information on related party and entity transactions are disclosed in Note 23.

NOTE 6 AUDITORS REMUNERATION

Amounts received or due and receivable by the auditors of the Company for:

Auditing and reviewing the financial reports – Greenwich & Co Audit Pty Ltd

20,279	35,583
(Cents)	(Cents)

NOTE 7 EARNINGS PER SHARE

Basic and diluted loss per share

1.48	0.75
(\$)	(\$)

The following reflects the earnings and share data used in the calculation of basic and diluted loss per share

Loss for the period attributable to owners of the Company

Loss used in calculating basic and diluted loss per share

(8,011,154)	(2,852,955)
(8,011,154)	(2,852,955)

Number of shares	Number of shares
542,790,567	379,511,740

Weighted average number of ordinary shares used in calculating basic loss per share

The Company had 3,000,000 (2016: 3,000,000) options over fully paid ordinary shares on issue at balance date. Options are considered to be potential ordinary shares, however, they are not considered to be dilutive in this year (6 months to 31 December 2016: not dilutive) and accordingly have not been included in the determination of diluted loss per share.

	31 Dec 2017 (\$)	31 Dec 2016 (\$)
NOTE 8 CASH AND CASH EQUIVALENTS		
Cash at bank	4,408,780	589,242
Deposits at call	13,870	518,481
	<u>4,422,650</u>	<u>1,107,723</u>

NOTE 9 TRADE AND OTHER RECEIVABLES

Trade receivables

GST and tax refundable

19,272	2,928
62,484	12,214
<u>81,756</u>	<u>15,142</u>

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
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	31 Dec 2017 (\$)	31 Dec 2016 (\$)
NOTE 10 OTHER ASSETS - CURRENT		
Restricted cash – security for guarantees	54,667	54,667
Prepayments	71,398	63,219
	<u>126,065</u>	<u>117,886</u>

Restricted cash represents term deposits held by the Company's bank as security for a bank guarantee (\$34,667) in favour of the property manager in relation to operating lease commitments for the office premises and security for the Company credit card (\$20,000).

Deposits at call consist of term deposits with maturity dates greater than three months.

	Plant and Equipment (\$)	Land and Buildings (\$)	Total (\$)
NOTE 11 PROPERTY, PLANT AND EQUIPMENT			
Period ended 31 December 2016			
Balance at 1 July 2016	12,702,544	-	12,702,544
Additions	75,932	-	75,932
Depreciation	(25,000)	-	(25,000)
Closing Net Book Value	<u>12,753,476</u>	<u>-</u>	<u>12,753,476</u>
At 31 December 2016			
Cost	12,925,896	-	12,925,896
Accumulated Depreciation	(172,420)	-	(172,420)
Net Book Value	<u>12,753,476</u>	<u>-</u>	<u>12,753,476</u>
Year ended 31 December 2017			
Balance at 1 January 2017	12,753,476	-	12,753,476
Additions	3,113	1,941,094	1,944,207
Disposals	(2,468)	-	(2,468)
Depreciation	(53,132)	-	(53,132)
Closing Net Book Value	<u>12,700,989</u>	<u>1,941,094</u>	<u>14,642,083</u>
At 31 December 2017			
Cost	12,902,291	1,941,094	14,843,385
Accumulated Depreciation	(201,302)	-	(201,302)
Net Book Value	<u>12,700,989</u>	<u>1,941,094</u>	<u>14,642,083</u>

Property, plant and equipment includes the purchase of a wet concentration mineral sands processing plant and ancillary mining and processing equipment from Murray Zircon on 8 June 2016 for \$11,935,028. The wet concentration mineral sands processing plant and ancillary mining and processing equipment from Murray Zircon is yet to be depreciated because it is not yet in the location and condition necessary for it to be capable of operating in the manner intended by management.

As at 31 December 2017 the carrying value of motor vehicles was \$58,029 (31 December 2016: \$82,219)

	31 Dec 2017 (\$)	31 Dec 2016 (\$)
NOTE 12 OTHER FINANCIAL ASSETS		
Non-Current		
Available-for-sale financial assets – shares in listed corporations	<u>16,780</u>	<u>7,514</u>
Investments in related parties		
Available-for-sale financial assets includes the following investments held in director-related party entities:		
Magnetic Resources NL – partly-paid shares	<u>780</u>	<u>14</u>

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
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	31 Dec 2017 (\$)	31 Dec 2016 (\$)
NOTE 13 INVENTORY		
Non-Current		
Inventory	<u>755,514</u>	<u>756,084</u>

Inventory of \$1,080,177 including wet plant spares and other inventory items, were purchased from Murray Zircon on 8 June 2016. Of this \$324,093 was allocated to property, plant and equipment as it was considered that the items relating to this amount will not be used in the first year of mineral sands production.

	31 Dec 2017	31 Dec 2016
NOTE 14 TRADE AND OTHER PAYABLES		
Trade creditors and accruals	875,022	366,512
GST and tax payable	<u>65,423</u>	<u>49,772</u>
	<u>940,445</u>	<u>416,284</u>

	31 Dec 2017	31 Dec 2016
NOTE 15 CURRENT PROVISIONS		
Employee leave benefits	<u>158,876</u>	<u>127,614</u>

	31 Dec 2017	31 Dec 2016
NOTE 16 BORROWINGS		
Current		
Interest bearing loan	<u>34,843</u>	<u>-</u>
Non-Current		
Interest bearing loan	4,000,000	4,000,000
Fees associated with draw-down on 8 June 2016	<u>(4,000)</u>	<u>(28,000)</u>
	<u>3,996,000</u>	<u>3,972,000</u>

(a) Current

The loan is with Hunter Premium Funding Limited and was fully drawn on 12 July 2017 to the amount of \$112,159 for the payment of insurance premium renewal invoices. The key terms of the loan include a flat 6.44% interest rate and 10 monthly repayments of \$11,938.22.

(b) Non-Current

The loan is with Murray Zircon Pty Ltd and was fully drawn down on 8 June 2016 on completion of the transaction with Murray Zircon and Orient Zirconic. Murray Zircon is a related party due to it holding a 37.8% interest in the shares of the Company.

The key terms of the loan include an interest rate of 5% per annum accruing daily, payment of interest half-yearly in arrears, amounts outstanding repayable upon first production of 20,000 wet tonnes of heavy mineral concentrates (First Production) and allows for repayment to be made using funds under the Prepayment Facility once available (early payment is allowed at any time, with no ability to redraw) and customary default provisions. The loan is secured against all present and after-acquired property of the Company and a mining mortgage in respect of certain core tenements held by Image.

	Year to 31 Dec 2017		6 months to 31 Dec 2016	
	No.	\$	No.	\$
NOTE 17 ISSUED CAPITAL				
Contributed Equity – Ordinary Shares				
At the beginning of the period	379,511,740	56,251,135	379,511,740	56,283,014
Placement issue of shares at \$0.04	158,129,891	6,325,196	-	-
Placement issue of shares at \$0.09	15,870,578	1,428,352	-	-
Placement issue of shares at \$0.09	17,777,778	1,600,000	-	-
Placement issue of shares at \$0.10	40,000,000	4,000,000	-	-
Share issue costs	-	(687,518)	-	(31,879)
Balance at the end of the period	<u>611,289,987</u>	<u>68,917,165</u>	<u>379,511,740</u>	<u>56,251,135</u>

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
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	31 Dec 2017 (\$)	31 Dec 2016 (\$)
NOTE 17 ISSUED CAPITAL (CONT'D)		
Reserves		
Available-for-sale financial assets reserve	269	(2,600)
Employee benefits reserve (i)	<u>42,000</u>	<u>24,119</u>
Closing balance	<u>42,269</u>	<u>21,519</u>
	Year to 31 Dec 2017 (\$)	6 months to 31 Dec 2016 (\$)
<i>Reserve – Available for Sale Financial Assets</i>		
Balance at the beginning of the period	(2,600)	(2,580)
Changes in the fair value of available for sale financial assets	<u>2,869</u>	<u>(20)</u>
Balance at the end of the period	<u>269</u>	<u>(2,600)</u>
<i>Reserve – Employee Benefits</i>		
Balance at the beginning of the period	24,119	393,640
Lapse of options	-	(393,640)
Share based payment benefit expense	<u>17,881</u>	<u>24,119</u>
Balance at the end of the period	<u>42,000</u>	<u>24,119</u>

(i) The employee benefits reserve is used to recognise the fair value of options issued. During the six months to 31 December 2016, the value previously ascribed to options that lapsed during the year was transferred to retained losses.

	31 Dec 2017	31 Dec 2016
	No.	No.
Options		
The Company had the following options over un-issued fully paid ordinary shares at the end of the year:		
Options exercisable at \$0.085 on or before 4.12.2018	1,500,000	1,500,000
Options exercisable at \$0.010 on or before 4.12.2018	<u>1,500,000</u>	<u>1,500,000</u>
Total Options	<u>3,000,000</u>	<u>3,000,000</u>

Terms and Conditions of Contributed Equity

Ordinary shares have the right to receive dividends as declared and, in the event of winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of shares held, regardless of the amount paid up thereon.

At a general meeting every shareholder present in person or by proxy, representative or attorney has: a) on a show of hands, one vote; and b) on a poll, one vote for each fully paid share held.

**NOTES TO AND FORMING PART OF THE
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	Year to 31 Dec 2017 (\$)	6 months to 31 Dec 2016 (\$)
NOTE 18 CASH FLOW INFORMATION		
Reconciliation of operating loss after income tax with funds used in operating activities:		
Operating loss after income tax	(8,014,023)	(2,852,955)
Depreciation	53,132	25,000
Exploration and evaluation expenditure	5,096,598	1,496,062
Loss on sale of property, plant and equipment	2,286	-
Revaluation of available for sale financial assets	(6,397)	-
Share based payments	17,881	-
Borrowing costs	24,000	12,000
Changes in operating assets and liabilities:		
(Increase) / Decrease in trade and other receivables relating to operating activities	(48,061)	1,310,837
(Increase) / Decrease in prepayments	(8,181)	17,132
Decrease in inventory	570	-
Increase / (Decrease) in trade and other payables relating to operating activities	140,103	(1,435,037)
Increase in current borrowings	34,843	-
Increase in provisions	31,262	12,429
Cash flow from operations	(2,675,987)	(1,414,532)

NOTE 19 TENEMENT EXPENDITURE CONDITIONS AND LEASING COMMITMENTS

The Company has certain obligations to perform minimum exploration work on the tenements in which it has an interest. These obligations vary from time to time. The aggregate of the prescribed expenditure conditions applicable to the granted tenements for the next twelve months amounts to \$1,426,500.

Application for exemption from all or some of the prescribed expenditure conditions will be made but no assurance is given that any such application will be granted. Nevertheless, the Company is optimistic, given its level of expenditure in the North Perth Basin, that it would likely be granted exemptions, on a project basis, in respect of the prescribed expenditure conditions applicable to many of its North Perth Basin tenements.

If the prescribed expenditure conditions are not met with respect to a tenement, that tenement is liable to forfeiture.

The Company has the ability to diminish its exposure under these conditions through the application of a variety of techniques including applying for exemptions (from the regulatory expenditure obligations), surrendering tenements, relinquishing portions of tenements or entering into farm-out agreements whereby third parties bear the burdens of such obligation in whole or in part.

The Company has leased office premises at 23 Ventnor Avenue, West Perth, WA. The lease was renewed for two years for the period 1 February 2017 to 31 January 2019. The commitment for the 2018 financial year is \$147,056 including all outgoings and car parking. The commitment for more than one year and less than five years is \$12,255.

NOTE 20 TENEMENT ACCESS

The interests of holders of freehold land encroached by the Tenements are given special recognition by the Mining Act (WA). As a general proposition, a tenement holder must obtain the consent of the owner of freehold before conducting operations on such freehold land. Unless it already has secured such rights, there can be no assurance that the Company will secure rights to access those portions of the Tenements encroaching freehold land.

The Company has commenced negotiations with the Traditional Owners and their representatives in regard to the Native Title claim affecting part of the Atlas deposit and being the subject of a registered (but undetermined) claim. This is the only deposit forming part of the high grade dry mining targets within the North Perth Basin (NPB) Project which has, insofar as the Company is aware, any potential to be subject to Native Title. However, heritage aspects of the remaining areas of the project still have to be taken into consideration.

Outside of the NPB Project the Company's other tenements may contain dredge mining targets which could be subject to Native Title claim.

The Company is not in a position at this time to assess the likely effect of any Native Title claim impacting the Company.

The Company is in advanced negotiations with a number of landholders with a view to signing Option Agreements for the purchase of properties critical to the development of the Boonanarring section of the North Perth Basin Project.

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
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NOTE 21 SIGNIFICANT EVENTS SUBSEQUENT TO REPORTING DATE

Other than the following matters:

- On 13 February 2018, at a general meeting of shareholders, shareholders gave approval for the Company to issue up to 300,000,000 shares at an issue price of 10 cents or not less than 80% of the VWAP of shares (calculated over the five days on which sales of shares were recorded before the day on which the issue is made).
- On 13 February 2018 shareholders also gave approval for the Company to administer and issue securities under an Employee Share Plan. The shareholders also gave approval for the Company to provide financial assistance to employees in the form of interest free loans to enable the employees to participate in the Employee Share Plan.
- On 8 March 2018, the Company announced the execution of a Loan Note Subscription Agreement with Switzerland-based Pala Investments Limited ("Pala") as the 'arranger', and Pala and USA-based Castlake, L.P. as the Loan Note Holders, to provide AU\$50M from the issue of senior secured loan notes to be used for the construction and commissioning of the Boonanarring Project; and
- On 14 March 2018, the Company announced the issue of 250 million shares at 10 cents per share to raise A\$25 million (before costs) as the balance of capital required for the construction and commissioning of the Boonanarring Project with site construction to begin prior to 31 March 2018. The share issue settled on 28 March 2018.

There were no other material significant events subsequent to the reporting date.

NOTE 22 EQUITY-SETTLED SHARE BASED PAYMENTS

The Directors may, in their absolute discretion, grant options to Directors and full or part time employees of the Company for nil consideration in accordance with guidelines established by the Directors. The exercise price of the option is set by the Board of Directors. Unvested options may terminate upon cessation of employment in accordance with the terms on which the options were granted.

The share based payments expense for the year ending 31 December 2017 amounting to \$17,881 (6 months to 31 December 2016: \$24,119) is stated in the income statement under "Other Expenses".

a) Summaries of options granted

The following table details the number and weighted average exercise prices (WAEP) and movements in employee share options issued during the year.

	31 Dec 2017 (No.)	31 Dec 2017 (WAEP)	31 Dec 2016 (No.)	31 Dec 2016 (WAEP)
Outstanding at the beginning of the period	3,000,000	0.0925	2,600,000	0.3908
Granted during the period	-	-	3,000,000	0.0925
Expired during the period	-	-	(2,600,000)	0.3908
Outstanding at the end of the period	3,000,000	0.0925	3,000,000	0.0925
Exercisable at reporting date	3,000,000	0.0925	1,500,000	0.0925

b) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 31 December 2017 is between 0 and 1 year (31 December 2016: 1 and 2 year).

c) Range of exercise price

The range of exercise prices for options outstanding at the end of the year was \$0.085 to \$0.10 (31 December 2016: \$0.085 to \$0.10).

d) Weighted average fair value

The weighted average fair value of options granted during the year was Nil (6 months to 31 December 2016: \$0.014).

**NOTES TO AND FORMING PART OF THE
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e) Option pricing model

The fair value of the equity settled share options granted during the period ending 31 December 2016 under the option plan was estimated as at the date of grant using a Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used for the period ended 31 December 2016.

	31 Dec 2016
Dividend yield (%)	Nil
Expected volatility (%)	85%
Risk-free interest rate (%)	1.78%
Expected life of options (years)	2
Option exercise prices (\$)	\$0.085 and \$0.10
Weighted average share price at grant date (\$)	\$0.047

The expected life of the options was based on historical data and was not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility was indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

f) Details of options

31 December 2017	Balance at Beginning of Year No.	Grant Details No.	Lapsed No.	Balance at End of Year No.
Managing Director	3,000,000	-	-	3,000,000
Total	3,000,000	-	-	3,000,000

(i) Details of Managing Director Options

Number	1,500,000	1,500,000
Grant Date	30 November 2016	30 November 2016
Expiry	4 December 2018	4 December 2018
Vesting Date	30 November 2016	30 April 2017
Exercise Price	\$0.085	\$0.10

The options can be exercised at any time after the vesting date and prior to the expiry date.

31 December 2016	Balance at Beginning of Period No.	Grant Details No.	Lapsed No.	Balance at End of Period No.
Non-Executive Director	650,000	-	650,000	-
Executive Director	800,000	-	800,000	-
Other (i)	1,150,000		1,150,000	-
Managing Director		3,000,000		3,000,000
Total	2,600,000	3,000,000	2,600,000	3,000,000

Note 1: Other refers to options issued to a former Executive Director and a former Company Secretary.

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NOTE 23 RELATED PARTY AND RELATED ENTITY TRANSACTIONS

Transactions with directors, director-related parties and related entities **other than those disclosed elsewhere in this financial report** are as follows:

	Year to 31 Dec 2017 (\$)	6 months to 31 Dec 2016 (\$)
Orient Zirconic Resources (Australia) Pty Ltd – Chaodian Chen	(45,550)	-
Leeman Pty Ltd, a George Sakalidis related party, hire of specialised equipment	(2,695)	(5,775)
Magnetic Resources NL, a George Sakalidis related party, purchase of stationary	(1,045)	(938)
Murray Zircon Pty Ltd – Interest on \$4,000,000 loan (Note 17)	(200,000)	(100,822)
Murray Zircon Pty Ltd – Vehicle repairs, flights & camp meals	(2,684)	(6,987)
Spouse of Patrick Mutz – The Company purchases travel expenses from a national travel agency of which his spouse is an agent and receives a commission. The amount disclosed is an estimate of the fees and commissions which is shared between the agency and the spouse of Patrick Mutz	(2,280)	-
	<u>(254,254)</u>	<u>(114,522)</u>

Total amounts owing to directors and/or director-related parties and related entities at 31 December 2017 were Nil (31 December 2016: \$5,322).

Murray Zircon Pty Ltd is a related party due to it holding a 37.8% interest in the shares of the Company.

NOTE 24 CONTINGENT LIABILITIES

On 8 June 2016 the Company settled completion of a transaction between the Company and Murray Zircon Pty Ltd (Murray Zircon) and its parent Guangdong Orient Zirconic Sci Tech Co Ltd (Orient Zirconic), which included the Company issuing 156,703,542 ordinary shares to Murray Zircon for a 42% interest in the expanded capital of the Company. If a decision to mine is reached (including financing being secured) within 2 years of completion (or 3 years if a Directors who is not a nominee of Murray Zircon unreasonably frustrates such a decision being made in the first 2 years) the Company will be required to issue to Murray Zircon further 32,595,987 shares in the Company.

NOTE 25 FINANCIAL INSTRUMENTS DISCLOSURE

(a) Financial Risk Management Policies

The Company's financial instruments consist of deposits with banks, receivables, available-for-sale financial assets, payables and borrowings.

Risk management policies are approved and reviewed by the board. The use of hedging derivative instruments is not contemplated at this stage of the Company's development.

Specific Financial Risk Exposure and Management

The main risks the Company is exposed to through its financial instruments, are interest rate and liquidity risks.

Interest Rate Risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

Liquidity Risk

The Company manages liquidity risk by monitoring forecast cash flows, cash reserves, liquid investments, receivables, financial liabilities and commitments.

Capital Risk

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern so that the Company may continue to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Company's activities, the Company does not have ready access to credit facilities, with the primary source of funding being via equity raisings. Therefore, the focus of the Company's capital risk management is the current working capital position against the requirements of the Company to meet exploration programmes, mine development and corporate overheads. The Company's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raising as required.

The Company is considering various options for the development of the Boonanarring mineral sands project and may seek to raise a significant amount of debt and equity finance to develop the project.

**NOTES TO AND FORMING PART OF THE
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The working capital position of the Company at 31 December 2017 and 31 December 2016 was as follows:

	31 Dec 2017 (\$)	31 Dec 2016 (\$)
Cash and cash equivalents	4,422,650	1,107,723
Restricted cash	54,667	54,667
Trade and other receivables	81,756	15,142
Trade and other payables and provisions	(940,445)	(543,898)
Borrowings	(34,843)	-
Working capital position	3,583,785	633,634

Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and notes to the financial statements.

The Company has lodged cash deposits (designated as restricted cash above) totalling \$54,667 (2016: \$54,667) with the bank as collateral security for office lease property managers for rental guarantees and also security for company credit cards.

The following table provides information regarding the credit risk relating to cash and cash equivalents, term deposits and restricted cash based on credit ratings:

AAA rated	-	-
AA rated	-	-
A rated	4,477,317	1,162,390

Financial Instruments

The Company holds no derivative instruments, forward exchange contracts or interest rate swaps.

Financial Instrument composition and maturity analysis

The table below reflects the undiscounted contractual settlement terms for financial instruments.

31 December 2017	Weighted Average Effective Interest Rate %	Fixed Interest Rate (\$)	Floating Interest Rate (\$)	Non-Interest Bearing (\$)	Total (\$)
Financial Assets:					
Cash and cash equivalents		-	4,420,641	2,010	4,422,650
Restricted cash		-	54,667	-	54,667
Trade and other receivables		-	-	81,756	81,756
Available-for-sale financial assets		-	-	16,780	16,780
Total Financial Assets	0.14%	-	4,475,308	100,546	4,575,854
Financial Liabilities:					
Trade and other payables and provisions		-	-	(1,099,321)	(1,099,321)
Borrowings		(4,034,843)	-	-	(4,034,843)
Total Financial Liabilities	5.01%	(4,034,843)	-	(1,099,321)	(5,134,164)
Net Financial Assets		(4,034,843)	4,475,308	(998,775)	(558,310)

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31 December 2016	Weighted Average Effective Interest Rate %	Fixed Interest Rate (\$)	Floating Interest Rate (\$)	Non-Interest Bearing (\$)	Total (\$)
Financial Assets:					
Cash and cash equivalents		-	1,105,928	1,795	1,107,723
Restricted cash		-	54,667	-	54,667
Trade and other receivables		-	-	15,142	15,142
Available-for-sale financial assets		-	-	7,514	7,514
Total Financial Assets	1.50%	-	1,160,595	24,451	1,185,046
Financial Liabilities:					
Trade and other payables and provisions		-	-	(543,898)	(543,898)
Borrowings		(4,000,000)	-	-	(4,000,000)
Total Financial Liabilities	5.0%	(4,000,000)	-	(543,898)	(4,543,898)
Net Financial Assets		(4,000,000)	1,160,595	(519,447)	(3,358,852)

The table below summarises the maturity profile of the Company's financial liabilities according to their contractual maturities. The amounts disclosed are based on contractual undiscounted cash flows. As a result, these balances may not agree with the amounts disclosed in the statement of financial position:

31 December 2017	Less than 3 months	3 to 12 months	1 to 5 years	Total
Trade and other payables and provisions	940,445	-	-	940,445
Borrowings	34,843	99,178	800,000	934,021
	975,288	99,178	800,000	1,874,466
31 December 2016	Less than 3 months	3 to 12 months	1 to 5 years	Total
Trade and other payables and provisions	543,898	-	-	543,898
Borrowings	-	100,822	800,000	900,822
	543,898	100,822	800,000	1,444,720

The borrowings have no fixed maturity date. Please refer to Note 16 Murray Zircon Pty Ltd investment in Image Resources NL for further details.

**NOTES TO AND FORMING PART OF THE
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(b) Financial Instruments Measured at Fair Value

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

Quoted prices in active markets for identical assets or liabilities (Level 1);

Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and

Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

31 December 2017	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial Assets:				
Financial assets at fair value through profit or loss:				
Available-for-sale financial assets:				
- Listed investments	16,780	-	-	16,780
	16,780	-	-	16,780

31 December 2016	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial Assets:				
Financial assets at fair value through profit or loss:				
Available-for-sale financial assets:				
- Listed investments	7,514	-	-	7,514
	7,514	-	-	7,514

Sensitivity Analysis – Interest rate risk

The Company has performed a sensitivity analysis relating to its exposure to interest rate risk at balance date. The sensitivity analysis demonstrates the effect on the financial period results and equity which could result from a change in this risk.

As at balance date, the effect on loss and equity as a result of changes in the interest rate on financial assets, with all other variables remaining constant would be as follows:

	31 Dec 2017 (\$)	31 Dec 2016 (\$)
Change in loss – increase/(decrease):		
- Increase in interest rate by 2%	(89,546)	(23,248)
- Decrease in interest rate by 2%	89,546	23,248
Change in equity – increase/(decrease):		
- Increase in interest rate by 2%	89,546	23,248
- Decrease in interest rate by 2%	(89,546)	(23,248)

DIRECTORS' DECLARATION

The directors of the Company declare that:

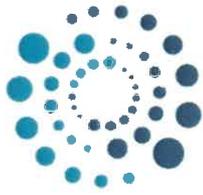
1. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and the Corporations Act 2001;
 - (b) give a true and fair view of the financial position as at 31 December 2017 and performance for the year ended on that date of the Company; and
 - (c) the audited remuneration disclosures set out in the Remuneration Report section of the Directors' Report for the year ended 31 December 2017 complies with section 300A of the Corporations Act 2001;
2. the Chief Financial Officer has declared pursuant to section 295A(2) of the Corporations Act 2001 that:
 - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - (b) the financial statements and the notes for the financial year comply with Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view;
3. in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
4. the directors have included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

This declaration is made in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink, appearing to read "R Besley".

**ORIGINAL SIGNED BY ROBERT BESLEY
CHAIRMAN**

PERTH
Dated this 28 March 2018



Independent Audit Report to the members of Image Resources NL

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Image Resources NL (the Company), which comprises the statement of financial position as at 31 December 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's financial position as at 31 December 2017 and of its financial performance for the period then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described as in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

Without modifying our opinion, we draw attention to Note 1, which outlines that the going concern basis is dependent upon on the Company's successful development of the open-cut mine broadly within budgeted cost expectations, ongoing compliance with debt covenants, and the mines subsequent profitable operation.

As a result, there is material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern, and therefore whether it will realise its asset and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section we have determined the matter described below to be a key audit matter to be communicated in our report.

Valuation of Plant and Equipment

Refer to Note 11, Property Plant and Equipment and accounting policy Notes 1h and 1j

Key Audit Matter	How our audit addressed the matter
<p>Plant and equipment represents a significant balance in the Statement of Financial Position.</p> <p>Assessment of the carrying value of idle mining plant and equipment is a key audit matter. There are a number of judgements required in determining whether there are indicators that the current carrying value is less than the recoverable amount such as forecast economic conditions, expected future use, and potential volatility of commodity prices.</p>	<p>Our audit work included, but was not restricted to, the following:</p> <ul style="list-style-type: none">• Understanding and challenging managements assumptions and analysis of their assessment as to whether impairment indicators exist in relation to the plant and equipment; and• Examination of managements latest NPV estimations in relation to planned activities.

Other Information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is included in the annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 22 of the directors' report for the period ended 31 December 2017. The directors of the Image Resources NL are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Image Resources NL for the period ended 31 December 2017 complies with section 300A of the *Corporations Act 2001*.

Greenwich & Co Audit Pty Ltd
Greenwich & Co Audit Pty Ltd



Andrew May
Audit Director

28 March 2018
Perth

ASX ADDITIONAL INFORMATION

Additional information required by the ASX Listing Rules and not shown elsewhere in this report is as follows. The information is current as at 28 March 2018.

Distribution of Equity Securities

			Ordinary shares	
			Number of holders	Number of shares
1	-	1,000	297	170,389
1,001	-	5,000	503	1,482,993
5,001	-	10,000	291	2,386,522
10,001	-	100,000	663	26,118,377
100,001		and over	329	831,131,706
			2,083	861,289,987
The number of shareholders holding less than a marketable parcel of shares are:			714	1,224,014

Twenty Largest Shareholders:

The names of the twenty largest holders of quoted ordinary shares are:

		Listed ordinary shares	
		Number of shares	Percentage of ordinary shares
1	Murray Zircon Pty Ltd	156,703,542	18.19
2	Vestpro International	131,936,921	15.32
3	Orient Zirconic Resources (Australia) Pty Ltd	51,761,950	6.01
4	Million Up Ltd	40,624,754	4.72
5	HSBC Custody Nominees Australia Ltd	22,922,722	2.66
6	XQ (HK) Enterprises Ltd	22,420,082	2.60
7	J P Morgan Nominees Australia Ltd	21,921,638	2.55
8	Ava Cartel SDN BHD	18,000,000	2.09
9	TQ International	18,000,000	2.09
10	UBS Nominees Pty Ltd	15,596,481	1.81
11	Target Range Pty Ltd	13,288,888	1.54
12	Zonglin Cai	11,555,546	1.34
13	Pontian Orico Plantations	11,539,728	1.34
14	Choy Fuan Ku	11,000,000	1.28
15	Shumei Chen	11,000,000	1.28
16	Citicorp Nominees Pty Ltd	10,466,596	1.22
17	Ribton Super Fund Pty Ltd <Ribton S/F A/C>	10,100,000	1.17
18	Lim Pang Soo	10,000,000	1.16
19	Zero Nominees Pty Ltd	10,000,000	1.16
20	Choon Kong Lim	6,235,624	0.72
		605,074,472	70.25

ASX ADDITIONAL INFORMATION

Substantial shareholders:

The names of substantial shareholders who have notified the Company in accordance with section 617B of the *Corporations Act 2001* are:

	Number of Ordinary Shares
Murray Zircon Pty Ltd together with Orient Zirconic Resources (Australia) Pty Ltd, Guangdong Orient Zirconic Ind. Sci. Tech. Co. Ltd. and XQ (HK) Enterprises Limited	221,996,685
Image Resources NL	156,703,542
Million Up Ltd	31,735,865
Pontian Orico Plantations	11,539,728

Voting Rights

The voting rights attaching to ordinary shares are governed by the Constitution. On a show of hands every person present who is a Member or representative of a member shall have one vote and on a poll, every member present in person or by proxy or by attorney or duly authorised representative shall have one vote for each fully paid ordinary share held. None of the options have any voting rights.

Unquoted Securities

Class	Number of Securities	Number of Holders	Holder Name	Number of Securities
Options exercisable at \$0.085 expiring 04/12/2018	1,500,000	1	Patrick Mutz	1,500,000
Options exercisable at \$0.10 expiring 04/12/2018	1,500,000	1	Patrick Mutz	1,500,000

SCHEDULE OF TENEMENTS

Tenement	Status	Project	Equity (%)	Other Holder/Manager
Red Gully project C151/2011				
E70/3032	Granted	GINGIN	IMAGE 100%	
E70/3041	Granted	REGANS FORD SOUTH	IMAGE 100%	
E70/3100	Granted	QUINNS HILL	IMAGE 100%	
E70/3192	Granted	BOOTINE	IMAGE 100%	
E70/3411	Granted	REGANS FORD	IMAGE 100%	
E70/3494	Granted	BRYALANA	IMAGE 100%	
E70/3720	Granted	BLUE LAKE	IMAGE 100%	
E70/4077	Granted	DARLING RANGE	IMAGE 100%	
E70/4689	Granted	BOONANARRING WEST	IMAGE 100%	
E70/4946	Granted	RED GULLY NORTH	IMAGE 100%	
E70/4949	Granted	NAMMEGARRA	IMAGE 100%	
M70/0448	Granted	GINGIN SOUTH	IMAGE 100%	
M70/1192	Granted	RED GULLY	IMAGE 100%	
M70/1194	Granted	BOONANARRING	IMAGE 100%	
M70/1311	Granted	BOONANARRING NORTH	IMAGE 100%	

Cooljarloo project C97/2007				
E70/2636	Granted	COOLJARLOO	IMAGE 100%	
E70/2898	Granted	COOLJARLOO	IMAGE 100%	
E70/3997	Granted	MUNBINIA	IMAGE 100%	
E70/4244	Granted	WOOLKA	IMAGE 100%	
E70/4631	Granted	MUNBINEA WEST	IMAGE 100%	
E70/4656	Granted	WINOOKA NORTH	IMAGE 100%	
E70/4663	Granted	BIBBY SPRINGS	IMAGE 100%	
P70/1516	Granted	COOLJARLOO	IMAGE 100%	
R70/0051	Granted	COOLJARLOO NORTH	IMAGE 100%	

Bidamina project C46/2009				
E70/2844	Granted	BIDAMINNA NTH	IMAGE 100%	
E70/3298	Granted	BIDAMINNA - PARK	IMAGE 90%	ARF MASLIN 10%
E70/4245	Granted	WINOOKA	IMAGE 100%	
E70/4779	Granted	MIMEGARRA	IMAGE 100%	
E70/4794	Granted	REGANS FORD NORTH	IMAGE 100%	
E70/4245	Granted	WINOOKA	IMAGE 100%	

Erayina project C85/2011				
E28/1895	Granted	KING (INTEGRA JV)	IMAGE 100%	

Other projects				
G70/0250	Granted	BOONANARRING	IMAGE 100%	
E52/2067	Granted	WILTHORPE JV	RESOURCEFUL MINING GROUP 100%	IMAGE 1% ROYALTY
M52/1067	Granted	WILTHORPE JV	RESOURCEFUL MINING GROUP 100%	IMAGE 1% ROYALTY
E70/3418	Granted	BELL (POTASH WEST JV)	IMAGE 100%	POTASH WEST JV
E70/3892	Granted	CHAPMAN HILL (DORAL JV)	IMAGE 100%	
E70/4129	Granted	MULLERING SOUTH	TRONOX 100%	IMAGE SLIDING ROYALTY
E70/4130	Granted	MULLERING NORTH	TRONOX 100%	IMAGE SLIDING ROYALTY
R69/0001	Granted	SERPENTINE LAKES	DIATREME RESOURCES LIMITED 100%	IMAGE 1% ROYALTY

SCHEDULE OF TENEMENTS

Tenement	Status	Project	Equity (%)	Other Holder/Manager
Tenement Applications				
E70/4795	Application	BIDAMINNA SOUTH	IMAGE 100%	
M70/1305	Application	ATLAS	IMAGE 100%	
P70/1520	Application	COOLJARLOO	IMAGE 100%	