Image Resources NL

ABN: 57 063 977 579

INTERIM FINANCIAL REPORT

For the half-year ended 30 June 2019

CONTENTS

INTERIM FINANCIAL REPORT

Your directors submit the financial report of the Company for the half-year ended 30 June 2019.

DIRECTORS

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

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

OPERATING AND FINANCIAL REVIEW

Operating Result

The profit from continuing operations for the half-year ended 30 June 2019 was $6,908,596 (2018: half-year loss of $2,402,652).

Review of Operations

2018 was a pivotal year for Image Resources NL ("Image" or "the Company") with the development of the Boonanarring Mineral Sands Project located 80km north of Perth, and the transition from advanced exploration company to active mining company. Construction and commissioning of the open-cut mine and processing facility at Boonanarring were completed on-schedule an on-budget and production of heavy mineral concentrate (HMC) commenced on 1 December 2018.

The following significant events occurred during the half year ending 30 June 2019 ("1H 2019"):

- Sale of first shipment of HMC from Boonanarring and receipt of first revenue in January 2019 (see ASX 15 January 2019: "First Revenue from Boonanarring Project").
- Ramp-up to full-scale HMC production occurred ahead of schedule and occurred in only the second month of operation in January 2019 (see ASX 30 April 2019: "Quarterly Activities and Cashflow Reports for the period ended 31 March 2019").
- Discovery and mining of ultra-high-grade (UHG) ore or direct shipping ore (DSO) grading as high as 95% heavy minerals (HM) and 70% zircon in the HM (see ASX 13 May 2019: "Image Resources Mines Ultra High Grade Zircon-Rich Ore") and with a total of approximately 2,700 tonnes of UHG ore mined in 1H 2019, averaging 78%HM and 61% zircon in the HM (see ASX 23 July 2019: "Quarterly Activities and Cashflow Reports for the period ended 30 June 2019").
- Actual heavy mineral (HM) ore grade throughout 1H 2019 was substantially higher than expected based on the Ore Reserves estimate with the average grade being 10.1%HM or 143% of budget. Actual zircon grade within the HM ore grade was also higher than expected based on the Ore Reserves with the average zircon grade being 112% of budget (see ASX 23 July 2019: "Quarterly Activities and Cashflow Reports for the period ended 30 June 2019").
- Investigations into the higher than anticipated HM ore grade concluded that the standard 15-20 metre drill-hole spacing used for the Mineral Resources and Ore Reserves estimates did not adequately delineate an apparent very high-grade core of ore in the eastern strand of the deposit. In March 2019 the Company announced it was embarking on a close-spaced (5m) drilling programme to delineate the high-grade core and reassess the Mineral Resources and Ore Reserves. Drilling continued from early

April through the end of June 2019 (see ASX 14 March 2019: "Image Resources Targeting Ore Reserve Upgrade at Boonanarring"). A Mineral Resources and Ore Reserves update is anticipated near the end of Q3 2019.

- Completed first full half-year as an operational mining company with the following results:
  - HMC Production (DMT): 137.8K 138% of budget
  - Ore Grade (%HM) 10.1% 143% of budget
  - Revenue A$42.5M $579/T
  - Project Operating Costs A$22.4M $325/T
  - Operating Margin A$22.1M $254/T
  - YTD Project EBITDA: A$29.5M
- Zero lost time accidents through construction, commissioning and seven months of active operations at Boonanarring.

Subsequent to the end of 1H 2019 the following significant announcements were made:

- Image secured access for drilling to the northern extension area of Boonanarring (see ASX 17 July 2019: "Image Resources Secures Drilling Access to High-Grade Northern Extension Area at Boonanarring") where previous drilling indicated the high-grade eastern strand of the Boonanarring deposit extends for up to 5.6km to the northwest of the Brand Highway.
- The Company announced updated production and profitability guidance for calendar year 2019 (see ASX 24 July 2019: IMA - "Image Resources CY 2019 Updated Guidance"). Image has continued to match HMC sales to forecast HMC production in July and August 2019 with nominal 20,000 tonne HMC shipments sailing on 24 July and 26 August 2019 and has received an off-take commitment for a further nominal 20,000 tonne HMC shipment in late September 2019.

Underlying EBITDA

Underlying EBITDA, defined as earnings before interest, tax, depreciation and amortisation, and other expenses is used as a key measure of the Company's financial performance. The reconciliation of the underlying EBITDA to the financial metrics reported in the 1H 2019 financial statements under Australian Accounting standards is presented below.

	(A$000's)
Operating sales revenue	67,320
Costs of sales excluding depreciation and amortisation	(37,824)
Underlying EBITDA	29,496
Depreciation and amortisation	(7,238)
Exploration, corporate and other	(4,589)
Realised foreign currency loss	(575)
Finance costs (net)	(7,350)
Profit before tax	9,744
Income tax expense	(2,835)
Net profit after tax	6,909

Boonanarring

The Company completed a successful first half year 2019 ("1H 2019) as an active mining company at its 100%-owned, high-grade, zircon-rich Boonanarring mineral sands project located 80km north of Perth in the North Perth Basin in WA. This cements the Company's position as Australia's newest mineral sands mining company.

Overall, performance for 1H 2019 was very positive with heavy mineral concentrate (HMC) production substantially higher than budgeted, while project operating costs were substantially lower than budgeted. The net result being project operating margin and 1H 2019 EBITDA and provisional NPAT being significantly higher than budget expectations.

Another significant success was the sale of a nominal 70K tonnes of HMC across the last six weeks of 1H 2019 converting the majority of available HMC inventory to cash. As a result, the cash balance at the end of the half year increased to $25.7M with a further $12.0M received in early July for shipment 6 which sailed on 30 June 2019.

In addition to operational successes, the Company discovered a hither-to unknown zone of ultra-high-grade (UHG) ore or potentially direct shipping ore (DSO) located below the previously modelled bottom of mineralisation in the eastern strand at Boonanarring. Investigations continue into unlocking and optimising the value and extent of the ore mined from this UHG ore zone.

Boonanarring Mine Delineation Drilling

Drilling from 2 April 2019 through to the end of June was focussed on the delineation of a high-grade core within the eastern strand at Boonanarring with initial results being announced subsequent to the end of the Quarter (see ASX 15 July 2019: IMA – "Confirms High-Grade Core in Eastern Strand at Boonanarring"). This infill delineation drilling will facilitate an update of the Mineral Resources and Ore Reserves and is anticipated in late September 2019. Initial results from Block C close-space (5M) drilling were very positive and appear to corroborate mining and processing results indicating that actual heavy mineral ore grade is substantially higher than estimated in the Mineral Resources and Ore Reserves estimates.

Exploration

Subsequent to the end of the 1H 2019 the Company also announced that access had been secured to the northern extension area (NEA) of the Boonanarring deposit located across the Brand Highway (see ASX 17 July 2019 - "Boonanarring Northern Extension Drilling Access"). Previously announced scout drilling results for the NEA (see ASX 13 March 2017 - "Outstanding Results Confirm a 5.6km High Grade Extension at Boonanarring") indicates the high-grade core of the eastern strand of Boonanarring continues for up to 5.6km. Drilling in this area will be to delineate additional Ore Reserves and add to the overall Boonanarring mine life

SIGNIFICANT EVENTS SUBSEQUENT TO REPORTING DATE

Other than the following matters:

- On 24 July 2019, the Company's sixth shipment of 19,327 dry metric tonnes (DMT) of HMC finished loading and set sail. As with all HMC being exported, this shipment was secured by a letter of credit (LC). Subsequently, on 30 July 2019 full payment for the shipment was received by the Company, in USD.
- On 26 August 2019, the Company's seventh shipment (backed by an LC) of 20,140.90 DMT of HMC finished loading and set sail. Full payment for the shipment is expected to be received by the Company in early September 2019.
- A sales commitment for the eighth shipment of HMC was received for departure in the final week of September 2019.

There have been no other material significant matters or circumstances that have arisen subsequent to the end of the reporting period which have had, or are likely to have, a material impact on the operations of the Company or the financial statements.

FORWARD LOOKING STATEMENTS

Certain statements made during or in connection with this communication, including, without limitation, those concerning the economic outlook for the mining industry, expectations regarding prices, exploration or development costs and other operating results, growth prospects and the outlook of Image's operations, contain or comprise certain forward-looking statements regarding Image's operations, economic performance and financial condition. Although Image believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct.

Accordingly, results could differ materially from those set out in the forward looking statements as a result of, among other factors, changes in economic and market conditions, success of business and operating initiatives, changes that could result from future acquisitions of new exploration properties, the risks and hazards inherent in the mining business (including industrial accidents, environmental hazards or geologically related conditions), changes in the regulatory environment and other government actions, risks inherent in the ownership, exploration and operation of or investment in mining properties, fluctuations in prices and exchange rates and business and operations risks management, as well as generally those additional factors set forth in our periodic filings with ASX. Image undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after today's date or to reflect the occurrence of unanticipated events.

INDEPENDENCE DECLARATION BY AUDITOR

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 7 for the half-year ended 30 June 2019.

This report has been signed in accordance with a resolution of directors.
For and on behalf of the Directors

SIGNED: Patrick Mutz
Managing Director
Perth
9 September 2019

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Auditor's Independence Declaration

To those charged with the governance of Image Resources NL

As auditor for the review of Image Resources NL for the half-year ended 30 June 2019, 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 review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

Greenwich & Co Audit Pty Ltd

Greenwich & Co Audit Pty Ltd

Nicholas Hollens.

Nicholas Hollens
Managing Director

9 September 2019
Perth

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 30 JUNE 2019

	Note	6 months to 30 Jun 2019 ($000's)	6 months to 30 Jun 2018 ($000's)
Continuing operations			
Operating sales revenue		67,320	-
Cost of sales	3	(45,062)	-
Gross profit		22,258	-
Other income		-	15
Corporate expenses		(2,115)	(1,589)
Exploration and evaluation expenses		(1,465)	(669)
Other expenses		(1,009)	(183)
Realised foreign currency loss		(575)	-
Operating profit / (loss)		17,094	(2,426)
Finance income		20	128
Financing costs	4	(7,370)	(104)
Profit / (loss) before tax		9,744	(2,402)
Income tax expense		(2,835)	-
Net profit / (loss) after tax		6,909	(2,402)
Other comprehensive income			
Unrealised foreign currency loss		(294)	(1,082)
Changes in the fair value of available-for-sale financial assets		-	29
Other comprehensive loss for the period, net of tax		(294)	(1,053)
Total comprehensive income / (loss) for the period, net of tax		6,615	(3,455)

Earnings per share	**Cents**	**Cents**
Basic profit / (loss) per share (cents per share)	0.68	(0.46)
Diluted profit / (loss) per share (cents per share)	0.68	(0.46)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Notes	30 Jun 2019 ($000's)	31 Dec 2018 ($000's)
Current Assets			
Cash and cash equivalents		25,684	11,886
Trade and other receivables	5	14,266	1,463
Inventory	6	11,571	9,247
Other assets		714	536
Total Current Assets		52,235	23,132
Non-Current Assets			
Property, plant and equipment	7	91,973	101,062
Other financial assets		604	447
Deferred tax assets		9,908	12,743
Total Non-Current Assets		102,485	114,252
TOTAL ASSETS		154,720	137,384
Current Liabilities			
Trade and other payables		16,929	11,667
Provisions		629	454
Borrowings	8	30,455	12,565
Total Current Liabilities		48,013	24,686
Non-Current Liabilities			
Provisions		4,476	4,508
Borrowings	8	37,038	51,388
Total Non-Current Liabilities		41,514	55,896
TOTAL LIABILITIES		89,527	80,582
NET ASSETS		65,193	56,802
Equity			
Issued capital	9	104,946	103,170
Reserves	9	4,324	4,324
Accumulated losses		(44,077)	(50,692)
TOTAL EQUITY		65,193	56,802

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 30 JUNE 2019

IMAGE RESOURCES

	Issued Capital ($000's)	Warrants Reserve ($000's)	Financial Assets at FVOCI ($000's)	Employee Benefit Reserve ($000's)	Accumulated Losses ($000's)	Total ($000's)
As at 1 January 2018	**68,917**	**-**	**-**	**42**	**(54,044)**	**14,915**
Operating loss for the period	-	-	-	-	(2,403)	(2,403)
Other comprehensive income / (loss)	-	-	29	-	(1,082)	(1,053)
Total comprehensive loss	-	-	29	-	(3,485)	(3,456)
Transactions with owners						
Issue of shares	35,229	-	-	-	-	35,229
Cost of share issue	(1,442)	-	-	-	-	(1,442)
Issue of warrants	-	4,314	-	-	-	4,314
Total transactions with owners	33,787	4,314	-	-	-	38,101
At 30 June 2018	**102,704**	**4,314**	**29**	**42**	**(57,529)**	**49,560**
As at 1 January 2019	**103,170**	**4,314**	**10**	**-**	**(50,692)**	**56,802**
Operating profit for the period	-	-	-	-	6,909	6,909
Other comprehensive loss	-	-	-	-	(294)	(294)
Total comprehensive profit	-	-	-	-	6,615	6,615
Transactions with owners						-
Issue of shares	1,788	-	-	-	-	1,788
Cost of share issue	(12)	-	-	-	-	(12)
Total transactions with owners	1,776	-	-	-	-	1,776
At 30 June 2019	**104,946**	**4,314**	**10**	**-**	**(44,077)**	**65,193**

The accompanying notes form part of these financial statements.

`STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 30 JUNE 2019

	6 months to 30 Jun 2019 ($000's)	6 months to 30 Jun 2018 ($000's)
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	54,865	7
Payments to suppliers and contractors	(35,443)	(1,859)
Interest received	21	76
Interest paid	(253)	(100)
Net cash from / (used in) operating activities	19,190	(1,876)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	-	2
Purchase of property, plant and equipment	(1,038)	(19,916)
Payments for exploration and evaluation	(4,574)	(711)
Payments for deposit at call	-	(10,176)
Proceeds from sale of investments	-	15
Net cash used in investing activities	(5,612)	(30,786)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	1,534	25,000
Share issue expenses	(29)	(1,459)
Proceeds from interest bearing loan	566	52,018
Repayment of borrowings	(1,895)	(47)
Net cash provided by financing activities	176	75,512
Net Increase in cash held	13,754	42,850
Cash at the beginning of the financial period	11,886	4,423
Effect of exchange fluctuations on cash held	44	-
Cash at the end of the financial period	25,684	47,273

The accompanying notes form part of these financial statements.

NOTE 1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of Preparation

These general-purpose financial statements for the interim half-year reporting period ended 30 June 2019 have been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard 134: *Interim Financial Reporting*.

These financial statements were approved by the Board of Directors on the date of the Directors Declaration.

This interim financial report is intended to provide users with an update on the latest annual financial statements of the Company. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year. It is therefore recommended that this financial report be read in conjunction with the annual financial statements for the year ended 31 December 2018, together with any public announcements made by the Company during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

Going Concern

The Company recognises that its ability to continue as a going concern to meet its debts when they fall due is dependent on successful production and product sales from the Boonanarring project resulting in the project's ongoing profitable operation. The Directors have reviewed the business outlook, taking into account the early production achievements and the fact that significant cash flow is being generated, and are of the opinion that the use of the going concern basis of accounting is appropriate.

Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

The Company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these Accounting standards and Interpretations did not have any significant impact on the financial performance or position of the Company.

The Company has adopted AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* from 1 January 2019 although they have no material impact on the Company's financial statements. Any new, revised or amending Accounting Standards of Interpretations that are not yet mandatory have not been adopted early.

AASB 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

AASB 15 establishes a comprehensive framework for deciding whether, how much and when revenue is recognised. It replaced AASB 118 *Revenue* and AASB 111 *Construction Contracts* and related interpretations. The company sells mineral sands under a range of International Commercial Terms (Incoterms). Under AASB 15, revenue is recognised when control is transferred to the customer which replaced the notion of transfer risks and rewards in AASB 118 – Revenue (Superseded on 1 July 2018). Under AASB 15 revenue is recognised to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

AASB 9 FINANCIAL INSTRUMENTS

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments form IAS 39. AASB 9 is effective for annual report periods beginning on or after 1 January 2018.

SALE OF MINERAL SANDS

The Company earns revenue by mining, processing and subsequently selling mineral sands (including Zircon and Ilmenite) by export to customers based in China under a range of commercial terms.

Revenue from the sale of product and the corresponding receivable is recognised when control has been transferred to the customer, when the product has been dispatched and no longer under the physical control of the Company.

Sales to customers are denominated in US dollars which are translated into the functional currency of the Company using the spot exchange rate applicable on the transaction date.

NOTE 2 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 Mineral Sands mining Company operating its 100% owned high-grade zircon rich Boonanarring mine located in the North Perth Basin of Western Australia. Currently all the Company's mineral sands tenements, reserves and resources are located in Western Australia.

Revenue and assets by geographical region

The Company operates wholly within the geographical location of Australia with all of its assets located there. All revenue is received from two customers based in China.

	6 months to 30 Jun 2019 ($000's)	6 months to 30 Jun 2018 ($000's)
NOTE 3 COST OF SALES		
Operating costs	36,850	-
Changes in inventories of concentrate	(2,193)	-
Royalties expense	3,167	-
Depreciation and amortisation	7,238	-
	45,062	-

Cost of goods sold is in the inventory value of each tonne of finished product sold. All production is added to inventory at cost, which includes direct costs and depreciation and amortisation. The inventory value recognised as cost of goods sold for each tonne of finished product sold is the weighted average value per tonne for the stockpile from which the product is sold.

Inventory movement represents the movement in balance sheet inventory stockpiles, including the non-cash depreciation and amortisation components and movement in the net realisable value adjustments.

	6 months to 30 Jun 2019 ($000's)	6 months to 30 Jun 2018 ($000's)
NOTE 4 FINANCING COSTS		
Interest expense	4,635	100
Amortisation of capitalised borrowing costs	2,691	4
Other financing costs	44	-
	7,370	104

Refer to note 8 for the accounting policy on borrowing/financing costs

	30 Jun 2019 ($000's)	31 Dec 2018 ($000's)
NOTE 5 TRADE AND OTHER RECEIVABLES		
Trade Receivables	11,968	-
GST and tax refundable	619	487
Other receivables	1,679	976
	14,266	1,463

Trade receivable are amounts due from customers for goods sold in the ordinary course of business. Trade receivables amounts reflect sales of mineral sands and are backed by a letter of credit when the ship dispatches. Funds are received from the letter of credit in US dollars generally within five business days from the date the ship dispatches.

Due to the short-term nature of current receivables, their carrying amount is assumed to be the same as their fair value.

	30 Jun 2019 ($000's)	31 Dec 2018 ($000's)
NOTE 6 INVENTORIES		
Ore stockpiles – at cost	496	1,254
Heavy mineral concentrate and other intermediate stockpiles – at cost	10,213	7,262
Stores and consumables – at cost	862	731
	11,571	9,247

NOTE 7 PROPERTY, PLANT AND EQUIPMENT

	Plant and Equipment ($000's)	Land and Buildings ($000's)	Mine Development ($000's)	Borrowing Costs ($000's)	Total ($000's)
At 30 June 2019					
Cost	51,018	11,469	19,023	21,968	103,478
Accumulated Depreciation	(7,292)	-	(1,193)	(3,020)	(11,505)
Closing carrying amount	43,726	11,469	17,830	18,948	91,973
Reconciliation of carrying amounts					
As at 1 January 2019	48,905	11,394	19,131	21,632	101,062
Additions	1,557	75	147	7	1,786
Disposals	(901)		-	-	(901)
Reclassification	596	-	(596)	-	-
Depreciation	(6,431)	-	(852)	(2,691)	(9,974)
At 30 June 2019	43,726	11,469	17,830	18,948	91,973

NOTE 7 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Plant and Equipment ($000's)	Land and Buildings ($000's)	Mine Development ($000's)	Borrowing Costs ($000's)	Total ($000's)
At 31 December 2018					
Cost	49,767	11,394	19,472	21,961	102,594
Accumulated Depreciation	(862)	-	(341)	(329)	(1,532)
Closing carrying amount	48,905	11,394	19,131	21,632	101,062
Reconciliation of carrying amounts:					
As at 1 January 2018	12,701	1,941	-	-	14,642
Additions	37,892	9,453	15,074	21,961	84,380
Mine closure and rehabilitation	-	-	4,398		4,398
Disposals	(1)	-	-	-	(1)
Impairments	(734)	-	-	-	(734)
Transfer to inventory	(293)	-	-	-	(293)
Depreciation	(660)	-	(341)	(329)	(1,330)
At 31 December 2018	48,905	11,394	19,131	21,632	101,062

	30 Jun 2019 ($000's)	31 Dec 2018 ($000's)
NOTE 8 BORROWINGS		
Current		
Interest bearing loan – Murray Zircon Pty Ltd	2,500	4,000
Interest bearing loan – Senior Secured Loan Notes	27,712	8,565
Interest bearing loan – Insurance funding	171	-
Operating lease liabilities	72	-
	30,455	12,565
Non-Current		
Interest bearing loan – Senior Secured Loan Notes	36,949	51,388
Operating lease liabilities	89	
	37,038	51,388

RECOGNITION AND MEASUREMENT

Borrowings are initially recognised at fair value and revalued where the borrowings are denominated in a foreign currency.

Transaction costs paid on the establishment of loan facilities are capitalised to property, plant and equipment to the extent that it is probable that some or all of the facility will be drawn down and that the borrowings are directly related to the purchase of property, plant and equipment. Where there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is expensed to profit and loss. Borrowing costs incurred after the property, plant and equipment is installed and operating are expensed to the profit and loss statement directly as financing costs.

NOTE 8 BORROWINGS (CONT'D)

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. The fair value of financial liabilities carried at amortised cost approximates their carrying values.

(a) Loan – Murray Zircon Pty Ltd

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 19.74% interest in the shares of the Company. The loan was repaid on 1 July 2019.

(b) Senior Secured Debt Facility.

A senior secured debt facility with Pala Investments Limited ("Pala") and Castelake IV, L.P. and CL V Investment Solutions LLC which are entities controlled by Castlelake L.P. as the Loan Note Holders, to raise A$50,000,000 from the issue of senior secured loan notes. The senior loan notes amount to US$38,865,000 and capitalised interest of US$6,481,821. US$19,434,351 is the current portion of the loan at 30 June 2019 (31 December 2018: US$6,044,933).

The key terms of the loan include a loan period of three years from draw down, an interest rate of 14% for the first fifteen months following draw down and 13% thereafter for the balance of the loan. Interest for the first fifteen months is added to the loan amount and thereafter paid quarterly in arrears. The principal is to be repaid in seven equal instalments starting in the 18th month following drawdown. Drawdown occurred on 25 May 2018.

	30 Jun 2019 ($000's)	31 Dec 2018 ($000's)
NOTE 9 ISSUED CAPITAL		
Ordinary share capital:		
Issued and fully paid	104,946	103,170

	Number	($000's)
As at 1 January 2019	957,247,598	103,170
Exercise of warrants	13,475,000	1,534
Employee share plan shares issued	1,303,813	254
Share issue costs	-	(12)
At 30 June 2019	972,026,411	104,946

	($000's)	($000's)
Reserves		
Warrants reserve	4,314	4,314
Available-for-sale financial assets reserve	10	10
	4,324	4,324

NOTE 9 ISSUED CAPITAL (CONT'D)

	30 Jun 2019 Number	31 Dec 2018 Number
Warrants		
The Company had the following warrants over un-issued fully paid ordinary shares at the end of the period:		
Exercisable at $0.1365 on or before 20 May 2023	14,285,714	14,285,714
Exercisable at $0.11385 on or before 24 May 2023	21,525,000	35,000,000
	35,810,714	49,285,714

NOTE 10 TENEMENT EXPENDITURE COMMITMENTS

The Company has entered into certain obligations to perform minimum exploration work on tenements held. These obligations vary from time to time in accordance with contracts signed. Tenement rentals and minimum expenditure obligations, that may be varied or deferred on application, are expected to be met in the normal course of business.

The minimum statutory expenditure requirement on the granted tenements for the next twelve months amounts to $1,478,300. The company no longer has any joint ventures over any of its tenements.

The tenements are subject to legislative requirements with respect to the processes for application, grant, conversion and renewal. Tenements are also subject to the payment of annual rent and the meeting of minimum annual expenditure commitments. There is no guarantee that any applications, conversions or renewals for the Company's tenements will be granted.

NOTE 11 SIGNIFICANT EVENTS SUBSEQUENT TO REPORTING DATE

Other than the following matters:

- On 24 July 2019, the Company's sixth shipment of 19,327 Dry Metric Tonnes of HMC finished loading backed by a letter of credit. Subsequently, on 30 July 2019 full payment for the shipment was received by the Company, in USD.
- On 26 August 2019, the Company's seventh shipment of 20,140.90 Dry Metric Tonnes of HMC finished loading backed by a letter of credit. Full payment for the shipment is expected to be received by the Company in early September 2019.
- A sales commitment for the eighth shipment of HMC was received for departure in the final week of September 2019.

There have been no other material significant matters or circumstances that have arisen subsequent to the end of the reporting period which have had, or are likely to have, a material impact on the operations of the Company or the financial statements.

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. the accompanying financial statements and notes:

   (a) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and

   (b) give a true and fair view of the financial position of the Company as at 30 June 2019 and its performance for the half-year ended on that date.

2. 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.

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

SIGNED BY PATRICK MUTZ
Managing Director
Perth
Dated this 9 day of September 2019

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Independent Auditor's Review Report

To the members of Image Resources NL

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Image Resources NL, which comprises the condensed statement of financial position as at 30 June 2019 , the condensed statement of profit or loss and condensed other comprehensive income, condensed statement of changes in equity and the condensed statement of cash flows for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 30 June 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*. As the auditor of Image Resources NL, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Image Resources NL is not in accordance with the *Corporations Act 2001* including:

(i) giving a true and fair view of the Image Resources NL's financial position as at 30 June 2019 and of its performance for the half-year ended on that date; and

(ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*

Greenwich & Co Audit Pty Ltd

Greenwich & Co Audit Pty Ltd

Nicholas Hollens

Nicholas Hollens
Managing Director

9 September 2019
Perth