



HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2014

ABN 57 063 977 579

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2014 and any public announcements made by Image Resources NL during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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Your directors submit the financial report of the Company for the half-year ended 31 December 2014.

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 John Jones, (Chair from 29 October 2014)
Mr Peter Thomas (Chair until 29 October 2014)
Mr George Sakalidis
Mr Jeff Williams
Mr Jon O'Callaghan (Resigned 3 September 2014)

REVIEW AND RESULTS OF OPERATIONS

The total loss from continuing operations for the half-year ended 31 December 2014 was \$1,820,379 (2013: \$477,786).

The Company's activities during the six month period are summarised in this report which, unless otherwise stated, should be read as if dated 31 December 2014.

The main focus of operational activities has been directed towards developing an operating strategy for the exploitation of our resources. As at the date of this report, negotiations are taking place that, hopefully, will lead to the commencement of production at Boonanarring in 2016. These discussions are focused on existing producers with synergistic requirements, however they are incomplete and "commercially in confidence" and accordingly at this stage we are unable to fully describe the details of these possible transactions.

The Company's latest exploration drilling programme commenced in November 2014. 116 holes, totalling 4,254 metres, have been drilled out of the 257 holes planned for this phase. Assay results for some of these holes have been received and results are very promising with a new parallel strand, named the East Gingin North strand, delineated by initial drilling over a 1.5 km strike length.

Image has in place Department of Mines and Petroleum (Environment) approval to drill a further 155 holes. Drilling restarted during February 2015.

All **Resources** and **Reserves** in this report are estimated and reported in accordance with the 2004 JORC Code.

Further details for the basis for the Boonanarring and Atlas Reserves/Resources classification criteria are disclosed in the ASX releases dated 16 July 2013 and 16 September 2013 (The Previous Announcements). The Previous Announcements detail the sampling techniques and data, the methods applied for estimation and reporting of these mineral resources/reserves and the reserves classification criteria. CSA undertook independent audits of the Boonanarring Resource which did not result in any material deficiencies being identified. No independent audits have been undertaken on the other resources. Internal audits were undertaken by Image staff and external contractors. These internal audits did not identify any significant deficiencies. There has been no material change to the resources and reserves since the Previous Announcements. These resource/reserve tables should be read in conjunction with The Previous Announcements.

COMPETENT PERSON'S STATEMENT – EXPLORATION RESULTS

The information in this report is based on information compiled by George Sakalidis BSc Hons in Geology and Geophysics who is a member of AusIMM and The Australian Society of Exploration. George Sakalidis 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 for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. George Sakalidis consents to the inclusion of this information in the form and context in which it appears in this report.

COMPETENT PERSON'S STATEMENT – RESOURCE ESTIMATES

The information in this report that relates to mineral resources is based on information compiled by George Sakalidis BSc Hons in Geology and Geophysics who is a member of AusIMM and The Australian Society of Exploration. George Sakalidis 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 for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. George Sakalidis consents to the inclusion of this information in the form and context in which it appears in this report.

COMPETENT PERSON'S STATEMENT – TECHNICAL STUDIES AND ORE RESERVES

The information in this report that relates to Ore Reserves and technical studies is based on information compiled by George Sakalidis BSc Hnrs in Geology and Geophysics who is a member of AusIMM and The Australian Society of Exploration. George Sakalidis 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 for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. George Sakalidis consents to the inclusion of this information in the form and context in which it appears in this report.

FORWARD LOOKING STATEMENTS

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

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

INDEPENDENCE DECLARATION BY AUDITOR

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 6 for the half-year ended 31 December 2014.

This report has been signed in accordance with a resolution of directors.

For and on behalf of the Directors



SIGNED: J Jones
Chairman

Perth
12 March 2015

AUDITOR'S INDEPENDENCE DECLARATION

To those charged with governance of Image Resources NL

As auditor for the review of Image Resources NL for the period ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

- a) No contraventions of the independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) No contraventions of any applicable code of professional conduct in relation to the review.

Somes Cooke

Somes Cooke

Nicholas Hollens

Nicholas Hollens

Perth

12 March 2015

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**



	Notes	Half Year Ended 31 Dec 2014 (\$)	Half Year Ended 31 Dec 2013 (\$)
Continuing Operations			
REVENUE			
Interest and dividends income		23,803	44,671
Other revenue	3	29,763	1,045,192
EXPENSES			
Depreciation expense		(11,026)	(13,001)
Exploration and tenement expenses		(1,066,261)	(954,436)
Other expenses		(796,658)	(600,212)
Loss before income tax expense		(1,820,379)	(477,786)
Income tax expense		-	-
Loss from continuing operations		(1,820,379)	(477,786)
Other Comprehensive Income			
Changes in the fair value of available-for-sale financial assets	4	(7,340)	(8,675)
Other comprehensive loss for the period, net of tax		(7,340)	(8,675)
Total comprehensive loss for the period attributable to members of the Company		(1,827,719)	(486,461)
Earnings per share			
Basic loss per share (cents per share)		(1.19)	(0.341)
Diluted loss per share (cents per share)		(1.19)	(0.341)

The accompanying notes form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014**



	Notes	31 Dec 2014 (\$)	30 June 2014 (\$)
Current Assets			
Cash and cash equivalents		775,545	1,288,461
Trade and other receivables		31,912	20,331
Other assets		408,652	100,885
Total Current Assets		<u>1,216,109</u>	<u>1,409,677</u>
Non-Current Assets			
Property, plant and equipment		73,845	113,735
Other financial assets	4	193,053	200,393
Total Non-Current Assets		<u>266,898</u>	<u>314,128</u>
TOTAL ASSETS		<u>1,483,007</u>	<u>1,723,805</u>
Current Liabilities			
Trade and other payables		283,417	225,849
Provisions		7,000	8,839
Total Current Liabilities		<u>290,417</u>	<u>234,688</u>
TOTAL LIABILITIES		<u>290,417</u>	<u>234,688</u>
NET ASSETS		<u>1,192,590</u>	<u>1,489,117</u>
Equity			
Contributed equity	5	38,749,828	37,218,636
Reserves	5	721,260	1,127,250
Accumulated losses		(38,278,498)	(36,856,769)
TOTAL EQUITY		<u>1,192,590</u>	<u>1,489,117</u>

The accompanying notes form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**



Contributed Equity (Net of Costs)	Available for Sale Financial Asset Reserve	Share Based Payment Reserve	Accumulated Losses	Total
(\$)	(\$)		(\$)	(\$)
		(\$)		

Balance at 1.7.2013	36,756,352	(10,000)	1,122,490	(34,589,848)	3,278,994
Operating loss for the period	-	-	-	(477,786)	(477,786)
Other comprehensive income	-	(8,675)	-	-	(8,675)
Shares issued	-	-	-	-	-
Share issue expenses	-	-	-	-	-
Balance at 31.12.2013	36,756,352	(18,675)	1,122,490	(35,067,634)	2,792,533

Balance at 1.7.2014	37,218,636	4,760	1,122,490	(36,856,769)	1,489,117
Operating loss for the period	-	-	-	(1,820,379)	(1,820,379)
Other comprehensive income	-	(7,340)	-	-	(7,340)
Shares issued	1,619,903	-	-	-	1,619,903
Share issue expenses	(88,711)	-	-	-	(88,711)
Options expired	-	-	(398,650)	398,650	-
Balance at 31.12.2014	38,749,828	(2,580)	723,840	(38,278,498)	1,192,590

The accompanying notes form part of these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**



	Note	Half Year Ended 31 Dec 2014 (\$)	Half Year Ended 31 Dec 2013 (\$)
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and contractors		(897,528)	(475,440)
Research and development tax incentives received		-	999,061
Interest received		20,432	43,431
Dividends received		1,778	1,707
Net cash (used in) / generated by operating activities		<u>(875,318)</u>	<u>568,759</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(4,376)	(45,926)
Payments for exploration and evaluation		(817,842)	(1,248,237)
Proceeds from sale of property, plant and equipment		63,003	-
Release of restricted cash – term deposits for bank guarantees		17,145	179,313
Purchase of new prospects		<u>(6,720)</u>	<u>(7,420)</u>
Net cash used in investing activities		<u>(748,790)</u>	<u>(1,122,270)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		1,199,903	-
Share issue expenses		<u>(88,711)</u>	<u>-</u>
Net cash provided by financing activities		<u>1,111,192</u>	<u>-</u>
Net decrease in cash held		(512,916)	(553,511)
Cash and cash equivalents at the beginning of the financial period		<u>1,288,461</u>	<u>3,176,042</u>
Cash and cash equivalents at the end of the financial period		<u>775,545</u>	<u>2,622,531</u>

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 31 December 2014 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 30 June 2014, 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*.

These financial statements have been prepared on an accruals and historical cost basis, except where indicated, and on the going concern basis that contemplates normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business.

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.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been adopted early.

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 mineral sands exploration and evaluation company. Currently all the Company's mineral sands tenements, reserves 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 current operations, the Company does not provide products and services.

	Half Year Ended 31.12.2014 (\$)	Half Year Ended 31.12.2013 (\$)
NOTE 3 REVENUE		
OTHER INCOME:		
Expense recoveries	-	46,131
Research and development tax incentive (net of costs)	-	999,061
Profit on sale of fixed assets	29,763	-
	<u>29,763</u>	<u>1,045,192</u>

	Half Year Ended 31.12.2014 (\$)
NOTE 4 OTHER FINANCIAL ASSETS	
Available-for-sale financial assets	
At the beginning of the period	200,393
Changes in the fair value during the period	(7,340)
Net disposals during the period	-
At the end of the period	<u>193,053</u>

	Number	(\$)
NOTE 5 CONTRIBUTED EQUITY		
Contributed Equity – Ordinary Shares:		
At the beginning of the period	143,925,423	37,218,636
Issued during the period:		
- Shares issued as prepayment for drilling costs at \$0.13	3,230,770	420,000
- Placement issue of shares at \$0.115	10,433,936	1,199,903
Share issue costs	-	(88,711)
At the end of the period	<u>157,590,129</u>	<u>38,749,828</u>

Reserves

Available-for-sale financial assets reserve	(2,580)
Share Based Payment Reserves	<u>723,840</u>
	<u>721,260</u>

Options

The Company had the following options over un-issued fully paid ordinary shares at the end of the period

Exercisable at \$0.6995 on or before 21 December 2015	95,000
Exercisable at \$0.3908 on or before 27 December 2016	<u>2,600,000</u>
	<u>2,695,000</u>

NOTE 6 TENEMENT EXPENDITURES 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 \$1,438,000. Of this amount, \$105,300 is expected to be met by JV participants as a result of various joint ventures.

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 7 EVENTS SUBSEQUENT TO REPORTING DATE

On the 28th January 2015 the Company received \$203,675 from the Australian Taxation Office for a Research and Development claim.

On 10th November 2014 Diatreme Resources Limited executed a conditional purchase agreement with the Company to acquire Images' Cyclone Extended Heavy Mineral Resource (R69/1) on for an initial non-refundable deposit of \$20,000 and a further payment of \$415,000 subject to a financing condition and Ministerial Approval. In February 2015 the Company was advised by Diatreme Resources NL that the financing condition had been satisfied and on 26th February 2015 Ministerial Approval for the transfer was received. Settlement is expected to occur during March 2015.

There have been no other matters or circumstances that have arisen since 31 December 2014 which have significantly affected or may significantly affect:

- (a) the Company's operations in future years; or
- (b) the results of those operations in future years; or
- (c) the Company's state of affairs in future years.

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 31 December 2014 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:

A handwritten signature in blue ink, appearing to be 'John Jones', written over a horizontal line.

ORIGINAL SIGNED BY JOHN JONES
Chairman

Perth
Dated this 12th day of March 2015

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 statement of financial position as at 31 December 2014, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, 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 Image Resources NL are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) 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 Image Resources NL's financial position as at 31 December 2014 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*.



SOMES
COOKE

Profit from our Resources

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Financial Advisors

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:

- (a) giving a true and fair view of Image Resources NL's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Somes Cooke

Somes Cooke

Nicholas Hollens

Nicholas Hollens

12 March 2015

Perth

Western Australia