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# HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2015

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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 2015 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 2015.

### 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)  
Mr Peter Thomas  
Mr George Sakalidis  
Mr Jeff Williams (Resigned 1 February 2016)

### REVIEW AND RESULTS OF OPERATIONS

The total loss from continuing operations for the half-year ended 31 December 2015 was \$2,157,474 (2014: \$1,820,379).

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 2015.

Activities during the six months have been mainly focused on completion of the agreements with Murray Zircon Pty Ltd (**Murray Zircon**) and Guangdong Orient Zirconic Ind Sci & Tech Co Limited (**Orient Zirconic**).

### POST BALANCE DATE EVENTS

On 9 February 2016 the Company announced that, following the completion of extensive due diligence, it had executed a binding agreement with Murray Zircon and its parent, Orient Zirconic, in relation to a series of transactions directed towards fast-tracking the development of Image's flagship, 100%-owned, high-grade Boonanarring mineral sands project in Western Australia.

On 1 March 2016 the Company announced the issue of 16,000,000 shares at 5c raising \$800,000 before costs.

### 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 5 for the half-year ended 31 December 2015.

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

For and on behalf of the Directors

*George Sakalidis*

**SIGNED: G Sakalidis**  
Director

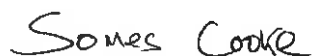
Perth  
14 March 2016

**AUDITOR'S INDEPENDENCE DECLARATION**

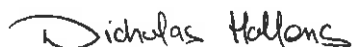
To those charged with governance of Image Resources NL

As auditor for the review of Image Resources NL for the period ended 31 December 2015, 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**



Nicholas Hollens

Perth

14 March 2016

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**



|   | Notes | Half Year<br>Ended<br>31 Dec 2015<br>(\$) | Half Year<br>Ended<br>31 Dec 2014<br>(\$) |
|---|-------|---|---|
| <b>Continuing Operations</b>  |       |   |   |
| <b>REVENUE</b>  |       |   |   |
| Interest and dividends income   |       | 9,894                                     | 23,803                                    |
| Other revenue   | 3     | 126,180                                   | 29,763                                    |
| <b>EXPENSES</b>   |       |   |   |
| Depreciation expense  |       | (9,434)                                   | (11,026)                                  |
| Exploration and tenement expenses   |       | (943,224)                                 | (1,066,261)                               |
| Other expenses  | 3     | <u>(1,340,890)</u>                        | <u>(796,658)</u>                          |
| <b>Loss before income tax expense</b>   |       | (2,157,474)                               | (1,820,379)                               |
| Income tax expense  |       | -   | -   |
| <b>Loss from continuing operations</b>  |       | <u>(2,157,474)</u>                        | <u>(1,820,379)</u>                        |
| <b>Other Comprehensive Income</b>   |       |   |   |
| Changes in the fair value of available-for-sale financial assets                      | 4     | <u>77,573</u>                             | <u>(7,340)</u>                            |
| <b>Other comprehensive loss for the period, net of tax</b>                            |       | <u>77,573</u>                             | <u>(7,340)</u>                            |
| <b>Total comprehensive loss for the period attributable to members of the Company</b> |       | <u>(2,079,901)</u>                        | <u>(1,827,719)</u>                        |
| <b>Earnings per share</b>   |       |   |   |
| Basic loss per share (cents per share)  |       | (1.13)                                    | (1.19)                                    |
| Diluted loss per share (cents per share)  |       | <u>(1.13)</u>                             | <u>(1.19)</u>                             |

*The accompanying notes form part of these financial statements.*

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2015**



|                                  | Notes | 31 Dec 2015<br>(\$) | 30 June 2015<br>(\$) |
|----------------------------------|-------|---------------------|----------------------|
| <b>Current Assets</b>            |       |                     |                      |
| Cash and cash equivalents        |       | 877,603             | 965,131              |
| Trade and other receivables      |       | 2,384               | 8,981                |
| Other assets                     |       | 305,493             | 328,515              |
| <b>Total Current Assets</b>      |       | <u>1,185,480</u>    | <u>1,302,627</u>     |
| <b>Non-Current Assets</b>        |       |                     |                      |
| Property, plant and equipment    |       | 54,042              | 57,641               |
| Other financial assets           | 4     | 131,875             | 54,302               |
| <b>Total Non-Current Assets</b>  |       | <u>185,917</u>      | <u>111,943</u>       |
| <b>TOTAL ASSETS</b>              |       | <u>1,371,397</u>    | <u>1,414,570</u>     |
| <b>Current Liabilities</b>       |       |                     |                      |
| Trade and other payables         |       | 408,532             | 341,147              |
| Provisions                       |       | 38,902              | 24,061               |
| <b>Total Current Liabilities</b> |       | <u>447,434</u>      | <u>365,208</u>       |
| <b>TOTAL LIABILITIES</b>         |       | <u>447,434</u>      | <u>365,208</u>       |
| <b>NET ASSETS</b>                |       | <u>923,963</u>      | <u>1,049,362</u>     |
| <b>Equity</b>                    |       |                     |                      |
| Contributed equity               | 5     | 42,018,708          | 40,064,206           |
| Reserves                         | 5     | 468,633             | 391,060              |
| Accumulated losses               |       | (41,563,378)        | (39,405,904)         |
| <b>TOTAL EQUITY</b>              |       | <u>923,963</u>      | <u>1,049,362</u>     |

*The accompanying notes form part of these financial statements.*

**STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**



|                               | Contributed<br>Equity (Net<br>of Costs)<br><br>(\$) | Available for<br>Sale<br>Financial<br>Asset<br>Reserve<br><br>(\$) | Share Based<br>Payment<br>Reserve<br><br>(\$) | Accumulated<br>Losses<br><br>(\$) | Total<br><br>(\$) |
|-------------------------------|---|--|---|-----------------------------------|-------------------|
| <b>Balance at 1.7.2014</b>    | 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                           | -                 |
| <b>Balance at 31.12.2014</b>  | <b>38,749,828</b>                                   | <b>(2,580)</b>   | <b>723,840</b>                                | <b>(38,278,498)</b>               | <b>1,192,590</b>  |
| <b>Balance at 1.7.2015</b>    | <b>40,064,206</b>                                   | <b>(2,580)</b>   | <b>393,640</b>                                | <b>(39,405,904)</b>               | <b>1,049,362</b>  |
| Operating loss for the period | -   | -  | -   | (2,157,474)                       | (2,157,474)       |
| Other comprehensive income    | -   | 77,573   | -   | -                                 | 77,573            |
| Shares issued                 | 2,022,400   | -  | -   | -                                 | 2,022,400         |
| Share issue expenses          | (67,898)  | -  | -   | -                                 | (67,898)          |
| Options expired               | -   | -  | -   | -                                 | -                 |
| <b>Balance at 31.12.2015</b>  | <b>42,018,708</b>                                   | <b>74,993</b>  | <b>393,640</b>                                | <b>(41,563,378)</b>               | <b>923,963</b>    |

*The accompanying notes form part of these financial statements.*



**STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**



|  | Note | Half Year<br>Ended<br>31 Dec 2015<br>(\$) | Half Year<br>Ended<br>31 Dec 2014<br>(\$) |
|--|------|---|---|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                    |      |   |   |
| Receipts from customers  |      | 28,944                                    | -   |
| Payments to suppliers and contractors  |      | (1,267,856)                               | (897,528)                                 |
| Research and development tax incentives received                               |      | 136,136                                   | -   |
| Interest received  |      | 8,579                                     | 20,432                                    |
| Dividends received   |      | -   | 1,778                                     |
| <b>Net cash generated by / (used in) operating activities</b>                  |      | <b>(1,094,197)</b>                        | <b>(875,318)</b>                          |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                    |      |   |   |
| Purchase of property, plant and equipment                                      |      | (5,835)                                   | (4,376)                                   |
| Payments for exploration and evaluation  |      | (958,129)                                 | (817,842)                                 |
| Proceeds from sale of property, plant and equipment                            |      | -   | 63,003                                    |
| Release of restricted cash – rental bond and term deposits for bank guarantees |      | 16,131                                    | 17,145                                    |
| Purchase of new prospects  |      | -   | (6,720)                                   |
| <b>Net cash used in investing activities</b>                                   |      | <b>(947,833)</b>                          | <b>(748,790)</b>                          |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                    |      |   |   |
| Proceeds from issue of shares  |      | 2,022,400                                 | 1,199,903                                 |
| Share issue expenses   |      | (67,898)                                  | (88,711)                                  |
| <b>Net cash provided by financing activities</b>                               |      | <b>1,954,502</b>                          | <b>1,111,192</b>                          |
| Net decrease in cash held  |      | (87,528)                                  | (512,916)                                 |
| Cash and cash equivalents at the beginning of the financial period             |      | 965,131                                   | 1,288,461                                 |
| Cash and cash equivalents at the end of the financial period                   |      | 877,603                                   | 775,545                                   |

*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 2015 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 2015, 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**



|  | Half Year<br>Ended<br>31 Dec 2015<br>(\$) | Half Year<br>Ended<br>31 Dec 2014<br>(\$) |
|--|---|---|
| <b>NOTE 3 REVENUE AND EXPENSES</b>   |   |   |
| <b>OTHER INCOME:</b>   |   |   |
| Recharges  | 7,801                                     | -   |
| Research and development tax incentive (net of costs)                      | 118,379                                   | -   |
| Profit on sale of fixed assets   | -   | 29,763                                    |
|  | <u>126,180</u>                            | <u>29,763</u>                             |
| <b>OTHER EXPENSES:</b>   |   |   |
| Salaries and wages   | 207,314                                   | 444,209                                   |
| Directors fees   | 118,254                                   | 148,587                                   |
| Company secretarial  | 71,011                                    | 55,284                                    |
| Corporate office costs   | 67,432                                    | 31,258                                    |
| Financial advisors   | 317,093                                   | 573                                       |
| Legal fees   | 284,378                                   | 8,178                                     |
| Other expenses   | 275,408                                   | 108,569                                   |
|  | <u>1,340,890</u>                          | <u>796,658</u>                            |
|  | <b>31 Dec 2015<br/>(\$)</b>               | <b>30 Jun 2015<br/>(\$)</b>               |
| <b>NOTE 4 OTHER FINANCIAL ASSETS</b>                                       |   |   |
| <b>Available-for-sale financial assets</b>                                 |   |   |
| At the beginning of the period   | 54,302                                    | 200,393                                   |
| Value of investment sold   | -   | (51,921)                                  |
| Changes in the fair value during the period – allocated to profit and loss | -   | (86,830)                                  |
| Changes in the fair value during the period – allocated to reserves        | 77,573                                    | (7,340)                                   |
| At the end of the period   | <u>131,875</u>                            | <u>54,302</u>                             |
|  | <b>31 Dec 2015<br/>Number</b>             | <b>31 Dec 2015<br/>(\$)</b>               |
| <b>NOTE 5 CONTRIBUTED EQUITY</b>   |   |   |
| <b>Contributed Equity – Ordinary Shares:</b>                               |   |   |
| At the beginning of the period   | 175,120,129                               | 40,064,206                                |
| Issued during the period:  |   |   |
| - Placement issue of shares at \$0.08                                      | 25,280,000                                | 2,022,400                                 |
| Share issue costs  | -   | (67,898)                                  |
| At the end of the period   | <u>200,400,129</u>                        | <u>42,018,708</u>                         |

**NOTE 5 CONTRIBUTED EQUITY**

**Reserves**

|   | 31 Dec 2015<br>Number | 31 Dec 2015<br>(\$) |
|---|-----------------------|---------------------|
| Available-for-sale financial assets reserve |                       | 74,993              |
| Share Based Payment Reserves                |                       | 393,640             |
|   |                       | <u>468,633</u>      |

**Options**

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

|   |                  |
|---|------------------|
| Exercisable at \$0.3908 on or before 27 December 2016 | <u>2,600,000</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 \$1,207,500. Of this amount, \$178,000 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**

Other than the following matters:

- On 9 February 2016 the Company announced that, following the completion of extensive due diligence, it had executed a binding agreement with Murray Zircon and its parent, Orient Zircon, in relation to a series of transactions directed towards fast-tracking the development of Image's flagship, 100%-owned, high-grade Boonanarring mineral sands project in Western Australia.
- On 1 March 2016 the Company announced the issue of 16,000,000 shares at 5c raising \$800,000 before costs.

There have been no other matters or circumstances that have arisen since 31 December 2015 which have significantly affected or may significantly affect:

- the Company's operations in future years; or
- the results of those operations in future years; or
- 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 31December 2015 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 that reads 'George Sakalidis'.

**ORIGINAL SIGNED BY GEORGE SAKALIDIS**  
Director

Perth  
Dated this 14th day of March 2016

## **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 2015, 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 2015 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*.

- (a) giving a true and fair view of Image Resources NL's financial position as at 31 December 2015 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*.