



HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2011

ABN 57 063 977 579

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HALF-YEAR FINANCIAL REPORT

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Your directors submit the financial report of the Company for the half-year ended 31 December 2011.

DIRECTORS

The following persons were directors of Image Resources NL (“Image”) during the whole of the half-year and up to the date of this report:

- Mr Peter Thomas
- Mr George Sakalidis
- Mr Roger Thomson

REVIEW OF OPERATIONS

The total loss from continuing operations for the half-year ended 31 December 2011 was \$2,193,668 (2010 – \$685,263).

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 2011.

NORTH PERTH BASIN

Scoping Study

During the period Image completed a Scoping Study on its mostly 100%-owned North Perth Basin Heavy Mineral Project in Western Australia, which examined the economic potential of a 400 tph Wet Concentrator Plant (WCP) and 30 tph Mineral Separation Plant (MSP) mining six deposits over a 12 year period. The study showed that the project was robust with the predicted financial results shown in Table 1.

Table 1
Project Economics Summary

Exchange Rate (A\$:US\$)	1.00	0.90
Commodity Prices:		
Ilmenite	US\$ 200	
Rutile	US\$ 2,400	
Zircon	US\$ 2,400	
Leucoxene	US\$ 500	
Life of Mine	12 years	
NPV @ 10% discount	\$ 109.3M	\$ 153.7M
Average Internal Rate of Return	47.7%	58.6%
Net project cash flow after capital costs	\$ 280M	\$ 381M
Total Revenue (life of mine)	\$ 992M	\$ 1,102M
Annual average operating costs	\$ 44.9M	\$ 45.6M
Capital Costs	\$ 83.8M	
Capital payback period	16 months	13 months

The study envisages production at an average of approximately 185,000 tonnes of heavy minerals in concentrate per annum for 12 years. Production over the life of the mine is expected to total approximately 1,393,000t of ilmenite (+50% synthetic rutile grade), 85,000t of rutile, 193,000t of zircon and 93,000t of leucoxene using a conventional Wet Concentrator Plant and Mineral Separation Plant.

Using A\$0.90 and A\$1.00 to the US dollar exchange rates, the study indicates the project can generate a net project cash flow of between \$280 million and \$381 million over the 12 year period.

Preliminary non-optimised metallurgical test work performed on the Atlas deposit using conventional heavy mineral separation techniques yielded recoveries to product of 82.7% for ilmenite, 71.9% for rutile, 70.7% for zircon and 43.8% for leucoxene. Similar recoveries have been applied to the remaining deposits where test work is yet to be carried out. It is anticipated that further test work will significantly improve on the initial Atlas deposit test work recoveries.

The study assessed all of Image's identified mineral resources as at 22 July 2011 and demonstrates that mining just six of Image's 100% owned resources, using the Scoping Study parameters, is likely to be viable. These resources are summarised in Table 2. All three resource classifications have been included to allow assessment of priorities for further development.

Table 2
Scoping Study Resources

Deposit	Classification	% HM Cutoff	Volume (cu m)	Tonnes	HM (%)	Slimes (%)	HM (t)
Atlas	Measured and Indicated	2.5	5,332,000	10,776,000	7.8	15.7	841,000
Red Gully	Indicated and Inferred	2.5	3,385,000	5,980,000	7.7	11.2	459,000
Hyperion	Indicated	2.5	1,800,000	3,700,000	7.8	19.3	290,000
Helene	Indicated	2.5	5,600,000	11,500,000	4.6	18.6	523,000
Gingin South	Measured, Indicated and Inferred	2.5	4,513,000	8,080,000	6.1	6.5	492,000
Gingin North	Indicated and Inferred	2.5	1,257,000	2,408,000	5.5	15.0	132,000
Total Resource		2.5	21,887,000	42,444,000	6.4	14.4	2,737,000

Feasibility Study

Based on the results of the Scoping Study, the Image Board has decided to proceed immediately with a Feasibility Study with the aim of achieving production in 2014.

The Feasibility Study work schedule includes the following:

- Infill drilling
- Resource upgrades
- Recruitment of key personnel
- Metallurgical test work
- Geotechnical drilling/testwork
- Ethnographic and environmental studies
- Detailed engineering design
- Detailed capital and operating cost estimates

The infill drilling during the Feasibility Study will target areas classified as Inferred Resources to upgrade them to Indicated or Measured Resources. This drilling and the high likelihood of identifying extensions to resources have the potential to positively impact project economics.

Work has commenced on this study with interviews for key personnel and completion of Level 2 Fauna and Flora survey over the Atlas deposit.

Cooljarloo (Image 100%)

During the period Image purchased Metal Sands' 30% interest in the Cooljarloo Joint Venture for \$100,000 cash plus 3 million ordinary fully paid Image shares, escrowed for twelve months,

bringing Image's interest to 100%. Image considers the consolidation will simplify future project financing.

Planning has begun for testing the potential for a 3.5km extension to the Atlas deposit. The exploration licence covering the Atlas extension has now been granted and Image is applying for permits for drill testing of identified anomalies.

Gingin South (Image 100%)

Drilling by Image Resources over the past year has identified a major extension to the Gingin South heavy mineral (HM) deposit resulting in an extension of 4.0km to the deposit strike, bringing total deposit length to 5.5km and resulting in a 240% increase in contained HM.

Results of infill drilling confirm the high grade nature and extent of this deposit as shown in Figure 1. This drilling will allow the upgrading of the existing Inferred and Indicated Resources. Significant drilling results are summarised in Table 3.

Typical sections are shown in Figures 2 and 3 illustrating the high grade nature of the deposit. These sections also show that the mineralisation occurs on two levels, the western strand at ~ 58m RL and the eastern strand at ~70m RL. The eastern strand appears to merge with the western strand in the central area and then separate further north.

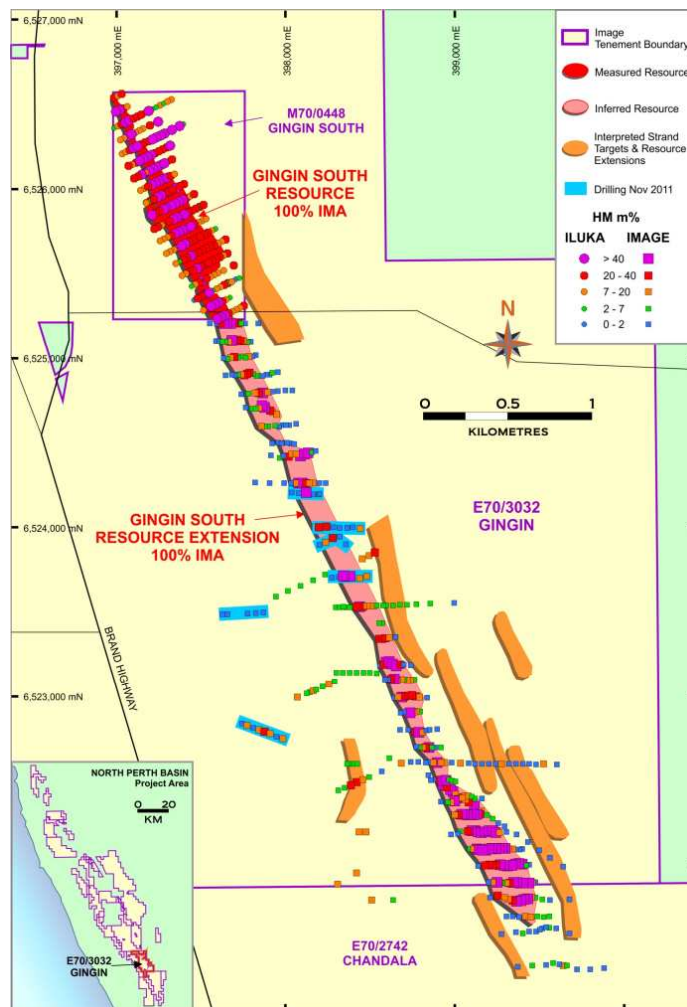


Figure 1
Gingin South Infill Drilling – HM m%

Table 3
Gingin South 2011 Infill Drilling. All Intersections (>=3m thick at 2.5% HM cut-off)

Hole ID	Easting	Northing	From (m)	To (m)	Interval (m)	HM (%)	Slimes (%)
GG601	399452	6521700	22	25	3	4.5	11.6
GG607	399441	6521899	21	30	9	4.5	4.8
GG609	399422	6521897	20	31	11	15.3	6.4
GG611	399383	6521900	17	29	12	13.4	8.2
GG612	399364	6521902	18	29	11	11.1	6.9
GG613	399344	6521901	18	27	9	8	3.5
GG614	399325	6521899	19	25	6	4.6	2.5
GG615	399305	6521899	21	24	3	5.5	5.6
GG618	399251	6521904	20	24	4	3.8	11
GG618	399251	6521904	26	29	3	11.1	6.1
GG619	399224	6521903	29	32	3	4.1	10.2
GG622	399128	6522101	16	20	4	6.8	7.3
GG623	399111	6522101	27	30	3	3.4	12.5
GG624	399145	6522096	16	22	6	7.7	7.3
GG624	399145	6522096	25	32	7	10.9	9.4
GG625	399163	6522093	17	27	10	16.5	9.7
GG626	399182	6522092	17	26	9	10.9	8.7
GG632	399296	6522102	24	32	8	8.4	3.7
GG633	399278	6522102	19	33	14	13.2	6.2
GG634	399260	6522103	17	28	11	16.6	6.8
GG635	399241	6522098	17	28	11	17.1	5.9
GG636	399219	6522103	17	27	10	14.3	6.4
GG637	399200	6522101	17	26	9	12.7	7.7
GG638	399148	6522304	20	24	4	6.1	2.3
GG639	399129	6522302	17	23	6	10.4	2.2
GG640	399113	6522301	14	22	8	9	2
GG641	399093	6522303	15	21	6	10.7	2.2
GG642	399075	6522302	14	22	8	8	3.3
GG643	399057	6522304	15	22	7	8.1	3.7
GG644	399039	6522303	15	29	14	6.8	6.1
GG645	399021	6522301	23	28	5	5.8	7.3
GG648	398911	6522507	22	25	3	4.9	9
GG649	398929	6522501	22	27	5	6.7	8.5
GG650	398948	6522504	14	24	10	6.6	10.6
GG656	398846	6522699	10	23	13	6.6	6.1
GG658	398828	6522700	18	26	8	6.1	7.7
GG659	398810	6522700	22	26	4	4	9.1
GG662	398793	6522912	14	17	3	3.5	3.4

Hole ID	Easting	Northing	From (m)	To (m)	Interval (m)	HM (%)	Slimes (%)
GG663	398775	6522910	10	17	7	4.7	2.4
GG664	398756	6522907	10	17	7	5.2	2.4
GG665	398737	6522903	12	28	16	7.9	5.4
GG666	398716	6522902	25	29	4	6.5	5.9
GG669	398761	6523100	22	25	3	3.6	3.5
GG670	398741	6523096	21	25	4	5.7	4.8
GG672	398703	6523102	21	25	4	4.3	6.6
GG673	398686	6523101	20	25	5	5.3	9.4
GG674	398663	6523097	19	24	5	5.1	10.1
GG675	398643	6523103	19	31	12	6.3	10.5
GG676	398626	6523103	26	31	5	6.2	7.9
GG679	398572	6523437	16	19	3	3.5	6.9
GG680	398553	6523436	14	17	3	4.1	11.1
GG683	397753	6525102	6	11	5	4.5	5.4
GG684	397733	6525102	4	10	6	4.2	4.3
GG685	397717	6525111	3	11	8	4.3	5.1
GG686	397699	6525114	3	9	6	3.8	3.5
GG687	397682	6525107	3	9	6	4.2	3
GG687	397682	6525107	11	16	5	14.7	4.5
GG689	397646	6525099	16	19	3	3.8	8
GG699	397789	6524913	3	10	7	4.2	4
GG700	397773	6524905	5	9	4	3.4	4.2
GG700	397773	6524905	13	17	4	11.3	9.4
GG701	397756	6524898	18	22	4	6.7	4.6
GG702	397737	6524900	18	22	4	3.7	6.6
GG707	397924	6524679	3	9	6	5	8.3
GG708	397946	6524665	2	9	7	4.6	10.7
GG709	397909	6524688	2	10	8	4.5	6.9
GG710	397892	6524699	1	9	8	4.1	6.9
GG711	397877	6524708	3	13	10	8.4	8.6
GG712	397862	6524718	2	9	7	4.7	5.6
GG712	397862	6524718	14	17	3	16.8	9.2
GG713	397842	6524703	16	19	3	5.7	4.4
GG725	398353	6523712	8	21	13	4.02	4.58
GG726	398394	6523705	7	11	4	3.99	10.3
GG727	398438	6523699	11	13	2	4.77	11.3
GG729	398381	6523711	8	18	10	4.83	7.6
GG730	398341	6523714	15	21	6	7.52	13.4
GG732	398238	6523912	17	20	3	3.58	11.0
GG733	398278	6523937	6	11	5	5.12	4.7
GG736	398444	6523992	24	27	3	3.89	9.8

Hole ID	Easting	Northing	From (m)	To (m)	Interval (m)	HM (%)	Slimes (%)
GG741	398243	6524004	7	13	6	5.28	2.6
GG742	398195	6524001	16	21	5	5.11	3.8
GG743	398198	6524196	18	20	2	2.72	2.0
GG746	398120	6524206	7	18	11	5.63	3.6
GG755	397772	6522829	10	12	2	5.72	7.9
GG757	397843	6522802	13	17	4	3.47	2.7
GG758	397877	6522791	12	20	8	3.21	8.8
GG759	397908	6522779	11	14	3	3.65	4.4
GG761	398353	6522751	7	9	2	3.4	6.9

Notes:

1. Slimes = fraction < 63um
2. HM determined by TBE separation at 2.96 SG and expressed as % of total (in-ground) sample.

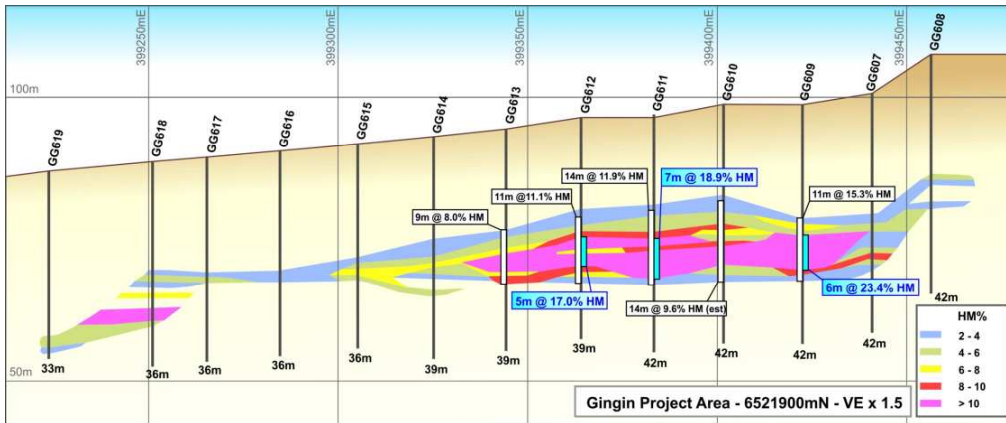


Figure 2
Gingin South Cross Section 6521900N

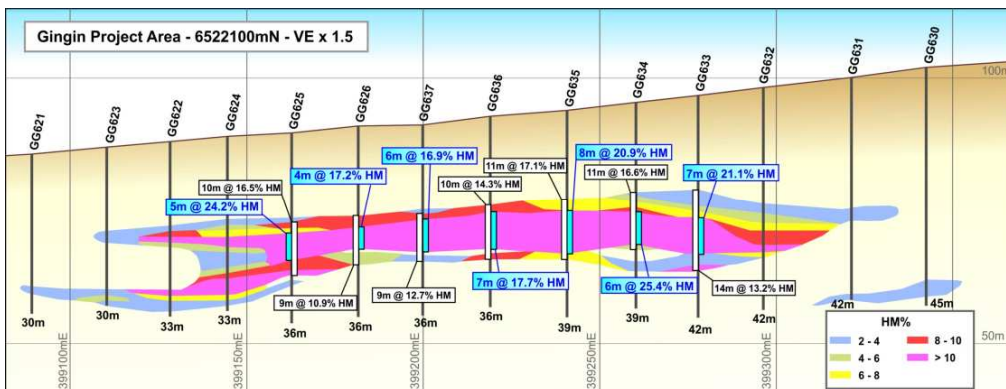


Figure 3
Gingin South Cross Section 6522100N

Boonanarring (Image 100%)

Detailed examination of the mineral assemblages determined by previous explorers has shown that the zircon content of the Boonanarring Measured Resource includes intersections of up to 70% zircon within the heavy mineral fraction (drill hole GG2196, 27-30m). 38% of the reported composite samples average more than 15% zircon in the HM fraction and 31% of the reported composite samples average more than 20% zircon. This is significantly above the average 10% to 13% zircon grade for the North Perth Basin. There is also a strong north south zonation of zircon grade, with the zircon content increasing to the south, correlating with increased HM grades, as shown in Figure 4.

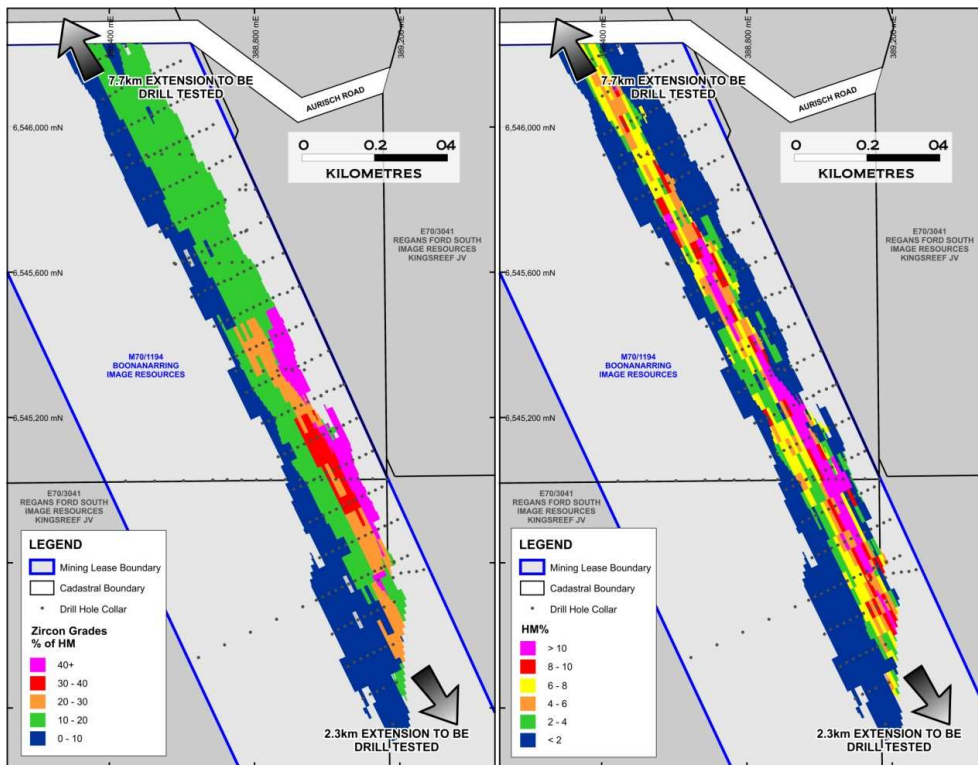


Figure 4
Boonanarring Resource, Mineralisation Trends
 (HM Grade right and Zircon Grade left)

Regans Ford South (Image 70%)

Drilling was completed on a 2.2km-long section of the northern extension of the Boonanarring deposit, approximately 3.6 km north of the identified Boonanarring resource. This extension lies within the Regans Ford South tenement E70/3041 (see Figure 5). As result of the work undertaken, Image has earned a 70% interest in the tenement by expenditure and cash payments of \$300,000.

A 156-hole, 6,002m aircore drilling programme was completed during the period. The drilling results from the first phase of drilling are summarised on Table 4 with best intersections calculated at a 5%HM cut-off. Preliminary sachet logging has identified elevated zircon content in some areas and this will be confirmed by mineralogical work in the next quarter. Negotiations are continuing with landowners along strike to the north and south of this intersection and Image anticipates further drilling on the northern Boonanarring extensions late in Q1 or early Q2 2012.

Meanwhile permits were granted for the drilling of a 2.3km extension to the south of the Boonanarring deposit.

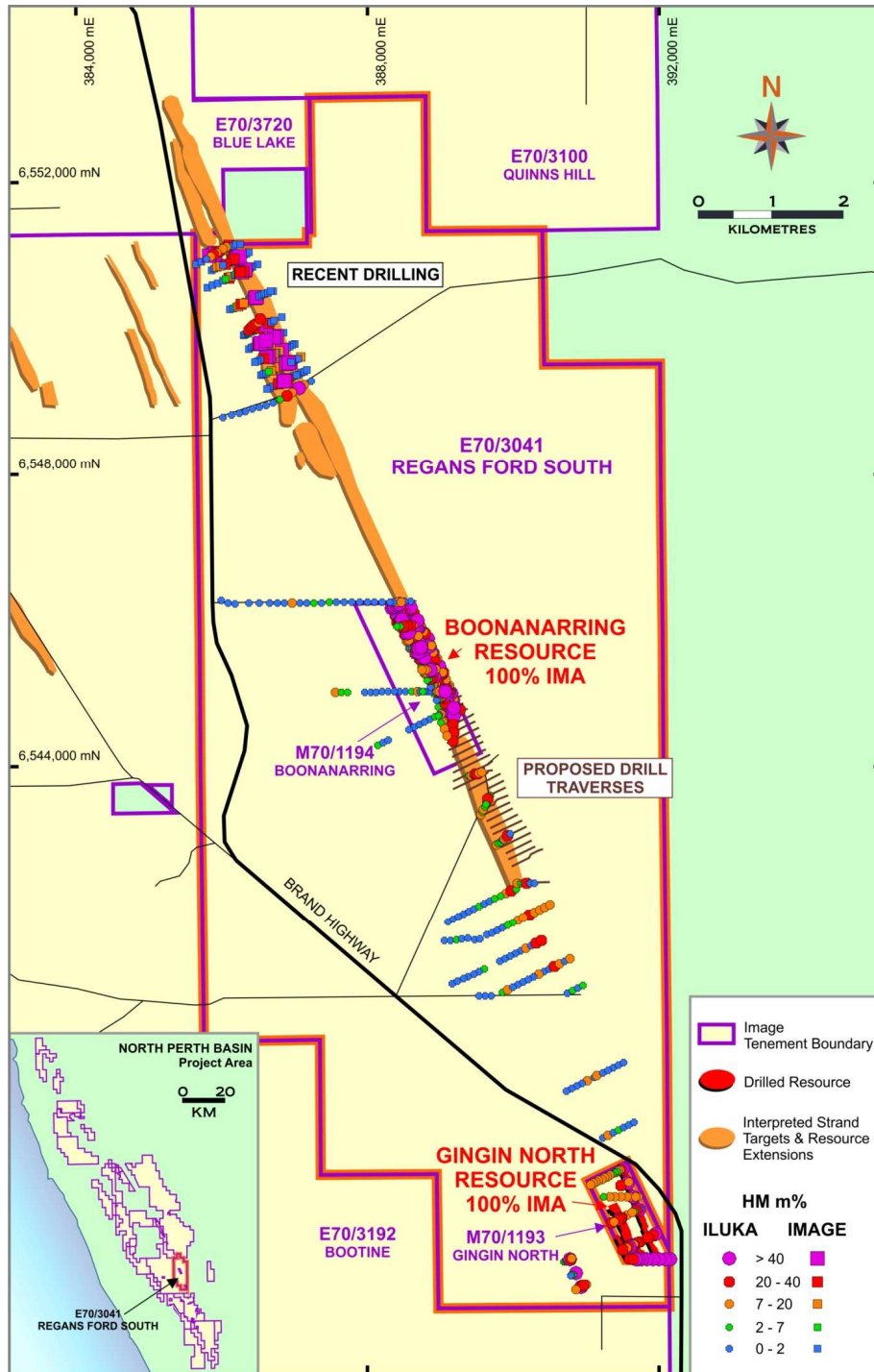


Figure 5
Boonanarring Deposit and Extensions Drilling HM m%

Table 4
Boonanarring Extension Significant Intersections

Hole ID	Northing	Easting	From (m)	To (m)	Thickness (m)	HM (%)	Slimes (%)
GG773	6549533	386908	24.0	39.0	15.0	9.9	16.3
			including	26.0	31.0	5.0	19.7
GG774	6549551	386942	29.0	38.0	9.0	17.2	29.3
GG816	6550438	386484	30.0	36.0	6.0	10.9	12.6
GG783	6549718	386824	25.0	34.0	9.0	7.2	6.4
			including	25.0	33.0	8.0	7.8
GG815	6550423	386453	23.0	36.0	13.0	7.0	14.6
			including	29.0	33.0	4.0	10.5
GG788	6549617	386611	23.0	30.0	7.0	6.3	9.9
			including	26.0	30.0	4.0	8.9
GG772	6549518	386870	20.0	24.0	4.0	7.6	17.8
			including	21.0	24.0	3.0	9.6
GG841	6550951	386156	23.0	27.0	4.0	7.3	19.0
			including	23.0	26.0	3.0	9.0
GG787	6549630	386643	21.0	32.0	11.0	5.3	13.0
			including	28.0	30.0	2.0	10.9
GG832	6550769	386242	21.0	26.0	5.0	5.7	19.5
			including	22.0	25.0	3.0	8.2
GG802	6550079	386654	31.0	35.0	4.0	10.1	22.9
			including	32.0	35.0	3.0	12.8

Notes:

3. Slimes = fraction < 63um

4. HM determined by TBE separation at 2.96 SG and expressed as % of total (in-ground) sample.

Red Gully (Image 100%)

A total of 152 aircore holes for 5,539m were completed on the Red Gully Mining Lease during the quarter. This drilling was targeted at infilling the drill grid to 200m spacing and duplicating enough of the Iluka drilling to provide confidence in resource estimation using both data sets.

EUCLA BASIN

Cyclone Extended (Image 100%)

During the period a 172 hole drilling program totalling 6,710m was drilled in the Serpentine Lakes project area targeting extensions of the Cyclone Extended deposit interpreted from the geophysical survey carried out earlier in the year. Drill hole locations are shown in Figure 6. The results confirm the continuity of the Cyclone Extended deposit and indicate that its limit is well defined by the drilling. Typical cross sections through the deposit are shown in Figure 7.

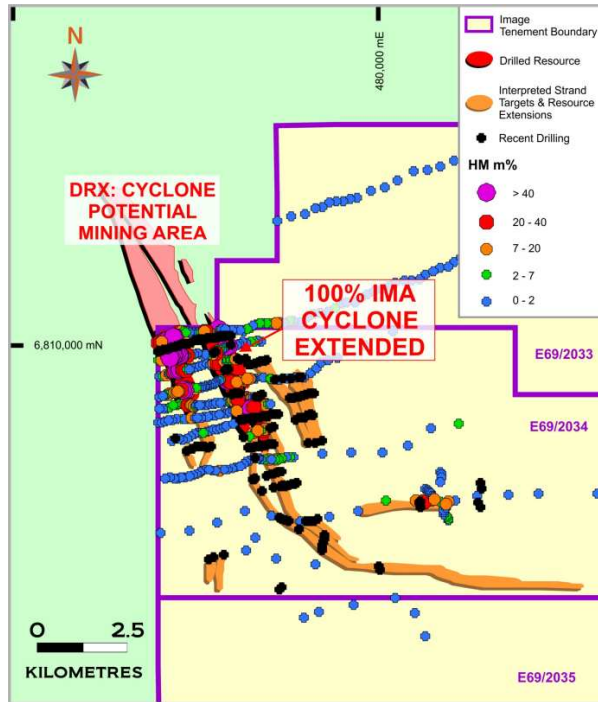


Figure 6
Cyclone Extended Drilling Locations

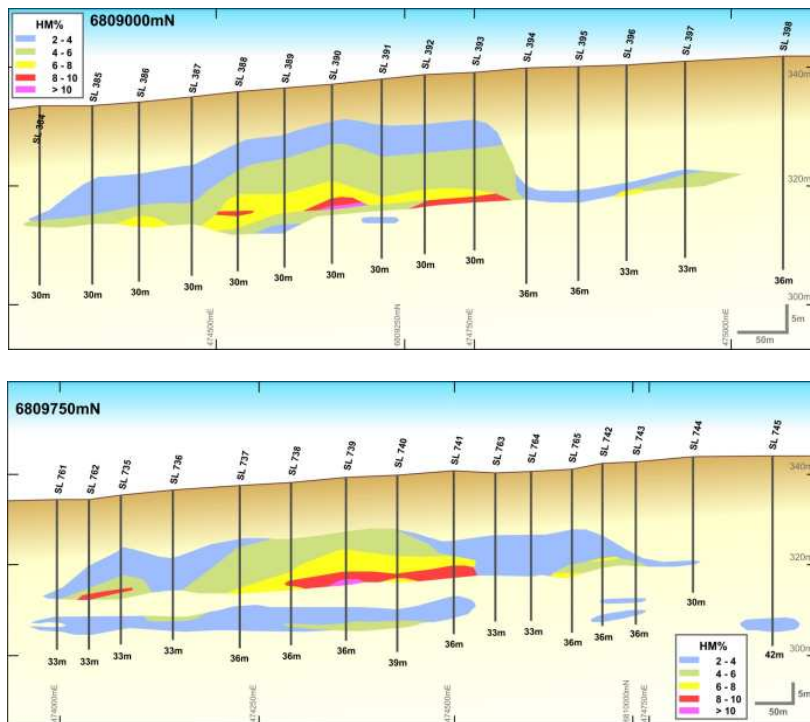
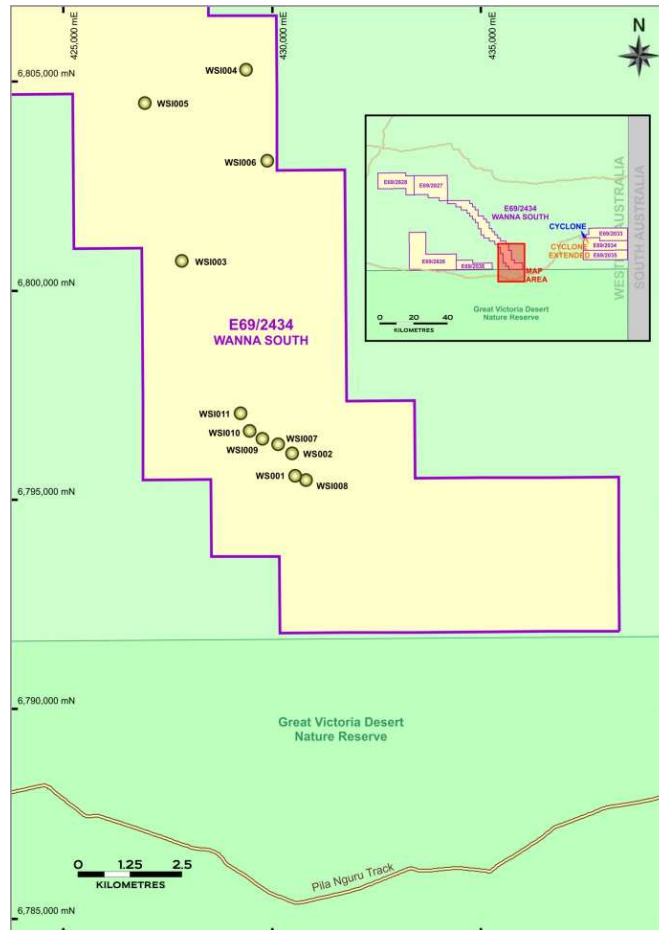


Figure 7
Cyclone Extended Drill Cross Sections

Wanna South (Image 100%)

The Wanna South tenement is an elongate tenement pegged over a north west to south east trending ridge that was postulated to be a second shoreline along the same orientation as the shoreline containing the Cyclone and Cyclone Extended deposits and lying 43 km to the west. A total of 11 scout holes for 493m were drilled during the quarter (Figure 8). No significant mineralisation was intersected, but a couple of the holes intersected possible shoreline sediments. One hole also intersected moderate amounts of ground water that may be useful for future mining operations in the vicinity.



**Figure 8
Wanna South Drilling Locations**

The information in this report that relates to exploration results and mineral resources is based on information compiled or reviewed by Paul Leandri BAppSc is a full time employee of Image Resources NL. Paul Leandri 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 Persons as defined in the 2004 edition of the "Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves". Paul Leandri consents to the inclusion of this information in the form and context in which it appears in this report.

INDEPENDENCE DECLARATION BY AUDITOR

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 15 for the half-year ended 31 December 2011.

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

For and on behalf of the Directors

George Sakalidis

G SAKALIDIS

Managing Director

15 March 2012

AUDITOR'S INDEPENDENCE DECLARATION

To those charged with governance of Image Resources NL

As auditor for the review of Image Resources NL for the half-year ended 31 December 2011, 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

15 March 2012

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**



	Notes	Half Year Ended 31 Dec 2011 (\$)	Half Year Ended 31 Dec 2010 (\$)
Revenue:			
Interest and dividends income		62,500	108,326
Other revenue	3	143,721	576,604
Expenses:			
Depreciation expense		(9,602)	(22,390)
Exploration and tenement expenses written off		(1,482,798)	(830,865)
Share based payments expense	6	(393,640)	-
Other expenses		<u>(513,849)</u>	<u>(516,938)</u>
(Loss) before income tax expense		(2,193,668)	(685,263)
Income tax expense		-	-
(Loss) from continuing operations		<u>(2,193,668)</u>	<u>(685,263)</u>
Other comprehensive income:			
Changes in the fair value of available-for-sale financial assets	4	<u>(500,984)</u>	<u>(665,775)</u>
Other comprehensive income for the period, net of tax		<u>(500,984)</u>	<u>(665,775)</u>
Total comprehensive income for the period attributable to members of the Company		<u>(2,694,652)</u>	<u>(1,351,038)</u>
Basic loss per share (cents per share)		(2.382)	(0.7868)
Diluted loss per share (cents per share)		<u>(2.382)</u>	<u>(0.7868)</u>

The accompanying notes form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011**



	Notes	31 Dec 2011 (\$)	30 June 2011 (\$)
Current Assets			
Cash and cash equivalents		1,458,164	2,952,941
Trade and other receivables		94,036	181,002
Other assets		47,970	39,216
Total Current Assets		<u>1,600,170</u>	<u>3,173,159</u>
Non-Current Assets			
Property, plant and equipment		37,912	47,514
Other financial assets	4	1,449,443	1,998,544
Total Non-Current Assets		<u>1,487,355</u>	<u>2,046,058</u>
TOTAL ASSETS		<u>3,087,525</u>	<u>5,219,217</u>
Current Liabilities			
Trade and other payables		552,740	1,858,811
Provisions		18,508	13,117
Total Current Liabilities		<u>571,248</u>	<u>1,871,928</u>
TOTAL LIABILITIES		<u>571,248</u>	<u>1,871,928</u>
NET ASSETS		<u>2,516,277</u>	<u>3,347,289</u>
Equity			
Contributed equity	5	26,421,646	24,951,646
Reserves	5	2,777,706	4,248,309
Accumulated losses		(26,683,075)	(25,852,666)
TOTAL EQUITY		<u>2,516,277</u>	<u>3,347,289</u>

The accompanying notes form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**



	Contributed Equity (Net of Costs) (\$)	Available for Sale Financial Asset Reserve (\$)	Employee Benefit Reserve (\$)	Accumulated Losses (\$)	Total (\$)
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Balance at 1.7.2010	23,098,968	2,836,749	3,719,909	(21,243,312)	8,412,314
Operating (loss) for the period	-	-	-	(685,263)	(685,263)
Other comprehensive income	-	(665,775)	-	-	(665,775)
Shares issued	1,250,000	-	-	-	1,250,000
Share issue expenses	(67,702)	-	-	-	(67,702)
Options exercised	55,500	-	-	-	55,500
Balance at 31.12.2010	24,336,766	2,170,974	3,719,909	(21,928,575)	8,299,074

Balance at 1.7.2011	24,951,646	528,400	3,719,909	(25,852,666)	3,347,289
Operating (loss) for the period	-	-	-	(2,193,668)	(2,193,668)
Other comprehensive income	-	(500,984)	-	-	(500,984)
Shares issued	1,470,000	-	-	-	1,470,000
Share based payments expense	-	-	393,640	-	393,640
Expiry of unexercised director/employee options	-	-	(1,363,259)	1,363,259	-
Balance at 31.12.2011	26,421,646	27,416	2,750,290	(26,683,075)	2,516,277

The accompanying notes form part of these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**



	Note	Half Year Ended 31 Dec 2011 (\$)	Half Year Ended 31 Dec 2010 (\$)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash payments to suppliers and contractors		(326,916)	(471,315)
Interest received		60,478	107,154
Dividends received		2,022	1,172
Net cash (used in) operating activities		<u>(264,416)</u>	<u>(362,989)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		-	(5,585)
Payments for exploration and evaluation		(1,206,675)	(782,309)
Proceeds on sale of plant		-	800
Purchase of investments		-	(261,151)
Purchase of new prospects		(80,525)	(73,723)
Proceeds from sale of investments		56,839	465,891
Net cash (used in) investing activities		<u>(1,230,361)</u>	<u>(656,077)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	10	-	1,250,000
Proceeds from exercise of options		-	55,500
Share issue expenses		-	(67,702)
Net cash provided by financing activities		<u>-</u>	<u>1,237,798</u>
Net (decrease) / increase in cash held		(1,494,777)	218,732
Cash and cash equivalents at the beginning of the financial period		<u>2,952,941</u>	<u>4,049,572</u>
Cash and cash equivalents at the end of the financial period		<u>1,458,164</u>	<u>4,268,304</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 2011 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 2011, 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 of 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's principal activity is mineral exploration.

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.

NOTE 3 REVENUE

	Half Year Ended 31.12.2011 (\$)	Half Year Ended 31.12.2010 (\$)
OTHER INCOME:		
Expense recoveries	135,000	135,000
Profit on sale of investments	8,721	441,604
	143,721	576,604

NOTE 4 OTHER FINANCIAL ASSETS

(\$)

Available-for-sale financial assets

Balance at beginning of period	1,998,544
Changes in the fair value during the period	(500,984)
Net disposals during the period	(48,117)
Closing balance	<u>1,449,443</u>

NOTE 5 CONTRIBUTED EQUITY

Number

\$

Contributed Equity – Ordinary Shares:

At the beginning of the period	90,788,959	24,951,646
Shares issued as part consideration for acquisition of interest in tenements	<u>3,000,000</u>	<u>1,470,000</u>
Closing balance	<u>93,788,959</u>	<u>26,421,646</u>

Reserves

Available-for-sale financial assets reserve	27,416
Employee benefits reserve	<u>2,750,290</u>
Closing balance	<u>2,777,706</u>

Options

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

Exercisable at \$2.12 on or before 20 November 2012	2,200,000
Exercisable at \$1.1162 on or before 18 November 2014	2,345,000
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>
Total Options	<u>7,240,000</u>

NOTE 6 SHARE BASED PAYMENTS EXPENSE

During the six month period ended 31 December 2011, the Company issued 2,600,000 options to its directors and company secretary, which vested immediately upon issue. The options are to subscribe for ordinary fully paid shares in the Company at any time on or before 27 December 2016 at an exercise price of \$0.3908 each.

NOTE 7 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 which 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 \$1,927,600. Of this amount, \$125,000 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 8 EVENTS SUBSEQUENT TO REPORTING DATE

There have been no matters or circumstances that have arisen since 31 December 2011 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.

NOTE 9 CONTINGENT LIABILITIES

Native Title

The Company's activities are subject to the Native Title Act and Aboriginal heritage legislation.

The Native Title Act recognises the title rights of indigenous Australians. State and Commonwealth native title legislation regulates the recognition, application and protection of native title. Native title may affect the status, renewal and conversion of existing tenements and the granting of new tenements. Indigenous land use agreements, including terms of compensation, heritage survey and protection agreements or other agreement types may need to be negotiated with affected parties.

The Native Title Act prescribes procedures applicable to the grant of tenements which may apply even in the case of, for instance, a granted exploration licence being "converted" to, say, a mining lease. Compensation may become payable in respect of any impact which the grant of any tenements or other activities have on native title. A tenement holder may be liable for the payment of compensation for the affect of mining and exploration activities on any native title rights and interests that exist in the area covered by a tenement. Compensation may be payable in forms other than money, including the transfer of property and the provision of goods and services.

It is not currently possible to assess whether compensation will be payable by the Company to native title holders in relation to any of the tenements but such compensation could be significant.

There may be sites and objects of significance to indigenous Australians located on the land relating to the Company's tenements. State and Commonwealth Aboriginal heritage legislation aims to preserve and protect these sites and objects from use in a manner inconsistent with Aboriginal tradition. The Company proposes carrying out 'clearance surveys' if it considers this to be appropriate before conducting any exploration work that would disturb the surface of the land. The Company's tenements may contain some such sites or objects of significance, which would need to be avoided or cause delays. It is possible that areas containing mineralisation or an economic resource may also contain sacred sites, in which case exploitation thereof may be entirely frustrated. Access agreements will need to be negotiated with affected parties.

Native title, Aboriginal heritage or other indigenous matters are matters of substantial risk (giving rise to the threat that certain tenements may not be granted, access to certain tenements may be denied or delayed in addition to potentially significant cost exposure in respect of things such as negotiations, surveys, incentive payments and compensation to name but a few) as the legislative frame works provide torturous and frequently uncertain routes to the endeavour by both stakeholders (that is explorers/miners and indigenous peoples) to attain certainty.

It is not possible to quantify the financial or other impact native title and Aboriginal heritage will have upon the Company as, amongst other things, the processes involved with:

- (a) identifying all and only the indigenous peoples with a relevant interest;
- (b) registering an indigenous land use agreement;
- (c) obtaining access to land without infringing the provisions of the Aboriginal Heritage Act;

are open ended, can involve substantial delay and cost and there can be no certainty as to the outcome with it being possible for projects to be entirely frustrated.

This could be the case, for instance, even in circumstances where:

- (a) a native title party consents to the grant of an exploration licence and assists the exploration endeavour thereon (and the discovery of an otherwise economic deposit);
- (b) the Company, in order to exploit that discovery, applies for a mining lease (or other required approval, consent, authority etc.) but such grant, approval, consent or authority is not forthcoming by reason of an objection by the same or another native title party.

Freehold Access

The interests of holders of freehold land encroached by 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 the freehold land. There can be no assurance that the Company will secure rights to access those portions of the tenements encroaching freehold land either at all or for all purposes but, importantly, the grant of freehold extinguished native title so wherever the tenements encroach freehold the Company is in the position of not having to abide by the Native Title Act albeit aboriginal heritage matters will still be of concern.

NOTE 10 NON-CASH FINANCING ACTIVITY

As outlined at Note 5, during the half-year to 31 December 2011, 3,000,000 shares were issued as part consideration for the acquisition of an interest in tenements. This transaction is not reflected in the Statement of Cash Flows.

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 2011 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 black ink that reads "George Sakalidis".

Signed at Perth:

George Sakalidis
Managing Director

Dated this 15th day of March 2012

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 2011, the statement of 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 2011 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*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Image Resources NL, would be in the same terms if provided to the directors as at the time of this auditor's review report.

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 2011 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

Nicholas Hollens

15 March 2012

Perth

Western Australia