



NL

ABN: 57 063 977 579

ANNUAL FINANCIAL REPORT

FINANCIAL PERIOD
ENDED 31 DECEMBER 2016

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DIRECTORS

ROBERT BESLEY
Non-Executive Chairman

PATRICK MUTZ
Managing Director

GEORGE SAKALIDIS
Executive Director - Exploration

AARON CHONG VEOY SOO
Non-Executive Director

PETER THOMAS
Non-Executive Director

CHAODIAN CHEN
Non-Executive Director

FEI WU
Non-Executive Director

COMPANY SECRETARY

DENNIS WILKINS
(DW Corporate)

WEBSITE

www.imageres.com.au

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BANKERS

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

AUDITORS

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

STOCK EXCHANGE

Australian Securities Exchange (ASX)

COMPANY CODE

IMA (Fully paid shares)

ISSUED CAPITAL

537,641,631 fully paid ordinary shares
3,000,000 unlisted options:

Special note: This Annual Report is the first in the changed reporting period for the Company; being a change from fiscal year reporting for the period of 1 July through 30 June, to a calendar year reporting period of 1 January through 31 December. As the previously filed Annual Report covered the fiscal year reporting period ending 30 June 2016, this Annual Report is principally focused on events for the period 1 July through 31 December 2016.

The principal focus of Image Resources NL ("Image" or "the Company") during the first six months of the 2016 calendar year (as reported in the previous Annual Report) was the finalisation of all documentation required for the completion of the Asset Sale and Purchase Agreement ("Transaction") between Image Resources, Murray Zircon Pty Ltd and Guangdong Orient Zirconic Ind Sci & Tech Co., Ltd. The Transaction was approved by Image shareholders at a general meeting of shareholders on 12 May 2016. Completion of the Transaction occurred on 8 June 2016.

This Transaction provided a substantial boost to the Company's principal objective of advancing the development of its 100%-owned, high-grade Boonanarring Mineral Sands Project in the North Perth Basin located 80 kilometres north-northwest of Perth.

The Transaction delivered the following major benefits to the Company:

- All plant & equipment and internal infrastructure items necessary to construct a complete heavy mineral recovery operation at Boonanarring; from slurry unit in the mine to wet concentration plant for the production of heavy mineral concentrate (HMC);
- \$4M Short-Term loan funds with very favourable terms;
- Contracted off-take agreement for life-of-mine with Orient Zirconic for 90% of zircon at market price. This equates to approximately 70% of project revenue;
- Secondary working capital loan funds of US\$8M following first production;
- Access to a range of mineral separation services including a purchase option for a mineral separation plant in South Australia;
- New cornerstone shareholder that has been operating in zircon processing and zirconium product sales for 20 years;
- Board restructure with a new independent Chairman, new Managing Director and two new Non-Executive Directors, all with mineral sands project development and operations experience;
- A significant reduction in the capital required for project development.

The Company's primary focus for the six months ended 31 December 2016 was on updating its 2013 feasibility study for the Boonanarring and Atlas mineral sands deposits, to a bankable standard.

Fund Raising Exercise

On 14 December 2016, the Company announced plans for a fully and unconditionally underwritten, non-renounceable rights issue to issue up to 158,129,891 new shares on the basis of 5 new Image shares for every 12 Image shares held on the record date of 19 December 2016, at a price of \$0.04 per share ("Rights Issue") to raise \$6.325 million before costs. The Rights Issue was scheduled to close on 12 January 2017, but was subsequently extend to 19 January 2017.

On 24 January 2017, the Company announced the successful completion of the Rights Issue. Approximately 85% of shareholder entitlements on offer were taken up by shareholders or their nominees and the balance was taken up by the underwriter and sub-underwriters.

The funds raised will be used to complete the update of the feasibility study for the development of the Boonanarring and Atlas projects; purchase land critical to the initial development of Boonanarring; undertake additional exploration activities; and for working capital purposes.

Boonanarring/Atlas Feasibility Study Update

Battery Limits Pty Ltd was engaged as the principal consultant to manage and complete the feasibility study ("FS") as quickly as practicable, with a goal of completion at the end of March 2017. Preliminary results of the FS indicate positive project economics, at a time of improving heavy mineral commodity prices.

If the outcome of the FS is positive as anticipated, the Company intends to move straight into the project financing process with a view to fast-tracking development of the Boonanarring project with first production targeted for early 2018.

Boonanarring Mineral Resources

On 13 January 2017, the Company announced an update of the Boonanarring Mineral Resource estimate in accordance with the JORC Code (2012). Total Mineral Resources increased from 21.5 million tonnes (Image 2013 Mineral Resource estimate) to 43.7 million tonnes, albeit at lower overall HM grade. The additional tonnes of Mineral Resources stem from an expanded mineralisation area, the delineation of an overlying layer of lower grade mineralisation and using a lower cut-off grade of 2.0%HM compared to 2.5% in 2013.

Environmental Approvals and Land Access

The Company already has Part IV environmental approval for the development of the Boonanarring project. The Company is also well advanced with the secondary approvals required to begin site works at Boonanarring and has the necessary native title approvals required for mine development.

On 10 January 2017, the Company exercised its option to purchase 550 hectares of land required for the initial plant site and mine development at Boonanarring. Completion of this purchase was scheduled to occur on 13 February 2017, however closing has been delayed into March due to a required probate ruling. This delay will not impact the Company's project development schedule.

Mine Planning

The Company continues to conduct detailed mine modelling and planning for the Boonanarring project to provide data for the bankable feasibility study, ore reserve determination and mining contractor tender documents.

In January 2017, the pre-qualification process for perspective mining contractors was completed. As part of this process perspective contractors were requested to provide indicative mining costs for the first three years of mining operations. This indicative pricing received is consistent with previous estimates used by the Company and will be used in the project economic modelling for the feasibility study.

Wet Concentration Plant

A determination has been made that the wet concentration plant ("WCP"), acquired from Murray Zircon Pty Ltd under the Asset Sale and Purchase Agreement, has 60-70% extra processing capacity beyond the processing rate recommended in the Company's 2013 feasibility study. Consequently, mine modelling is being conducted at a higher processing rate than assumed in the 2013 feasibility study, which has a positive impact on project economics. The acquisition of the WCP significantly improves the Company's ability to fast-track the development of the Boonanarring project. In addition, the availability of the WCP will reduce total capital requirements by approximately \$15 million.

Additional metallurgical bulk composite test-work was carried out in December and January to confirm heavy mineral recovery rates from Boonanarring ore anticipated to be mined and processed during the first 2-3 years of operations.

Options for Processing of Heavy Mineral Concentrates

The Company has a number of options for the processing of Boonanarring heavy mineral concentrates (“HMC”) including a purchase option over the Murray Zircon mineral separation plant (“MSP”) located in South Australia; toll-processing of the HMC in an MSP in Western Australia; and toll-processing of the HMC in China. Comparative analysis of the various options is underway to determine the most cost-effective option for Image.

Capital and Operating Costs

Numerous sub-contractors and consultants were appointed in November to complete various aspects of the feasibility study including updating capital and operating costs from the 2013 feasibility. Preliminary results from this work are expected in late March 2017.

Heavy Mineral Commodity Prices

After a significant fall in heavy mineral commodity prices from 2013 to mid-2016, consensus forecasts show increasing prices for mineral sands for at least the next five years. Recent market evidence supports an increasingly positive view on the outlook for mineral sands prices in general with significant increases in ilmenite, of up to 40%, and zircon prices being reported.

Particularly important for the Company is the outlook for zircon which represents up to 70% of revenues from Boonanarring, with both suppliers and end users of zircon reporting increased prices in December and January.

As part of the completion of the Asset Sale and Purchase Agreement, the Company entered into an offtake agreement with Guangdong Orient Zirconic Ind Sci & Tech Co., Ltd. (“OZC”), one of China’s largest zircon processors, for the sale of 90% of zircon to be produced by Image, at market prices. Image will have the option to sell the remaining 10% of zircon production to third parties, as a means of establishing the market price to be paid by OZC for the 90% of the zircon OZC is obligated to purchase under the offtake agreement.

Other Mineral Resources

Whilst the Company’s primary focus remains the development of the Boonanarring and Atlas deposits and fast-tracking the transition from advanced explorer to mineral sands miner, it also continues to consider options to unlock value from its other projects with high-grade mineral resources such as Red Gulley, Gingin North, Gingin South, Helene and Hyperion. In addition, the Company has expanded its focus on the Bidaminna Project mineral resources as a potential leucoxene-rich, dredge mining project.

Bidaminna historic Mineral Resources of 44M tonnes at 3%HM were determined to contain a leucoxene-rich mineral assemblage based on QEMSCAN analysis. Leucoxene concentrations were shown to range from 28% to more than 60% of the heavy mineral assemblage across the resource area. The leucoxene-rich assemblage has now been confirmed by optical mineral analysis and further drilling is planned to collect additional samples to determine potential leucoxene product values.

Exploration

Boonanarring and Boonanarring Extensions

Regans Ford South (E70/3041)

Exploration drilling in 2016 demonstrated the continuity of the Boonanarring Strand southwards. The Optiro resource work (ASX Release 13/01/2017) extended the eastern Boonanarring Strandline Resource from 11.2km to 13.2km and also outlined a new western strand (piggery). Both these strands have been incorporated into an updated Mineral Resource estimate which has significantly increased from 21.5Mt at 8.3% HM to 43.7Mt at 5.6% HM. Note this resource has not been closed off to the south because of a 1km gap due to lack of access with two landowners even though the mineralisation continues for a further 2km southwards into the Gingin North Resource area. Further investigation of potential access is currently being sought in the gap area and at Gingin North (Figure 1).

Boonanarring North (M70/1311)

Approximately 1175 samples have been assayed as part of the new extensive upper layer which is thought to cover the whole of the 13.2km Boonanarring deposit (Figure 3). This upper layer comes close to the surface and has the potential to add significant tonnes. Composite test work using Qemscan for every second drill line has been completed. The Optiro Resource work has shown additional tonnes at lower overall Zircon and HM percentages (Refer to ASX release of 13/01/2017).

A 6-hole programme was completed mainly to infill parts of the western strand within the Boonanarring Resource area. (Figure 2)

A 12-hole programme is planned over a roadside drilling area between 2.5-5.5km north of the Boonanarring Resource. Previous drilling 1.3km north of the Boonanarring Resource confirmed continuity of the high grade eastern strand, including 5m @ 28.4% HM from 42m (Hole IM0083), 3m @ 22.9% HM from 43m (Hole IM0084) and 9m @ 25.0% HM from 43m (hole IX0103).

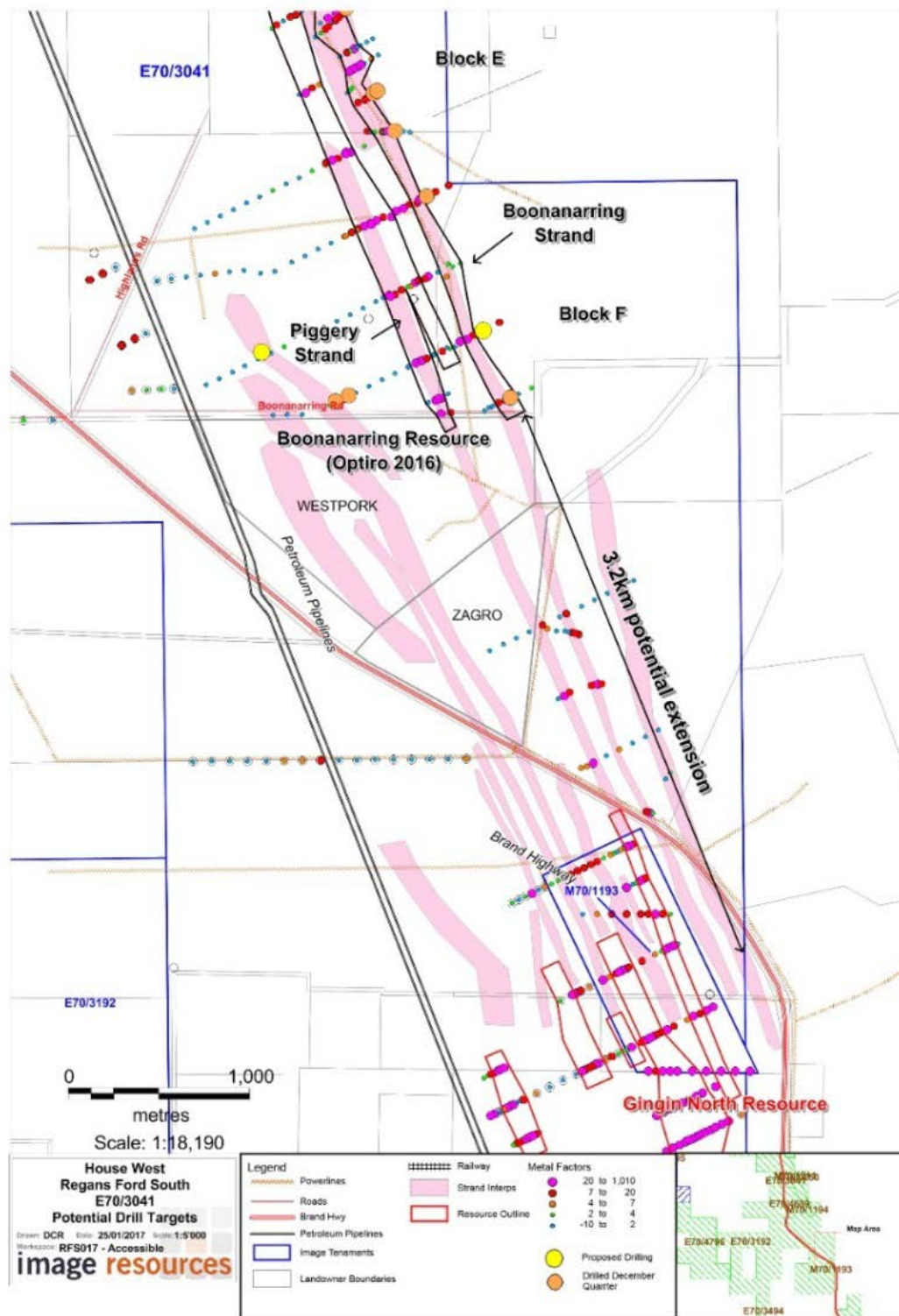


Figure 1 Regans Ford South showing Boonanarring Resource (13.2km) and potential to increase for a further 3.2km

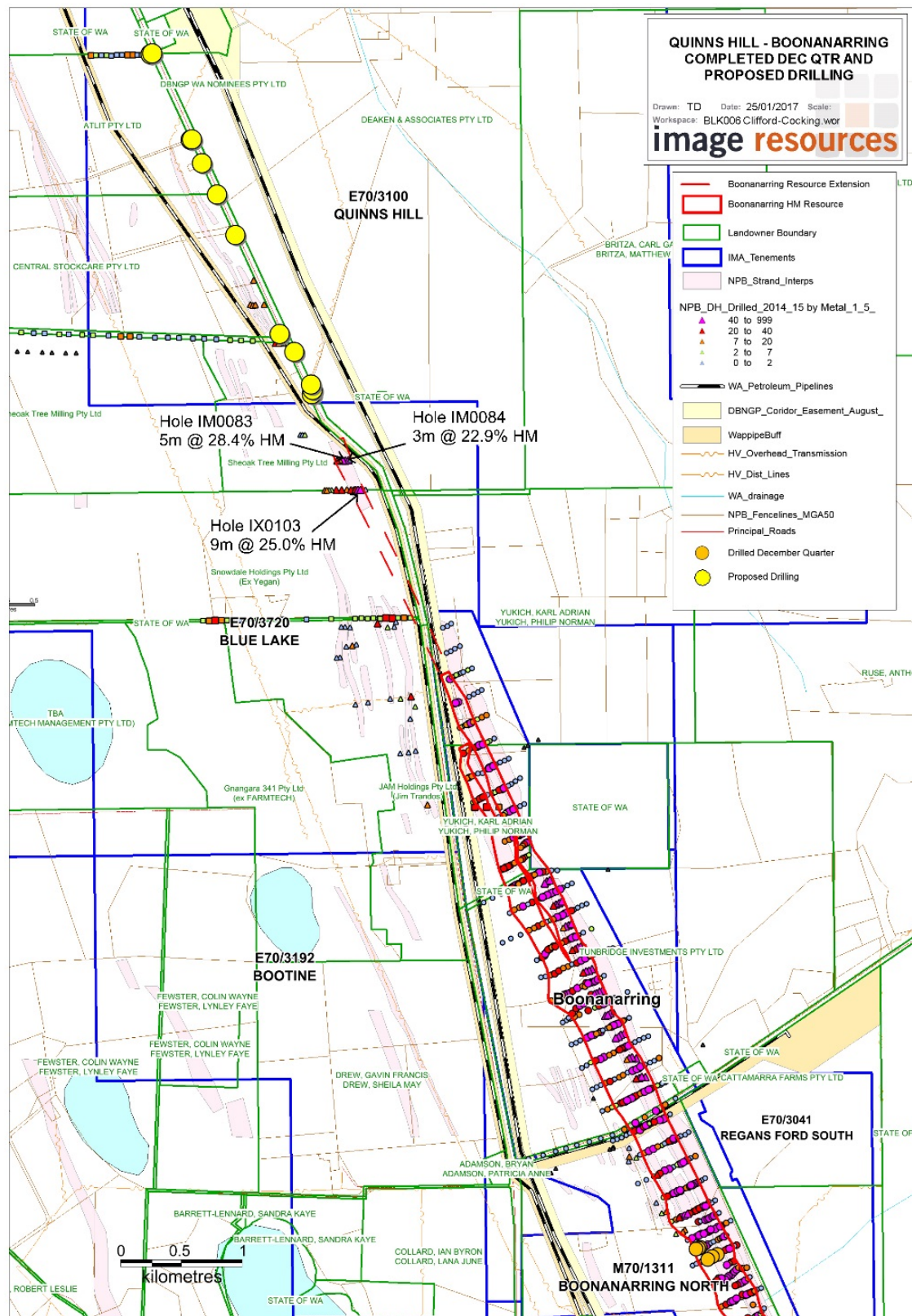
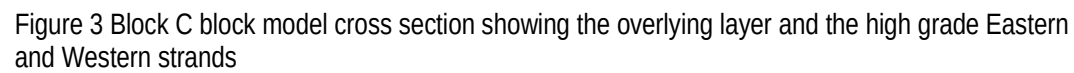


Figure 2 Boonanarring Northern extension planned 12 hole programme



Bidaminna (E70/3298), Bidaminna North (E70/2844), Mimegarra (E70/4779), Regans Ford (E70/3411)

The Bidaminna Region (Figure 4) was signalled as an unusually high leucoxene province after composites were taken across the Bidaminna Resource (refer to the 24th November 2015 ASX release). The Bidaminna Project size is as large as the Gingin Scarp group of resources (includes Red Gully, Boonanarring, Gingin North and Gingin South) totalling close to 60km.

- The leucoxene concentration range of 28 to 69% of the HM in the seven Bidaminna historic Mineral Resource area composites is much higher than any of the eight deposits between Gingin South and the Cooljarloo Mine where the leucoxene range is between 1 to 10% of the HM. This makes the Bidaminna Resource very unusual and, thus, Image applied for additional land to cover the northern and southern extensions of the Bidaminna historic Mineral Resource area.

A 60-hole programme is designed to meet the shortfall in the Mines Department commitment for the 3 tenements and is along known tracks avoiding unnecessary expense with clearing lines and corresponding botanical and heritage surveys to be carried out (Figure 4). This programme will more importantly test the veracity of the wireframes used for an Exploration Target of 100-110Mt between 3-4% HM. Also, an important aspect of the drilling is to test the northern parts of the Exploration target north of the existing historic Mineral Resource, as this is where the total leucoxene grade of both High Ti and Low Ti are around 69% versus 28% at the southern end of the Resource. The drilling programme will provide enough sample to complete a mini bulk test by AML. The aim of this work is to determine what sort of wet plant recoveries are possible and final leucoxene products.

The mineral assemblage values for the leucoxene-rich Bidaminna Mineral Resource and Exploration Target will be compared with other leucoxene-rich deposits and nearby dredging operations.

The Bidaminna Mineral Resource and Exploration Target, differs from the Boonanarring deposit in that they are amenable to large-scale dredge mining with a very low slime content of around 3-4%, the mineralised horizon is below the water table and has two zones of mineralisation up to 35 metres thick.

Given the potential significance of the Bidaminna Project, a new more detailed 100m spaced ground magnetic survey was completed during the quarter (Figure 4). The purpose of this survey was firstly to verify that the large 17km of strike-length has both a shallow and lower layer with a low strip ratio of 0.5-1.0 and to help wireframe a new Exploration Target. Secondly, to show up any new parallel shallow zones that were not recognised or partially shown up by the older 250m wider spaced survey. Thirdly, to direct the location of the planned 60-hole drilling programme.

A recent access approval for a 13-hole drilling programme will test several strands within the Regans Ford area. These strands appear to be extensive and no previous drilling has been carried out here (Figure 4).

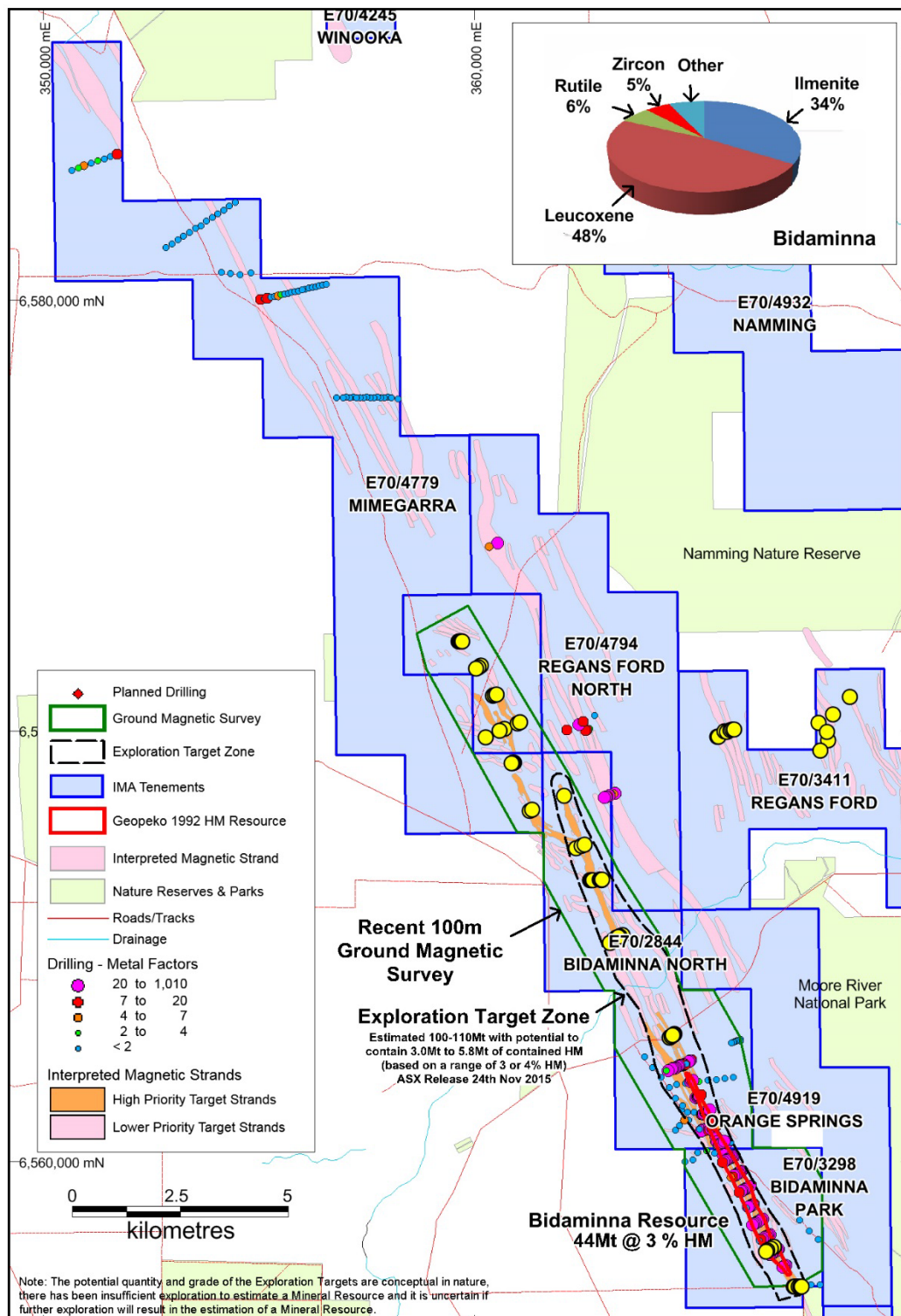


Figure 4 Bidaminna Park, Bidaminna North, Mimegarra 60-hole programme and 13 holes planned for Regans Ford.

Woolka E70/4244

An 11-hole programme has been designed to locate extensions of the dredge resources along strike and WNW of the Tronox proposed dredge area within both the Woolka (E70/4244) and Munbinea (E70/3997) tenements (Figure 5). A Heritage survey is scheduled in early February 2017 prior to the drilling. This programme should demonstrate the potential size of the dredge area within the Woolka and Munbinea tenements. Note the proposed area if successful is similar in size as the whole Tronox Cooljarloo historical dredge areas and is a major target. Tronox have just started drilling Image's Mullering royalty areas directly west of the current dredging areas.

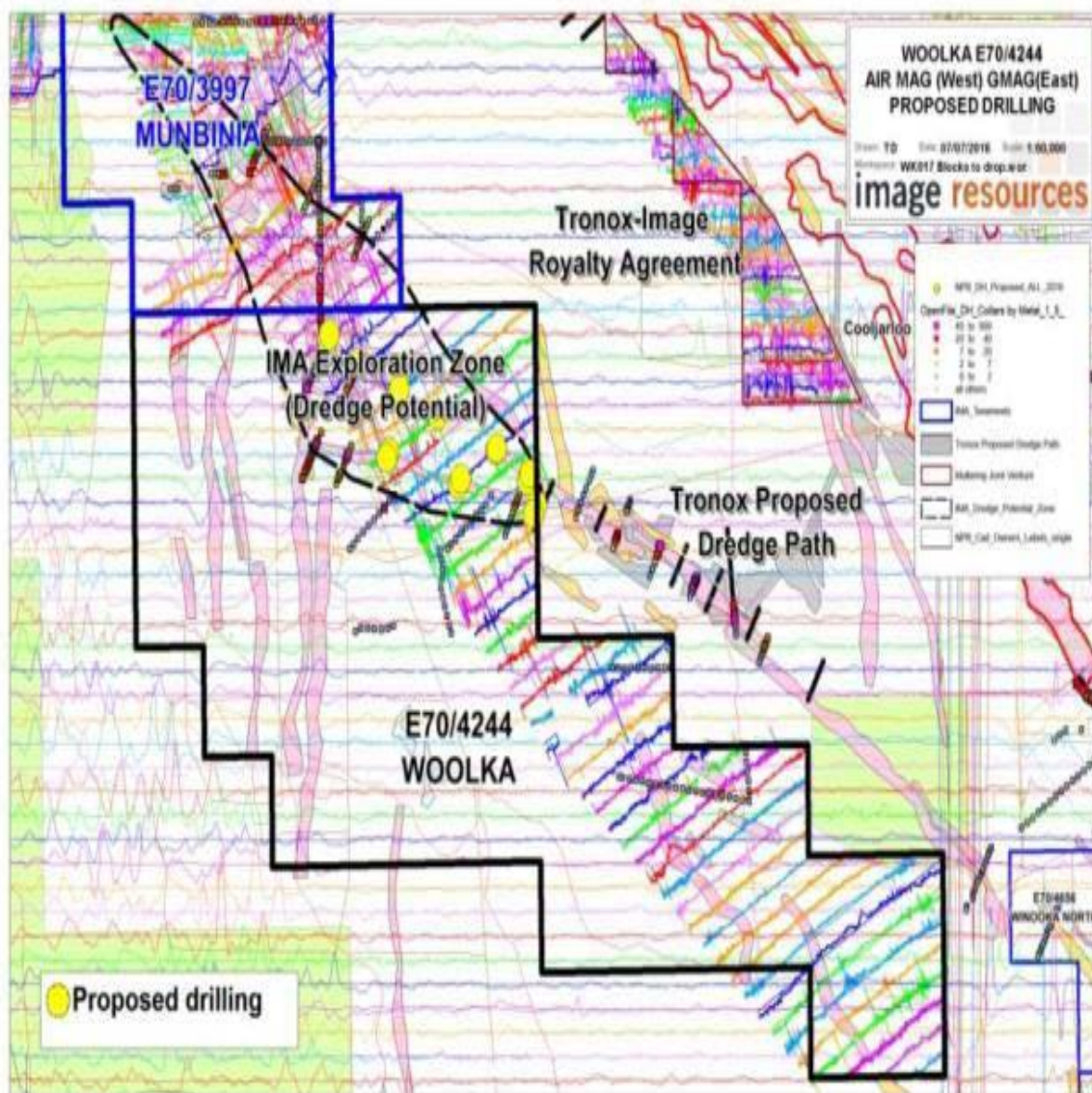


Figure 5 Woolka tenement showing an 11-hole programme west of the Tronox proposed dredge area

Bibby Springs (E70/4663)

Ten holes are recommended in the future to both satisfy the Mines Department minimum expenditure commitment and to evaluate the potential of significantly increasing the size of the Helene Mineral Resource. The Helene Resource 0.52Mt of HM plus the surrounding dry mining areas of Atlas (0.86Mt of HM) and Hyperion (0.30 Mt) are potentially significant. The final access agreements are expected prior to drilling in the March quarter.

Completed Drilling October - December 2016

Tenement Name	Tenement	Holes Drilled	Metres Drilled
Gingin	E70/3032	3	66
Boonanarring North	M70/1311	6	255
Regans Ford South	E70/3041	9	351
		18	672

Planned Drilling

Project Title	Tenement ID	DH's	Metres
Quinns Hill	E70/3100	11	550
Regans Ford	E70/3411	13	455
Woolka	E70/4244	11	440
Winooka	E70/4245	8	280
Bidaminna	E70/3298, E70/2844, E70/4779	60	3000
		103	4725

Resources and Reserves

RESERVE SUMMARY		*Atlas Reserve as at 30/06/2013									
Reserve	Category	Volume	Tonnes	% HM	% SLIMES	HM Tonnes	VHM (%)	Ilmenite (%)	Leucoxene (%)	Rutile (%)	Zircon (%)
Boonanarring ¹	Probable	7,160,000	14,420,000	8.3%	17.0%	1,190,000	80.3%	46.9%	5.5%	3.3%	24.5%
Atlas*	Probable	4,760,000	9,600,000	8.1%	15.5%	780,000	74.1%	55.0%	1.0%	7.0%	11.0%
Total NPB Reserve		11,920,000	24,020,000	8.2%	16.4%	1,970,000	77.8%	50.1%	3.7%	4.8%	19.1%
Mining Inventory (incl Inferred)		13,330,000	26,880,000	8.0%	16.5%	2,135,000	78.3%	50.1%	4.2%	5.1%	19.0%

High Grade Resources @ 2.5% HM Cut-off		* Boonanarring 2.0% Cut-off (Optiro Report 13/01/2017)									
Resource	Category	Volume	Tonnes	% HM	% SLIMES	HM Tonnes	VHM (%)	Ilmenite (%)	Leucoxene (%)	Rutile (%)	Zircon (%)
Atlas	Measured	4,810,000	9,700,000	8.5	15.3	820,000	76.0	52.0	5.0	8.0	11.0
Atlas	Indicated	520,000	1,080,000	3.2	19.2	34,000	74.0	53.0	8.0	7.0	6.0
Atlas Total		5,330,000	10,780,000	7.9	15.7	854,000	76.0	52.0	5.0	8.0	10.0
Boonanarring*	Measured	4,105,263	7,800,000	8.2	14	639,600	71.5	47.3	1.9	2.2	20.1
Boonanarring*	Indicated	13,736,842	26,100,000	5.3	18	1,383,300	73.3	49.6	2.0	2.5	19.2
Boonanarring*	Inferred	5,210,526	9,900,000	4.5	21	445,500	69.2	50.3	3.5	3.5	11.9
Boonanarring Total*		23,052,632	43,800,000	5.6	18	2,468,400	72.0	49.1	2.2	2.6	18.1
Gingin Nth	Indicated	680,000	1,320,000	5.7	15.7	80,000	75.0	57.0	9.0	3.0	5.0
Gingin Nth	Inferred	580,000	1,090,000	5.2	14	60,000	78.0	57.0	11.0	4.0	6.0
Gingin Nth Total		1,260,000	2,410,000	5.5	15	140,000	77.0	57.0	10.0	3.0	6.0
Gingin Sth	Measured	870,000	1,530,000	4.4	7.2	67,000	79.0	51.0	15.0	6.0	8.0
Gingin Sth	Indicated	3,240,000	5,820,000	6.5	7.1	380,000	91.0	68.0	10.0	5.0	8.0
Gingin Sth	Inferred	400,000	730,000	6.5	8.4	48,000	92.0	67.0	8.0	6.0	11.0
Gingin Sth Total		4,510,000	8,080,000	6.1	7.3	495,000	89.0	65.0	10.0	5.0	8.0
Helene	Indicated	5,600,000	11,500,000	4.6	18.6	520,000	84.0	70.0	1.0	3.0	11.0
Hyperion	Indicated	1,800,000	3,700,000	7.8	19.3	290,000	71.0	56.0	0.0	6.0	9.0
Cooljarloo Nth Total		7,400,000	15,200,000	5.3	18.7	810,000	78.5	64.2	0.5	4.4	9.4
Red Gully	Indicated	1,930,000	3,410,000	7.8	11.5	270,000	90.0	66.0	8.0	3.0	12.0
Red Gully	Inferred	1,455,000	2,570,000	7.5	10.7	190,000	90.0	66.0	8.0	3.0	12.0
Red Gully Total		3,385,000	5,980,000	7.7	11.2	460,000	90.0	66.0	8.0	3.0	12.0
Grand Total		44,937,632	86,250,000	6.0	16.3	5,227,400	77.0	55.1	3.9	4.0	13.6

¹ Refer to the 13 January 2017 release <http://www.asx.com.au/asxpdf/20170113/pdf/43f94vmgbq20q8.pdf> for full details of the Boonanarring Mineral Resource/Reserve Estimate.

Dredge Resources at 1.0% HM cut-off															
Project Area	Resource Category	Volume	TONNES	% HM	% Slime	HM TONNES	VHM %	Ilmenite %	Leucoxene %	Rutile %	Zircon %	Ilmenite	Leucoxene	Rutile	Zircon
Titan	Indicated	10,300,000	21,200,000	1.8	22.1	380,000	84.4	71.9	2.0	1.0	9.5	270,000	7,000	5,000	36,000
Titan	Inferred	58,500,000	115,400,000	1.9	18.9	2,210,000	84.3	71.8	2.0	1.0	9.5	1,592,000	45,000	22,000	210,000
Titan Total		68,800,000	136,600,000	1.9	19.4	2,590,000	84.4	71.9	2.0	1.0	9.5	1,862,000	52,000	27,000	246,000
Telesto	Indicated	1,700,000	3,500,000	3.8	18.4	130,000	82.6	67.5	3.4	2.2	9.5	100,000	5,000	3,000	13,000
Calypso	Inferred	27,100,000	51,500,000	1.7	13.7	850,000	84.6	68.8	3.5	1.6	10.6	585,000	30,000	14,000	90,000
Sub Total	Indicated	12,000,000	24,700,000	2.1	21.6	510,000	86.1	72.5	2.4	1.6	9.6	370,000	12,000	8,000	49,000
Sub Total	Inferred	85,600,000	166,900,000	1.8	17.3	3,060,000	84.6	71.1	2.5	1.2	9.8	2,177,000	75,000	36,000	300,000
Cooljarloo Total		97,600,000	191,600,000	1.9	17.8	3,570,000	84.8	71.3	2.4	1.2	9.8	2,547,000	87,000	44,000	349,000
Bidaminna	Inferred	26,300,000	44,600,000	3.0	3.6	1,350,000	96.0	82.4	7.2	1.0	5.4	1,113,000	97,000	13,000	73,000
Total Dredge		123,900,000	236,200,000	2.1	15.1	4,920,000	84.3	65.6	4.6	2.9	11.3	3,660,000	184,000	57,000	422,000

COMPETENT PERSON'S STATEMENT – EXPLORATION RESULTS, MINERAL RESOURCES AND ORE RESERVES

Information in this report that relates to Exploration Results, Mineral Resources and Ore Reserves (other than Boonanarring Mineral Resources) is based on information compiled by George Sakalidis BSc (Hons) who is a member of the Australasian Institute of Mining and Metallurgy. At the time that the Exploration Results, Mineral Resources and Ore Reserves were compiled, George Sakalidis was a director of Image Resources NL. He 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 2012 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.

The information in this report that relates to the estimation of Mineral Resources for the Boonanarring Project is based on information compiled by Mrs Christine Standing, who is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM) and the Australian Institute of Geoscientists (AIG). Mrs Standing is a full-time employee of Optiro Pty Ltd and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which she is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mrs Standing consents to the inclusion in this report of the matters based on her information in the form and context in which it appears.

Your directors present their report on the Company for the six month period ended 31 December 2016.

DIRECTORS

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

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

PRINCIPAL ACTIVITIES

The principal activity of the Company during the period was advancing work on the feasibility study of the 100% owned high grade Boonanarring and Atlas deposits comprising part of Image's North Perth Basin Heavy Mineral Sands Project (Project) in Western Australia .

RESULTS FROM OPERATIONS

During the six month period ending 31 December 2016 the Company recorded an operating loss of \$2,852,955 (net loss for the year ended 30 June 2016 was \$4,165,508).

DIVIDENDS

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

REVIEW OF OPERATIONS

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

EARNINGS PER SHARE

Basic loss per share for the financial period was 0.75 cents (Year ended 30 June 2016: 1.98 cents). Diluted loss per share in respect of both periods ended 31 December 2016 and 30 June 2016 are the same as for basic loss per share.

FINANCIAL POSITION

From 30 June 2016 the net assets of the Company reduced by \$2,860,735 to \$10,241,927 including cash and cash equivalents of \$1,107,723. This is largely due to expenditure incurred on the project feasibility study of the high grade Boonanarring and Atlas deposits, and exploration and tenements expenses.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

SIGNIFICANT EVENTS SUBSEQUENT TO REPORTING DATE

Other than the following matters:

- On 10 January 2017, the Company exercised its option to purchase 550 hectares of land required for the initial plant site and mine development at Boonanarring. Completion of this purchase was scheduled to occur on 13 February 2017, however closing has been delayed into March due to a required probate ruling.
- On 13 January 2017, the Company announced the doubling of the total tonnes of mineral resources for its 100%-owned Boonanarring Minerals Sand Project to 43.7 million tonnes.
- On 24 January 2017, the Company announced that a fully underwritten non-renounceable rights issue was completed to issue 158,129,891 shares at 4 cents per share raising \$6,325,000 before costs.

There have been no material significant events subsequent to the reporting date.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

ENVIRONMENTAL ISSUES

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

INFORMATION ON DIRECTORS AND COMPANY SECRETARIES

Robert Besley Chairman

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

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

Patrick Mutz Managing Director

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

Peter Thomas Non-Executive Director

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

- ▶ Emu NL – appointed August 2007, continuing.
- ▶ Middle Island Resources Limited – appointed March 2010, continuing.
- ▶ Meteoric Resources NL - appointed August 2007, resigned September 2014.

George Sakalidis Executive Director - Exploration

Mr Sakalidis is an exploration geophysicist with over 30 years' industry experience. His career has included extensive gold, diamond, base metals and mineral sands exploration. Mr Sakalidis has been involved in a number of significant mineral discoveries, including the Three Rivers and Rose gold deposits, the Dongara Mineral Sands Deposits, the Boonanarring-Gingin South-Hyperion Mineral Sands Deposits in Western Australia and he was involved in the tenement applications over the Silver Swan nickel deposit. He was also involved with the tenement application for the recently discovered Monty Copper mineralisation adjacent to the Degussa Copper deposit. He is a founding Director and is currently an Executive Exploration Director of this company, Image Resources NL (since listing on 4 July 2002), Meteoric Resources NL (since listing on 16 July 2004) and Magnetic Resources NL. Mr Sakalidis is also a founding director of ASX listed companies Emu NL, Magnetic Resources NL and Potash West NL. During the past three years he has also served as a director of the following other listed companies:

- ▶ Meteoric Resources NL - appointed February 2004, continuing.
- ▶ Potash West NL – appointed November 2010, resigned 26 November 2014.
- ▶ Magnetic Resources NL - appointed August 2006, resigned October 2014, reappointed 29 January 2016.

Aaron Chong Veoy Soo Non-Executive Director

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

Chaodian Chen

Non-Executive Director

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

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

Fei (Eddy) Wu

Non-Executive Director

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

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

Dennis Wilkins

Company Secretary (Appointed 25 September 2012)

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

MEETINGS OF DIRECTORS

During the financial period ended 31 December 2016, there were 5 meetings of directors held. Attendances by each director during the period were as follows:

	Directors' Meetings		Audit Committee		Remuneration Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Robert Besley	5	5	1	1	1	1
Peter Thomas	5	5	-	-	1	1
George Sakalidis	5	5	-	-	-	-
Aaron Soo	5	5	1	1	-	-
Chaodian Chen	5	5	-	-	-	-
Fei Wu	5	5	1	1	1	1
Patrick Mutz	5	5	-	-	-	-

REMUNERATION REPORT (Audited)

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

Key Management Personnel	Position
Robert Besley	Non-Executive Chairman
Patrick Mutz	Managing Director
Peter Thomas	Non-Executive Director
Aaron Soo	Non-Executive Director
George Sakalidis	Executive Director – Exploration
Fei (Eddy) Wu	Non-Executive Director
Chaodian Chen	Non-Executive Director
John McEvoy	Chief Financial Officer – appointed CFO on a part time basis 1 October 2014. Became a Key Management Person when appointed on a full time basis on 1 December 2016.

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

Key Management Personnel Remuneration and Incentive Policies

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

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

Non-Executive Directors

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

Incentive Plans and Benefits Programs

The committee is to:

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

Retirement and Superannuation Payments

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

Relationship between Company Performance and Remuneration

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

Use of Remuneration Consultants

The Company did not employ the services of a remuneration consultant during the financial period ended 31 December 2016.

Current Board Remuneration Structure

The current remuneration structure for the board is as follows:

Director	Annual Directors Fees	Committee Fees
Mr R Besley (Non-Executive Chairman)	\$40,000 + statutory super	\$5,000 + statutory super
Mr P Mutz (Managing Director)	\$240,000 inclusive of super	-
Mr P Thomas (Non-Executive Director)	\$30,000 + statutory super	\$5,000 + statutory super
Mr A Soo (Non-Executive Director)	\$30,000	-
Mr F Wu (Non-Executive Director)	\$30,000 + statutory super	\$5,000 + statutory super
Mr C Chen (Non-Executive Director)	\$30,000	-
Mr G Sakalidis (Executive Technical Director)	\$175,000 inclusive of super	-

Key Management Personnel Remuneration

Table 1: Remuneration for the period ended 31 December 2016

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

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

DIRECTORS' REPORT



Table 2: Remuneration for the year ended 30 June 2016

	Short-term benefits			Post-employment		Share-based payments	
	Directors Fees (\$)	Other Fees & contractual payments (\$)	Non-monetary benefits (\$)	Superannuation (\$)	Total cash and cash equivalent benefits (\$)	Equity-settled share based payments (\$)	Total (\$)
Non-Executive Directors							
Robert Besley ¹	2,712	-	-	258	-	-	2,970
Peter Thomas	32,801	-	-	3,116	-	-	35,917
Aaron Soo ²	28,044	-	-	-	-	-	28,044
Fei (Eddy) Wu ¹	2,110	-	-	200	-	-	2,310
Chaodian Chen ¹	1,808	-	-	-	-	-	1,808
John Jones ³	34,624	-	-	3,289	-	-	37,913
Jeff Williams ⁴	17,500	-	-	1,663	-	-	19,163
Executive Directors							
Patrick Mutz ¹	12,833	3,413	-	1,833	-	-	18,079
George Sakalidis	172,024	-	-	15,915	-	-	187,939
Executive Officers							
Collis Thorp ⁵	241,020	49,500	-	33,712	-	-	324,232
Total	545,476	52,913	-	59,986	-	-	658,375

Note 1 Mr Besley, Mr Wu, Mr Chen were appointed as Non-Executive Directors and Mr Mutz was appointed Managing Director, all on 8 June 2016.

Note 2 Mr Soo was appointed on 27 July 2015.

Note 3 Mr Jones resigned on 12 May 2016.

Note 4 Mr Williams resigned on 31 January 2016.

Note 5 Mr Thorp was made redundant 1 July 2016.

Table 3: Compensation options: Granted and vested during the period

	Granted No.	Grant Date	Fair value per option at grant date	Exercise price per option (note 23)	Expiry Date	First Exercise Date	Last Exercise Date	Vested No.	Vested %
Executive Director			\$	\$					
Patrick Mutz	1,500,000	30-Nov-16	0.013	0.085	4-Dec-18	30-Nov-16	4-Dec-18	1,500,000	100
Patrick Mutz	1,500,000	30-Nov-16	0.015	0.10	4-Dec-18	30-Apr-17	4-Dec-18	-	0

Key Management Personnel Contracts

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

Executives

Patrick Mutz – Managing Director

- Base Salary - \$240,000 per annum inclusive of superannuation
- Initial contract term – 1 year
- Performance bonus - \$100,000 per annum awarded as part of an executive performance incentive scheme and on completion of measured key performance indicators and performance above and beyond mere ordinary performance.

- Allowances – A company vehicle or taxis and car rental is provided for use on company business to a maximum of \$15,000 per annum. The Company will contribute up to \$25,000 per annum for accommodation whilst located in Perth. The Company will contribute up to \$20,000 towards airfares for travel between Adelaide and Perth during the initial term.
- The agreement may be terminated by the Company by the provision of three months written notice. The employee may terminate the contract by the provision of two months' notice.
- Unvested options terminate upon resignation as Managing Director in accordance with the terms on which the options were granted.

George Sakalidis – Executive Director – Exploration

A revised employed agreement was signed and commenced effective 1 June 2015. The terms of this agreement are:

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

John McEvoy – Chief Financial Officer

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

Non Executives

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

Each Non-Executive Director's actual remuneration for the periods ended 31 December 2016 and 30 June 2016 is shown above. Each Non-Executive Director has an unspecified term of appointment, which is subject to the Company's Constitution. Conditions are reviewed at least annually by the Remuneration Committee. There are no termination benefits for any Non-Executive Director.

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

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

Consultant Agreements

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

Guaranteed Rate Increases

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

Options and Rights Granted as Remuneration

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

The options issued to the Managing Director during the six months ended 31 December 2016 were granted for nil consideration and were approved by shareholders at the Annual General Meeting held on 30 November 2016. These options provide a long-term incentive to the managing director to deliver shareholder returns. The options can be exercised at any time after the vesting date and prior to the expiry date.

DIRECTORS' REPORT



Options held by Key Management Personnel

KMP	Balance at Beginning of Period No.	Grant Details		Exercised		Lapsed No.	Balance at End of Period No.
		No.	Value \$	No.	Value \$		
Directors							
Peter Thomas	650,000	-	-	-	-	650,000	-
George Sakalidis	800,000	-	-	-	-	800,000	-
Patrick Mutz	-	3,000,000	42,000	-	-	-	3,000,000
Totals	1,450,000	3,000,000	42,000	-	-	1,450,000	3,000,000

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

KMP	Balance at End of Period No.	Vested			Unvested
		Exercisable No.	Unexercisable No.	Total at End of Period No.	Total at End of Period No.
Directors					
Patrick Mutz	3,000,000	1,500,000	-	1,500,000	1,500,000
Totals	3,000,000	1,500,000	-	1,500,000	1,500,000

Shares held by Key Management Personnel

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

Name	Balance at Beginning of Period or Date of Appointment	Other Changes during the Period	Balance at End of Period or Date of Retirement
Directors			
Robert Besley	-	400,000	400,000
Peter Thomas	2,100,306	-	2,100,306
Aaron Soo	9,988,861	-	9,988,861
Fei Wu	-	-	-
Chaodian Chen	-	-	-
George Sakalidis	3,878,489	-	3,878,489
Patrick Mutz	-	-	-
Executive Officer			
John McEvoy ¹	475,000	-	475,000
Totals	16,442,656	400,000	16,842,656

Note 1 Mr McEvoy became a KMP on 1 December 2016 and at that time held an indirect interest in 475,000 shares.

DIRECTORS' REPORT



Other Equity-related KMP Transactions

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

Other Transactions with KMP and/or their Related Parties

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

End of remuneration report audited.

OPTIONS

At the date of this report, there were 3,000,000 options over 3,000,000 unissued ordinary shares in the Company as follows: Refer to note 23 for further details of the options outstanding.

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

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

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

During the six month period ended 31 December 2016 no ordinary shares were issued on the exercise of options granted. No further shares have been issued since period-end. No amounts are unpaid on any of the shares.

CORPORATE STRUCTURE

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

ACCESS TO INDEPENDENT ADVICE

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

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has entered into agreements indemnifying, to the extent permitted by law, all the directors and officers of the Company against all losses or liabilities incurred by each director and officer in their capacity as directors and officers of the Company. During the period an amount of \$12,140 (2016: \$9,173) was incurred in insurance premiums for this purpose.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

AUDITOR'S INDEPENDENCE DECLARATION

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

Signed in accordance with a resolution of the directors

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

SIGNED: ROBERT BESLEY

CHAIRMAN

Perth, 10 March 2017



Greenwich & Co

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Auditor's Independence Declaration

As auditor for the audit of Image Resources NL for the period ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

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

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

Andrew May
Audit Director

10 March 2017
Perth

CORPORATE GOVERNANCE STATEMENT



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

The 2016 Corporate Governance Statement is dated at 10 March 2017 and reflects the corporate governance practices in place throughout the period ended 31 December 2016. The 2016 Corporate Governance Statement was approved by the Board on 15 September 2016. A description of the Group's current corporate governance practices is set out in the Group's Corporate Governance Statement which can be viewed at www.imageres.com.au.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the Period Ended 31 December 2016



	Notes	6 months to 31 Dec 2016 (\$)	Year to 30 June 2016 (\$)
Revenue			
Interest and dividends income		20,699	13,388
Other revenue	4	5,497	99,541
Expenses			
Depreciation expense	12	(25,000)	(18,884)
Exploration and evaluation expenses		(1,484,003)	(1,824,399)
Other expenses	4	(1,257,326)	(2,541,478)
Finance costs		(112,822)	(12,055)
Loss before income tax		(2,852,955)	(4,283,887)
Income tax benefit	5	-	118,379
Loss from continuing operations		(2,852,955)	(4,165,508)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Changes in the fair value of available for sale financial assets		(20)	-
Other comprehensive income for the period, net of tax		(20)	-
Total loss and other comprehensive income for the period		(2,852,975)	(4,165,508)
Total loss and other comprehensive income for period attributable to members of the Company		(2,852,975)	(4,165,508)
Basic loss per share (cents per share)	8	(0.75)	(1.98)
Diluted loss per share (cents per share)	8	(0.75)	(1.98)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2016



	Notes	31 Dec 2016 (\$)	30 June 2016 (\$)
Current Assets			
Cash and cash equivalents	9	1,107,723	3,036,134
Trade and other receivables	10	15,142	1,325,979
Other assets	11	117,886	1,041,857
Total Current Assets		1,240,751	5,403,970
Non-Current Assets			
Property, plant and equipment	12	12,753,476	12,702,544
Inventory	14	756,084	756,084
Other financial assets	13	7,514	7,534
Total Non-Current Assets		13,517,074	13,466,162
TOTAL ASSETS		14,757,825	18,870,132
Current Liabilities			
Trade and other payables	15	416,284	1,692,284
Provisions	16	127,614	115,186
Total Current Liabilities		543,898	1,807,470
Non-Current Liabilities			
Borrowings	17	3,972,000	3,960,000
Total Non-Current Liabilities		3,972,000	3,960,000
TOTAL LIABILITIES		4,515,898	5,767,470
NET ASSETS		10,241,927	13,102,662
Equity			
Contributed equity	18	56,251,135	56,283,014
Reserves	18	21,519	391,060
Accumulated losses		(46,030,727)	(43,571,412)
TOTAL EQUITY		10,241,927	13,102,662

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the Period Ended 31 December 2016



	Contributed Equity (\$)	Available for Sale Financial Asset Reserve (\$)	Employee Benefit Reserve (\$)	Accumulated Losses (\$)	Total (\$)
Balance at 1 July 2015	40,064,206	(2,580)	393,640	(39,405,904)	1,049,362
<i>Comprehensive loss</i>					
Operating loss for the year	-	-	-	(4,165,508)	(4,165,508)
Total comprehensive loss for the year	-	-	-	(4,165,508)	(4,165,508)
<i>Transactions with owners in their capacity as owners</i>					
Issue of shares	16,346,536	-	-	-	16,346,536
Cost of share issue	(127,728)	-	-	-	(127,728)
Total transactions with owners in their capacity as owners	16,218,808	-	-	-	16,212,808
Balance at 30 June 2016	56,283,014	(2,580)	393,640	(43,571,412)	13,102,662
Balance at 1 July 2016	56,283,014	(2,580)	393,640	(43,571,412)	13,102,662
<i>Comprehensive loss</i>					
Operating loss for the period	-	-	-	(2,852,955)	(2,852,955)
Other comprehensive loss	-	(20)	-	-	(20)
Total comprehensive loss for the period	-	(20)	-	(2,852,955)	(2,852,975)
<i>Transactions with owners in their capacity as owners</i>					
Options expired during the period	-	-	(393,640)	393,640	-
Options issued during the period	-	-	24,119	-	24,119
Cost of share issue	(31,879)	-	-	-	(31,879)
Total transactions with owners in their capacity as owners	(31,879)	-	(369,521)	393,640	(7,760)
Balance at 31 December 2016	56,251,135	(2,600)	24,119	(46,030,727)	10,241,927

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
For the Period Ended 31 December 2016



	Notes	6 months to 31 Dec 2016 (\$)	Year to 30 June 2016 (\$)
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		21,714	34,124
Payments to suppliers and contractors		(1,342,770)	(2,419,016)
Research and development tax incentives received		-	119,993
Interest received		19,401	12,828
Interest paid		(112,877)	-
Net cash used in operating activities	19	(1,414,532)	(2,252,071)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(83,721)	(87,336)
Payments for exploration and evaluation		(1,145,602)	(1,879,766)
Proceeds from security deposits		-	50,798
Payments for restricted cash – term deposit for bank guarantee		(20,000)	(34,667)
Release of restricted cash – term deposit for bank guarantees		-	20,000
Reclassification of deposits at call	11	750,000	(750,000)
Proceeds from sale of investments		-	137,038
Net cash used in investing activities		(499,323)	(2,543,933)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from new issues of shares	18	-	3,022,400
Payments for share issue costs		(14,556)	(115,393)
Proceeds from interest bearing loan	17	-	4,000,000
Payment for interest bearing loan transaction costs	17	-	(40,000)
Net cash inflows from / (used in) financing activities		(14,556)	6,867,007
Net decrease in cash and cash equivalents		(1,928,411)	2,071,003
Net foreign exchange difference			
Cash and Cash equivalents at beginning of the period		3,036,134	965,131
Cash and cash equivalents at the end of the period	9	1,107,723	3,036,134

The accompanying notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Period Ended 31 December 2016



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

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

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

The financial statements were authorised for issue on 10 March 2017.

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

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

Reporting Basis and Conventions

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

Change in Financial Year End Date

The Company has changed its financial year end date from 30 June to 31 December. As a result, the current financial period of the Company is the 6 months to 31 December 2016. As such, the amounts presented in the financial report are not entirely comparable.

Going Concern

The directors recognise that the ability of the Company to continue as a going concern and to pay its debts as and when they fall due is dependent on the ability of the Company to secure additional funding through either the issue of further shares and / or options.

The directors have reviewed the business outlook and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Company will achieve the matters set out above. As such, the directors believe that they will continue to be successful in securing additional funds as and when the need to raise working capital arises.

Should the Company be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that may be necessary should the Company be unable to continue as a going concern.

Accounting Policies

a) Revenue

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

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

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

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

b) Employee Benefits

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

c) Exploration and Evaluation Expenditure

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

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
For the Period Ended 31 December 2016**



d) Asset Acquisitions

On 8 June 2016 the Company settled completion of the transaction between the Company and Murray Zircon Pty Ltd (Murray Zircon) and its parent Guangdong Orient Zircon Sci Tech Co Ltd (Orient Zirconic), which included the acquisition of a wet concentration plant and ancillary mining and processing equipment from Murray Zircon valued at \$11,935,028, wet plant spare parts valued at \$324,993 and other inventory valued at \$756,084, and the issue of 156,703,542 ordinary Image shares to Murray Zircon (Note 2). As the transaction was not deemed a business combination, the transaction was accounted for as a share based payment for the net assets acquired.

When an asset acquisition does not constitute a business combination, the assets and liabilities are assigned a carrying amount based on their relative fair values in an asset purchase transaction and no deferred tax will arise in relation to the acquired assets and assumed liabilities as the initial recognition exemption for deferred tax under AASB 112 applies. No goodwill will arise on the acquisition and transaction costs of the acquisition will be included in the capitalised cost of the asset.

e) Goods and Services Tax (GST)

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

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

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

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

f) Income Tax

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

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

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

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

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

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

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

g) Cash and Cash Equivalents

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

h) Impairment of Assets

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

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
For the Period Ended 31 December 2016**



i) Earnings per Share

- (i) *Basic Earnings per Share* – Basic earnings per share (EPS) is determined by dividing the loss from continuing operations after related income tax expense by the weighted average number of ordinary shares outstanding during the financial period.
- (ii) *Diluted Earnings per Share* – Options that are considered to be dilutive are taken into consideration when calculating the diluted earnings per share.

j) Property, plant, and equipment

Plant and equipment is carried at cost less any accumulated depreciation and impairment losses. Depreciation of plant and equipment commences when plant and equipment is in the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date, the Company reviews the carrying values of its plant and equipment to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. The value in use is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Statement of Financial Position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Profit or Loss and Other Comprehensive Income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

k) Financial Instruments

Recognition and Initial Measurement

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

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

Classification and Subsequent Measurement

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

Amortised cost is calculated as:

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

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

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

Loans and receivables

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Period Ended 31 December 2016



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

Held-to-maturity investments

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

Available-for-sale financial assets

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

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

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

Financial liabilities

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

Fair Value

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

Impairment

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

Financial Guarantees

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

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

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

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

De-recognition

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

l) Provisions

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

m) Leases

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

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

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
For the Period Ended 31 December 2016**



n) Contributed Equity

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

o) Comparative Figures

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

p) Segment Reporting

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

q) Critical Accounting Estimates, Assumptions and Judgements

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

Taxation

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

Environmental Issues

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

Impairment

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

Share based payments

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

Treatment of acquisitions

As outlined at Note 2, on 8 June 2016, the Company settled a group of transactions and agreements, which included the acquisition of a wet concentration plant and ancillary mining and processing equipment. The Company has determined that the acquisitions took the form of asset acquisitions and were not a business combination under AASB 3. In making this decision, the Company judged that the integrated set of activities and assets acquired as listed in Note 2, were not, on their own, capable of being conducted and managed for the purpose of proving a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants. In particular, the integrated set of activities and assets acquired did not include a proved or probable reserve, this already being held by the Company. Furthermore, the Company has judged that the acquired set of assets and processes listed in Note 2 were not capable at the time of acquisition of producing the intended output, namely the production of mineral sands. It was judged that inputs and processes necessary to produce mineral sands that were missing from the integrated set of activities and assets acquired were not minor.

Valuation of wet concentration plant and ancillary mining and processing equipment acquired

As outlined at Note 1d, the share based payment (Note 18) for the acquisition of wet concentration plant and ancillary mining and processing equipment was measured at the fair value of assets acquired. The deemed fair value was agreed with Murray Zircon with consideration to an independent professional valuation obtained in November 2015, which incorporated various estimates and assumptions.

r) New Accounting Standards for Application in Future Periods

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Period Ended 31 December 2016



NOTE 2 MURRAY ZIRCON PTY LTD INVESTMENT IN IMAGE RESOURCES NL

On 8 June 2016 the Company settled completion of the transaction between the Company and Murray Zircon Pty Ltd (Murray Zircon) and its parent Guangdong Orient Zircon Sci Tech Co Ltd (Orient Zirconic) in relation to a series of transactions directed towards fast tracking the Company's 100% owned, high grade Boonanarring and Atlas mineral sands projects (Completion). The key elements of the transactions included:

- Acquisition of a wet concentration plant and ancillary mining and processing equipment from Murray Zircon valued at \$11,935,028, wet plant spare parts valued at \$324,993 and other inventory valued at \$756,084.
- Provision of a \$4 million short term loan that was fully drawn down. Further details of this loan are detailed below.
- Orient Zirconic to purchase 90% of all zircon products produced by the Company at Boonanarring and subsequent deposits. Further details of this offtake agreement are detailed below.
- Provision of a US\$8 million prepayment loan facility by Orient Zirconic to Image available for drawdown following first production of 20,000 wet tonnes of heavy mineral concentrates. Further details of this facility are detailed below.
- The Company has an option to Purchase Murray Zircon's mineral separation plant for \$A12 million. Further details of this option are detailed below.
- The Company issued 156,703,542 ordinary shares to Murray Zircon for a 42% interest in the expanded capital of the Company. If a decision to mine is reached (including financing being secured) within 2 years of Completion the Company will issue to Murray Zircon a further 35,198,459 shares in the Company.
- Murray Zircon is required (at the Company's election) to participate pro-rata in any new equity raisings undertaken by the Company within the 12 month period immediately following Completion, subject to obtaining the necessary regulatory approvals.
- For the 2 year period after Completion (or until a decision to mine is reached, if this occurs earlier) Murray Zircon is subject to various restrictions including restrictions on the sale or transfer of its shareholding in the Company, not increasing its percentage shareholding in the Company without the Company Board approval and not taking steps to influence or control the composition of the Board or the management or policies of the Company (in each case subject to certain agreed exceptions, including allowing Murray Zircon, as part of its financing arrangement, to grant security over its shareholding in the Company to, and for that security to be enforced by, the Bank of China).

Short Term Loan

A \$4 million loan was fully drawn down at Completion. The key terms of the loan include an interest rate of 5% per annum accruing daily, payment of interest half-yearly in arrears, amounts outstanding repayable upon first production of 20,000 wet tonnes of heavy mineral concentrates (First Production) and allows for repayment to be made using funds under the Prepayment Facility once available (early payment is allowed at any time, with no ability to redraw) and customary default provisions. The loan is secured against all present and after-acquired property of the Company, and a mining mortgage in respect of certain core tenements held by the Company.

The Company is required to use best endeavours to remove all obstacles to production from the core tenements of the Boonanarring and Atlas projects within 3 years of Completion. The loan may be forgiven in certain circumstances if First Production has not been achieved within that time. There is no fixed repayment date.

Zircon Products Offtake

Under the Zircon Products Offtake, Orient Zirconic undertakes to purchase 90% of the zircon products produced by the Company over life of mine from certain core tenements held by the Company at prices referable to market prices.

The Company retains the right to provide offtake to any alternative third party for part or all of the zircon products, subject to an effective matching right from Orient Zirconic over 90% of the zircon products.

Prepayment Facility

Following First Production, a secured Prepayment Facility for up to US\$8 million will be made available to the Company by Orient Zirconic.

The key terms of the facility include an interest rate of 9% per annum accruing daily, payment of interest quarterly in arrears, funds drawable in tranches of US\$100,000 and following satisfaction of customary conditions, amounts outstanding repayable within 5 years of First Production (early repayment is allowed at any time, though with no ability to redraw) and customary default provisions. The facility will have the same security as that provided for the Short Term Loan above.

Repayment may occur earlier under the Prepayment Facility via direct cash payment or via the issue of a credit invoice for zircon products shipped and delivered to Orient Zirconic pursuant to the Zircon Products Offtake.

Dry Plant Option

In connection with the Asset Purchase, Murray Zircon has granted the Company an option to acquire Murray Zircon's Dry Plant, which is also currently located in Mindarie, South Australia, for A\$12 million in cash or an equivalent amount of the Company shares or a combination of both (at the Company's election). The exercise of this option is subject to approval of the Company shareholders other than Murray Zircon and certain related parties and associates.

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
For the Period Ended 31 December 2016**



NOTE 3 OPERATING SEGMENTS

Segment Information

Identification of reportable segments

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

Revenue and assets by geographical region

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

Major customers

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

Financial information

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

NOTE 4 REVENUE AND EXPENDITURE

	6 months to 31 Dec 2016 (\$)	Year to 30 June 2016 (\$)
REVENUE		
Other Income		
Profit on sale of available for sale financial assets	-	90,270
Rendering of Services	5,497	9,271
	<u>5,497</u>	<u>99,541</u>
EXPENDITURE		
Other Expenses		
Occupancy costs	(73,772)	(140,813)
Filing and ASX Fees	(30,111)	(63,045)
Corporate, staff and management	(625,478)	(1,812,496)
Other expenses from continuing operations	(527,965)	(525,124)
	<u>(1,257,326)</u>	<u>(2,541,478)</u>

NOTE 5 INCOME TAX

The components of tax expense comprise:

Current tax	-	-
Deferred tax asset/liability	-	-
	<u>-</u>	<u>-</u>

**NOTES TO AND FORMING PART OF THE
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For the Period Ended 31 December 2016**



	6 months to 31 Dec 2016 (\$)	Year to 30 June 2016 (\$)
The prima facie tax on loss from ordinary activities before income tax is reconciled to income tax as follows:		
Loss from continuing operations before income tax	2,852,955	4,165,508
Prima facie tax benefit attributable to loss from continuing operations before income tax at 30%	855,887	1,249,652
Tax effect of Non-allowable and additional deductible items		
• Profit / (impairment) from available-for-sale financial assets	-	27,081
• Capital (profit) / loss on disposal of available for sale financial assets	-	45,239
• Capital raising costs	(24,559)	(52,327)
Effect of tax losses and temporary differences not brought to account	(831,328)	(1,269,645)
Under provision for prior period arising from R and D tax refund	-	(118,379)
Income tax offset attributable to the Company	-	(118,379)

Unrecognised temporary differences

Net deferred tax assets (calculated at 30%) have not been recognised in respect of the following items:

Prepayments	(389)	(168)
Provisions	80,322	95,317
Capital raising costs	6,728	26,888
Unrecognised deferred tax assets relating to the above temporary differences	86,661	122,037

Unrecognised deferred tax assets

The Company has accumulated tax losses of \$36,210,256 (2016: \$33,765,238).

The potential deferred tax benefit of these losses of \$10,863,077 will only be recognised if:

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

NOTE 6 KEY MANAGEMENT PERSONNEL COMPENSATION

Short-term employee benefits	321,808	598,389
Post-employment benefits	29,683	59,986
Equity-settled share based payments	24,119	-
	375,610	658,375

Short-term employee benefits

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

Post-employment benefits

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

Equity-settled share based payments

This amount is calculated as the fair value of the options and represents the value of the services received during the period the options are held over the financial period. This value was calculated using the Black-Scholes option pricing model. Further information on the share based payment transaction is disclosed in Note 23.

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

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Information on related party and entity transactions are disclosed in Note 24.

	6 months to 31 Dec 2016 (\$)	Year to 30 June 2016 (\$)
NOTE 7 AUDITORS REMUNERATION		
Amounts received or due and receivable by the auditors of the Company for:		
Auditing and reviewing the financial reports – Somes Cooke	-	12,000
Auditing and reviewing the financial reports – Greenwich & Co Audit Pty Ltd	35,583	16,000
	<u>35,583</u>	<u>28,000</u>

NOTE 8 LOSS PER SHARE		
The following reflects the earnings and share data used in the calculation of basic and diluted loss per share		
Loss for the period	(2,852,955)	(4,165,508)
Loss used in calculating basic and diluted loss per share	(2,852,955)	(4,165,508)

	Number of shares	Number of shares
Weighted average number of ordinary shares used in calculating basic loss per share	379,511,740	210,802,107

The Company had 3,000,000 (2016: 2,600,000) options over fully paid ordinary shares on issue at balance date. Options are considered to be potential ordinary shares, however, they are not considered to be dilutive in this period and accordingly have not been included in the determination of diluted loss per share.

Since the end of the financial period no ordinary shares have been issued pursuant to the employee share incentive scheme.

	31 Dec 2016 (\$)	30 Jun 2016 (\$)
NOTE 9 CASH AND CASH EQUIVALENTS		
Cash at bank	589,242	2,495,684
Deposits at call	518,481	540,450
	<u>1,107,723</u>	<u>3,036,134</u>

NOTE 10 TRADE AND OTHER RECEIVABLES		
Trade receivables	2,928	1,630
GST and tax refundable (i)	12,214	1,324,349
	<u>15,142</u>	<u>1,325,979</u>

(i) The 30 June 2016 balance includes GST receivable on capital purchases (Notes 12 & 15).

NOTE 11 OTHER ASSETS - CURRENT		
Restricted cash – security for guarantees	54,667	34,667
Prepayments	63,219	257,190
Deposits at call	-	750,000
	<u>117,886</u>	<u>1,041,857</u>

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

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

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	31 Dec 2016 (\$)	30 June 2016 (\$)
NOTE 12		
PROPERTY PLANT AND EQUIPMENT		
Plant, equipment and motor vehicles	12,925,896	12,849,963
Less: Accumulated depreciation	(172,420)	(147,419)
	<u>12,753,476</u>	<u>12,702,544</u>

Reconciliations of the carrying amount of plant, equipment and motor vehicles from the beginning to the end of the financial period.

Plant, equipment and motor vehicles		
Carrying amount at beginning of period	12,702,544	57,641
Additions	75,932	12,663,787
Depreciation expense	(25,000)	(18,884)
Total plant, equipment and motor vehicles at end of period	<u>12,753,476</u>	<u>12,702,544</u>

Property, plant and equipment additions include the purchase of a wet concentration mineral sands processing plant and ancillary mining and processing equipment from Murray Zircon on 8 June 2016 for \$11,935,028, the allocation of major wet plant spare parts inventory items that it is expected will not be used in the first year of mineral sands production of \$324,093 and an allocation of transaction completion fees of \$372,664 incurred in relation to the purchase of the equipment from Murray Zircon. Refer Note 2 Murray Zircon Pty Ltd investment in Image Resources NL for further details. The wet concentration mineral sands processing plant and ancillary mining and processing equipment from Murray Zircon is yet to be depreciated because it is not yet in the location and condition necessary for it to be capable of operating in the manner intended by management.

As at 31 December 2016 the carrying value of motor vehicles was \$82,219 (2016: \$91,142)

NOTE 13 **OTHER FINANCIAL ASSETS**

Non-Current

Available-for-sale financial assets – shares in listed corporations	<u>7,514</u>	<u>7,534</u>
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Investments in related parties

Available-for-sale financial assets includes the following investments held in director-related party entities:

Magnetic Resources NL – partly-paid shares	14	14
Meteoric Resources NL – partly-paid shares	-	20
	<u>14</u>	<u>34</u>

NOTE 14 **INVENTORY**

Non-Current

Inventory	<u>756,084</u>	<u>756,084</u>
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Inventory of \$1,080,177 including wet plant spares and other inventory items, were purchased from Murray Zircon on 8 June 2016. Of this \$324,093 was allocated to property, plant and equipment as it was considered that the items relating to this amount will not be used in the first year of mineral sands production.

NOTE 15 **TRADE AND OTHER PAYABLES**

Trade creditors and accruals (i)	366,512	1,692,284
GST and tax payable	49,772	-
	<u>416,284</u>	<u>1,692,284</u>

(i) The 30 June 2016 balance includes \$1,301,521 payable to Murray Zircon in relation to GST on the wet concentration mineral sands processing plant and ancillary mining and processing equipment (Note 12).

NOTE 16 **CURRENT PROVISIONS**

Employee leave benefits	<u>127,614</u>	<u>115,186</u>
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**NOTES TO AND FORMING PART OF THE
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		31 Dec 2016 (\$)	30 June 2016 (\$)
NOTE 17	BORROWINGS		
	Interest Rate		
Non-Current			
Interest bearing loan	5%	4,000,000	4,000,000
Fees associated with draw-down on 8 June 2016		(28,000)	(40,000)
		<u>3,972,000</u>	<u>3,960,000</u>

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 42% interest in the shares of the Company.

The key terms of the loan include an interest rate of 5% per annum accruing daily, payment of interest half-yearly in arrears, amounts outstanding repayable upon first production of 20,000 wet tonnes of heavy mineral concentrates (First Production) and allows for repayment to be made using funds under the Prepayment Facility once available (early payment is allowed at any time, with no ability to redraw) and customary default provisions. The loan is secured against all present and after-acquired property of the Company and a mining mortgage in respect of certain core tenements held by Image. Refer Note 2 Murray Zircon Pty Ltd investment in Image Resources NL for further details.

	6 months to 31 Dec 2016		Year to 30 June 2016	
	No.	\$	No.	\$
NOTE 18 ISSUED CAPITAL				
Contributed Equity – Ordinary Shares				
At the beginning of the period	379,511,740	56,283,014	175,120,129	40,064,206
Issue of shares as satisfaction for the purchase of a wet concentration mineral sands processing plant and ancillary mining and processing equipment from Murray Zircon on 8 June 2016	-	--	156,703,542	13,015,205
Issue of shares as satisfaction for part payment of corporate advisory fees in connection with the completion of the Murray zircon transaction	-	-	3,550,926	308,931
Placement issue of shares at \$0.08	-	-	25,280,000	2,022,400
Placement issue of shares at \$0.05	-	-	16,000,000	800,000
Placement issue of shares at \$0.07	-	-	2,857,143	200,000
Share issue costs	-	(31,879)	-	(127,728)
Balance at the end of the period	<u>379,511,740</u>	<u>56,251,135</u>	<u>379,511,740</u>	<u>56,283,014</u>

	31 Dec 2016 (\$)	30 Jun 2016 (\$)
Reserves		
Available-for-sale financial assets reserve	(2,600)	(2,580)
Employee benefits reserve (i)	24,119	393,640
Closing balance	<u>21,519</u>	<u>391,060</u>

Reserve – Available for Sale Financial Assets

Balance at the beginning of the period	(2,580)	(2,580)
Changes in the fair value of available for sale financial assets	(20)	-
Balance at the end of the period	<u>(2,600)</u>	<u>(2,580)</u>

Reserve – Employee Benefits

Balance at the beginning of the period	393,640	393,640
Lapse of options	(393,640)	-
Share based payment benefit expense	24,119	-
Balance at the end of the period	<u>24,119</u>	<u>393,640</u>

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

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	31 Dec 2016	30 June 2016
	No.	No.
Options		
The Company had the following options over un-issued fully paid ordinary shares at the end of the period:		
Options exercisable at \$0.085 on or before 4.12.2018	1,500,000	-
Options exercisable at \$0.010 on or before 4.12.2018	1,500,000	-
Options exercisable at \$0.3908 on or before 27.12.2016	-	2,600,000
Total Options	3,000,000	2,600,000

Terms and Conditions of Contributed Equity

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

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

	6 months to 31 Dec 2016 (\$)	Year to 30 June 2016 (\$)
NOTE 19 CASH FLOW INFORMATION		
Reconciliation of operating loss after income tax with funds used in operating activities:		
Operating loss after income tax	(2,852,955)	(4,165,508)
Depreciation	25,000	18,884
Exploration and evaluation expenditure	1,496,062	1,824,399
Profit on sale of available-for-sale financial assets	-	(90,270)
Finance costs	-	12,055
Borrowing costs	12,000	-
Changes in operating assets and liabilities:		
(Increase) / Decrease in trade and other receivables relating to operating activities	1,310,837	(1,314,405)
(Increase) / Decrease in prepayments	17,132	(72,656)
Increase in trade and other payables relating to operating activities	(1,435,037)	1,444,306
Increase in provisions	12,429	91,124
Cash flow from operations	(1,414,532)	(2,252,071)

Non-cash investing activities are outlined at Notes 2 and 18.

NOTE 20 TENEMENT EXPENDITURE CONDITIONS AND LEASING COMMITMENTS

The Company has certain obligations to perform minimum exploration work on the tenements in which it has an interest. These obligations vary from time to time. The aggregate of the prescribed expenditure conditions applicable to the granted tenements for the next twelve months amounts to \$1,319,750. Of this amount, \$30,000 is expected to be met by JV participants.

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

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

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

The Company has leased office premises at 23 Ventnor Avenue, West Perth, WA. The lease was renewed for two years for the period 1 February 2017 to 31 January 2019. The commitment for the 2017 financial year is \$134,566 including all outgoings and car parking. The commitment for more than one year and less than five years is \$159,546.

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NOTE 21 TENEMENT ACCESS

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

The Company has exercised its option to purchase a key block of land at Boonanarring upon which the feasibility study postulates that the processing plant will be constructed and the initial mining pit will be located. The purchase is scheduled to be completed on or about 13 February 2017. This land will provide the site for the supporting infrastructure, initial mining and processing operations for the North Perth Basin project.

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

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

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

NOTE 22 SIGNIFICANT EVENTS SUBSEQUENT TO REPORTING DATE

Other than the following matters:

- On 10 January 2017, the Company exercised its option to purchase 550 hectares of land required for the initial plant site and mine development at Boonanarring. Completion of this purchase was scheduled to occur on 13 February 2017, however closing has been delayed into March due to a required probate ruling.
- On 13 January 2017, the Company announced the doubling of the total tonnes of mineral resources for its 100%-owned Boonanarring Minerals Sand Project to 43.7 million tonnes.
- On 24 January 2017, the Company announced that a fully underwritten non-renounceable rights issue was completed to issue 158,129,891 shares at 4 cents per share raising \$6,325,000 before costs.

There have been no material significant events subsequent to the reporting date.

NOTE 23 EQUITY-SETTLED SHARE BASED PAYMENTS

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

The share based payments expense for the period ending 31 December 2016 amounting to \$24,119 (2016: \$0) is stated in the income statement under "Other Expenses".

(a) Summaries of options granted

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

	31 Dec 2016 (No.)	31 Dec 2016 (WAEP)	30 June 2016 (No.)	30 June 2016 (WAEP)
Outstanding at the beginning of the period	2,600,000	0.3908	2,695,000	0.4017
Granted during the period	3,000,000	0.0925	-	-
Expired during the period	(2,600,000)	0.3908	(95,000)	0.6995
Outstanding at the end of the period	3,000,000	0.0925	-	-
Exercisable at reporting date	1,500,000	0.0925	2,600,000	0.3908

b) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 31 December 2016 is between 1 and 2 years (30 June 2016: 0 and 1 year).

c) Range of exercise price

The range of exercise prices for options outstanding at the end of the period was \$0.085 to \$0.10 (30 June 2016: \$0.3908).

d) Weighted average fair value

The weighted average fair value of options granted during the year was \$0.014 (30 June 2016: N/A).

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e) Option pricing model

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

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

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

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

f) Details of options

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

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

(i) Details of Managing Director Options

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

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

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30 June 2016	Balance at Beginning of Period No.	Grant Details No.	Lapsed No.	Balance at End of Period No.
Non-Executive Director	650,000	-	-	650,000
Executive Director	800,000	-	-	800,000
Staff	95,000		95,000	-
Other (i)	1,150,000			1,150,000
Total	2,695,000	-	95,000	2,600,000

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

NOTE 24 RELATED PARTY AND RELATED ENTITY TRANSACTIONS

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

	6 months to 31 Dec 2016 (\$)	Year to 30 Jun 2016 (\$)
Leeman Pty Ltd, a George Sakalidis related party, hire of specialised equipment	(5,775)	(7,562)
Magnetic Resources NL, a George Sakalidis related party, purchase of stationary	(938)	(991)
Meteoric Resources NL, a George Sakalidis related party, tenement rates refund	-	(195)
Murray Zircon Pty Ltd – Interest on \$4,000,000 loan (Note 17)	(100,822)	(12,055)
Murray Zircon Pty Ltd – Vehicle repairs, flights & camp meals	(6,987)	-
Murray Zircon Pty Ltd – GST on wet concentration mineral sands processing plant and equipment and ancillary mining and processing equipment	-	(1,301,521)
	<u>(114,522)</u>	<u>1,322,324</u>

Total amounts owing to directors and/or director-related parties and related entities at 31 December 2016 were \$5,322 (30 June 2016: \$0).

Murray Zircon Pty Ltd is a related party due to it holding a 41.29% interest in the shares of the Company

NOTE 25 CONTINGENT LIABILITIES

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

As disclosed in Note 2 Murray Zircon Pty Ltd investment in Image Resources NL, following First Production, a secured Prepayment Facility for up to US\$8 million will be made available to the Company by Orient Zircon, which will assist in ensuring the Company is adequately funded for the ramp-up of production at Boonanarring. In the event that drawdown is made on this facility, Image is obliged to pay a fee of US\$80,000 to a third party.

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NOTE 26 FINANCIAL INSTRUMENTS DISCLOSURE

(a) Financial Risk Management Policies

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

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

Specific Financial Risk Exposure and Management

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

Interest Rate Risk

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

Liquidity Risk

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

Capital Risk

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

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

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

The working capital position of the Company at 31 December 2016 and 30 June 2016 was as follows:

	31 Dec 2016 (\$)	30 June 2016 (\$)
Cash and cash equivalents	1,107,723	3,036,134
Deposits at call	-	750,000
Restricted cash	54,667	34,667
Trade and other receivables	15,142	1,325,979
Trade and other payables and provisions	(543,898)	(1,692,284)
Working capital position	<u>633,634</u>	<u>3,454,496</u>

Credit Risk

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

The Company has lodged cash deposits (designated as restricted cash above) totalling \$54,667 (2016: \$34,667) with the bank as collateral security for office lease property managers for rental guarantees and also security for company credit cards.

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

AAA rated	-	-
AA rated	-	-
A rated	<u>1,162,390</u>	<u>3,820,801</u>

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Financial Instruments

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

Financial Instrument composition and maturity analysis

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

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

30 June 2016	Weighted Average Effective Interest Rate %	Fixed Interest Rate (\$)	Floating Interest Rate (\$)	Non-Interest Bearing (\$)	Total (\$)
Financial Assets:					
Cash and cash equivalents		-	3,036,134	1,846	3,037,980
Restricted cash		-	34,667	-	34,667
Deposits at call		-	750,000	-	750,000
Trade and other receivables		-	-	1,325,979	1,325,979
Available-for-sale financial assets		-	-	7,534	7,534
Total Financial Assets	1.54%	-	3,820,801	1,335,359	5,156,160
Financial Liabilities:					
Trade and other payables and provisions		-	-	(1,807,470)	(1,807,470)
Borrowings		(4,000,000)	-	-	(4,000,000)
Total Financial Liabilities	5.0%	(4,000,000)	-	(1,807,470)	(5,807,470)
Net Financial Assets		(4,000,000)	3,820,801	(472,111)	(651,310)

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

31 December 2016	Less than 3 months	3 to 12 months	1 to 5 years	Total
Trade and other payables and provisions	543,898	-	-	543,898
Borrowings	-	100,822	800,000	900,822
	543,898	100,822	800,000	1,444,720

30 June 2016	Less than 3 months	3 to 12 months	1 to 5 years	Total
Trade and other payables and provisions	1,807,470	-	-	1,807,470
Borrowings	12,055	100,822	800,000	912,877
	1,819,525	100,822	800,000	2,720,347

The borrowings have no fixed maturity date. Please refer to Note 2 Murray Zircon Pty Ltd investment in Image Resources NL for further details.

(b) Financial Instruments Measured at Fair Value

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

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

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

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

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

30 June 2016	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial Assets:				
Financial assets at fair value through profit or loss:				
Available-for-sale financial assets:				
- Listed investments	7,534	-	-	7,534
	7,534	-	-	7,534

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Sensitivity Analysis – Interest rate risk

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

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

	31 Dec 2016 (\$)	30 June 2016 (\$)
Change in loss – increase/(decrease):		
- Increase in interest rate by 2%	(23,248)	(76,416)
- Decrease in interest rate by 2%	23,248	76,416
Change in equity – increase/(decrease):		
- Increase in interest rate by 2%	23,248	76,416
- Decrease in interest rate by 2%	(23,248)	(76,416)

DIRECTORS' DECLARATION



The directors of the Company declare that:

1. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and the Corporations Act 2001;
 - (b) give a true and fair view of the financial position as at 31 December 2016 and performance for the period ended on that date of the Company; and
 - (c) the audited remuneration disclosures set out in the Remuneration Report section of the Directors' Report for the period ended 31 December 2016 complies with section 300A of the Corporations Act 2001;
2. the Chief Financial Officer has declared pursuant to section 295A(2) of the Corporations Act 2001 that:
 - (a) the financial records of the company for the financial period have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - (b) the financial statements and the notes for the financial period comply with Accounting Standards; and
 - (c) the financial statements and notes for the financial period give a true and fair view;
3. in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
4. the directors have included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

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

A handwritten signature in black ink, appearing to read 'R Besley', written in a cursive style.

ORIGINAL SIGNED BY ROBERT BESLEY
CHAIRMAN

PERTH
Dated this 10 March 2017

Independent Audit Report to the members of Image Resources NL

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Image Resources NL (the Company), which comprises the statement of financial position as at 31 December 2016, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the period ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) giving a true and fair view of the Company's financial position as at 31 December 2016 and of its financial performance for the period then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Material Uncertainty Related to Going Concern

Without modifying our opinion, we draw attention to Note 1, which outlines that the going concern basis is dependent upon on the ability of the Image Resources NL to secure additional funding through either the issue of further shares and / or options.

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

Key Audit Matters

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

Valuation of Plant and Equipment

Refer to Note 12, Property Plant and Equipment (\$12,753k) and accounting policy Notes 1h and 1j

Key Audit Matter	How our audit addressed the matter
Plant and equipment represents a significant balance in the Statement of Financial Position. Assessment of the carrying value of idle mining plant and equipment is a key audit matter. There are a number of judgements required in determining whether there are indicators that the current carrying value is less than the recoverable amount due to the current economic conditions, uncertainty of future use, and potential volatility of commodity prices. This resulted in increased challenge to assess the forecasted future use, and the timing thereof, and the related expected cash flows for the idle assets.	Our audit work included, but was not restricted to, the following: • Understanding and challenging managements assumptions and analysis of their assessment as to whether impairment indicators exist in relation to the plant and equipment; and • Examination of managements latest NPV estimations in relation to planned activities.

Other Information

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

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

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

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

Responsibilities of Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 20 to 25 of the directors' report for the period ended 31 December 2016. The directors of the Image Resources NL are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Image Resources NL for the period ended 31 December 2016 complies with section 300A of the *Corporations Act 2001*.

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

AM
Andrew May
Audit Director

10 March 2017
Perth

ASX Additional Information

Image Resources NL (ASX: IMA) provides the following information as required by the ASX Listing Rules. The information is current as at 8 March 2017.

Distribution of Equity Securities

			Ordinary shares	
			Number of holders	Number of shares
1	-	1,000	294	173,113
1,001	-	5,000	547	1,614,113
5,001	-	10,000	290	2,381,618
10,001	-	100,000	594	22,531,546
100,001		and over	286	510,941,241
			2,011	537,641,631
The number of shareholders holding less than a marketable parcel of shares are:			1,143	4,293,537

Twenty Largest Shareholders:

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

		Listed ordinary shares	
		Number of shares	Percentage of ordinary shares
1	Murray Zircon Pty Ltd	156,703,542	29.15
2	Orient Zirconic Resources (Australia) Pty Ltd	51,761,950	9.63
3	Million Up Ltd	31,735,865	5.90
4	Ava Cartel SDN BHD	14,150,887	2.63
5	XQ (HK) Enterprises Ltd	13,531,193	2.52
6	Pontian Orico Plantations	11,539,728	2.15
7	Choy Fuan Ku	10,000,000	1.86
8	Citicorp Nominees Pty Ltd	9,242,155	1.72
9	Lim Pang Soo	8,854,167	1.65
10	Target Range Pty Ltd	7,700,000	1.43
11	Choon Kong Lim	6,235,624	1.16
12	GFI Investments Pty Ltd <Ward S/F A/C>	5,826,646	1.08
13	Frederick Denis Ribton	5,336,370	0.99
14	Shumei Chen	5,000,000	0.93
15	New Eastern International Investments Pty Ltd	5,000,000	0.93
16	Zonglin Cai	4,967,214	0.92
17	Choon Kong Lim	4,675,000	0.87
18	Aaron Sim Kwang Liang	4,464,286	0.83
19	Ribton Super Fund Pty Ltd <Ribton S/F A/C>	4,361,143	0.81
20	Eminent Holdings Pty Ltd	4,247,082	0.79
		365,332,852	67.95

Substantial shareholders:

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

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

Voting Rights

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

Unquoted Securities

Class	Number of Securities	Number of Holders	Holders of 20% or more of the class	
			Holder Name	Number of Securities
Options exercisable at \$0.085 expiring 04/12/2018	1,500,000	1	Patrick Mutz	1,500,000
Options exercisable at \$0.10 expiring 04/12/2018	1,500,000	1	Patrick Mutz	1,500,000

Tenement Schedule

Tenement	Status	Project	Equity (%)	Other Holder/Manager
Red Gully project C151/2011				
E70/3032	Granted	GINGIN	IMAGE 100%	
E70/3041	Granted	REGANS FORD SOUTH	IMAGE 100%	
E70/3100	Granted	QUINNS HILL	IMAGE 100%	
E70/3192	Granted	BOOTINE	IMAGE 100%	
E70/3411	Granted	REGANS FORD	IMAGE 100%	
E70/3494	Granted	BRYALANA	IMAGE 100%	
E70/3720	Granted	BLUE LAKE	IMAGE 100%	
E70/3966	Granted	REGANS FORD WEST	IMAGE 100%	
E70/4077	Granted	DARLING RANGE	IMAGE 100%	
E70/4689	Granted	BOONANARRING	IMAGE 100%	
M70/0448	Granted	GINGIN SOUTH	IMAGE 100%	
M70/1192	Granted	RED GULLY	IMAGE 100%	
M70/1193	Granted	GINGIN NORTH	IMAGE 100%	
M70/1194	Granted	BOONANARRING	IMAGE 100%	
M70/1311	Granted	BOONANARRING NORTH	IMAGE 100%	
Cooljarloo project C97/2007				
E70/2636	Granted	COOLJARLOO	IMAGE 100%	
E70/2898	Granted	COOLJARLOO	IMAGE 100%	
E70/3997	Granted	MUNBINIA	IMAGE 100%	
E70/4244	Granted	WOOLKA	IMAGE 100%	
E70/4631	Granted	MUNBINEA WEST	IMAGE 100%	
E70/4656	Granted	WINOOKA NORTH	IMAGE 100%	
E70/4663	Granted	BIBBY SPRINGS	IMAGE 100%	
P70/1516	Granted	COOLJARLOO	IMAGE 100%	
R70/0051	Granted	COLLJARLOO	IMAGE 100%	
Bidaminna project C46/2009				
E70/2844	Granted	BIDAMINNA NTH	IMAGE 100%	
E70/3298	Granted	BIDAMINNA - PARK	IMAGE 90%	ARF Maslin 10%
E70/4245	Granted	WINOOKA	IMAGE 100%	
E70/4779	Granted	MIMEGARRA	IMAGE 100%	
E70/4794	Granted	REGANS FORD NORTH	IMAGE 100%	
Erayina project C85/2011				
E28/1895	Granted	KING (INTEGRA JV)	IMAGE 30%	INTEGRA 70%
E28/2071	Granted	TALC LAKE (INTEGRA JV)	IMAGE 30%	INTEGRA 70%
Other projects				
G70/0250	Granted	BOONANARRING	IMAGE 100%	
E52/2067	Granted	WILTHORPE JV	RESOURCEFUL MINING GROUP 100%	IMAGE 1% ROYALTY
M52/1067	Granted	WILTHORPE JV	RESOURCEFUL MINING GROUP 100%	IMAGE 1% ROYALTY
E70/3892	Granted	CHAPMAN HILL (DORAL JV)	IMAGE 100%	DORAL JV
E70/4129	Granted	MULLERING SOUTH	TRONOX 100%	IMAGE SLIDING

Image Resources NL
ASX Additional Information

Tenement	Status	Project	Equity (%)	Other Holder/Manager ROYALTY
E70/4130	Granted	MULLERING SOUTH	TRONOX 100%	IMAGE SLIDING ROYALTY
E70/4779	Granted	CALADENIA	IMAGE 100%	
R69/0001	Granted	SERPENTINE LAKES	DIATREME RESOURCES LIMITED 100%	IMAGE 1% ROYALTY
Tenement Applications at 31 December 2016				
E70/4795	Application	BIDAMINNA SOUTH	IMAGE 100%	
E70/4919	Application	ORANGE SPRINGS	IMAGE 100%	
E70/4921	Application	RED GULLY NORTH	IMAGE 100%	
E70/4932	Application	NAMMING	IMAGE 100%	
M70/1305	Application	ATLAS	IMAGE 100%	
P70/1520	Application	COOLJARLOO	IMAGE 100%	



CORPORATE GOVERNANCE STATEMENT 31 DECEMBER 2016

The Board of Image Resources NL ("Board") is committed to ensuring that the Company's obligations and responsibilities to its various stakeholders are fulfilled through its corporate governance practices. The directors of the Company ("Directors", being either "Non-Executive Directors" or Executive Directors") undertake to perform their duties with honesty, integrity, care and due diligence, to act in good faith in the best interests of the Company in a manner that reflects the highest standards of corporate governance.

The Company's Board are committed to a high standard of corporate governance practices, ensuring that the Company complies with the Corporations Act 2001 (Cth), ASX Listing Rules, Company Constitution and other applicable laws and regulations.

Corporate Governance Compliance

The Company has followed the 3rd edition of the ASX Corporate Governance Council's Principles and Recommendations ("Principles and Recommendations") where the Board has considered the recommendations to be an appropriate benchmark for its corporate governance practices.

Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and reason for adoption of its own practice, in compliance with the "if not, why not" regime.

This statement was approved by the Board on 10 March 2017.

CORPORATE GOVERNANCE STATEMENT 31 DECEMBER 2016 (CONT'D)

Principle	ASX Recommendation	Conform (Y/N)	Disclosure
Principle 1:	Lay solid foundations for management and oversight		
1.1	A listed entity should disclose: a) The respective roles and responsibilities of its board and managements; and b) Those matters expressly reserved to the board and those delegated to management.	Y	The Board Charter details the functions and responsibilities of the Board and management, including matters reserved for the Board. The Board Charter is included in the Corporate Governance & Policies Manual on the Company's website.
1.2	A listed entity should: a) Undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election as a director; and b) Provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director.	Y	The full Board undertakes the duties that fall to the nomination committee under the Company's Nomination Committee Charter, which is included in the Corporate Governance & Policies Manual on the Company's website. The role of the Nomination Committee is to identify and recommend candidates to fill casual vacancies and to determine the appropriateness of director nominees for election to the Board. The Nomination Committee Charter requires the Board to make appropriate background checks prior to recommending a candidate for election or re-election as a director. The Board must identify and recommend candidates only after considering the necessary and desirable competencies of new Board members to ensure the appropriate mix of skills and experience and after an assessment of how the candidate can contribute to the strategic direction of the Company All material information relevant to whether or not to elect or re-elect a director is provided to the Company's shareholders as part of the Notice of Meeting and explanatory memorandum for the relevant meeting of shareholders which addresses the election or re-election of a director.
1.3	A listed entity should have a written agreement with each Director and senior executive setting out the terms of their appointment.	Y	The Remuneration Committee Charter, which is included in the Corporate Governance & Policies Manual on the Company's website, requires the Company to have a written agreement with each Director and senior executive setting out the terms of their engagement. Each Non-Executive Director has signed a letter of appointment. Each Executive Director has signed an executive service agreement.

Principle	ASX Recommendation	Conform (Y/N)	Disclosure
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	Y	The Company Secretary is accountable to the Board, through the Chairman, on all governance matters and reports directly to the Chairman as the representative of the Board. The Company Secretary has primary responsibility for ensuring that the Board processes and procedures run efficiently and effectively.
1.5	A listed entity should: a) Have a diversity policy which includes requirements for the board or a relevant committee of the board to set measureable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; b) Disclose the policy or summary of it; and c) Disclose at the end of each reporting period the measureable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: 1) The respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity defined "senior executive" for these purposes); or 2) If the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined and published under that Act.	N	The Company has adopted a Diversity Policy which is included in the Corporate Governance & Policies Manual on the Company's website. The Company recognises that a diverse and talented workforce is a competitive advantage and encourages a culture that embraces diversity. The Company does not think that it is appropriate to state measurable objectives for achieving gender diversity due to its size and stage of development. The proportion of women employees in the whole organisation is 29% (excluding directors). There are currently no women in senior executive positions or on the Board.
1.6	A listed entity should: a) Have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and b) Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Y	The Board Charter, which is included in the Corporate Governance & Policies Manual on the Company's website, details the process for evaluating the Board, its Committees and individual Directors. The assessment process which may be used by the Board is that each director completes a questionnaire relating to the role, composition, procedures, practices and behaviour of the Board and its members. An independent third party consultant may be used to facilitate the assessment. No formal board performance review was undertaken in the reporting period. A Board performance review will be undertaken in 2017.

Principle	ASX Recommendation	Conform (Y/N)	Disclosure
1.7	A listed entity should: a) Have and disclose a process for periodically evaluating the performance of its senior executives; and b) Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Y Y	Employees numbers during the period ended 31 December 2016 were limited to less than 5 and at most times during the year were 3 (including the Managing Director). Given the limited employee numbers performance evaluation is a process undertaken informally on a daily basis. Staff matters (including performance) are discussed at each board meeting and included in the COO's regular Operation Reports distributed to all Board members.
Principle 2:	Structure the board to add value		
2.1	The board of a listed entity should: a) Have a nomination committee which: 1) Has at least three members, a majority of whom are independent directors; and 2) Is chaired by an independent director, And disclose: 3) The charter of the committee; 4) The members of the committee; and 5) As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or b) If it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	N Y	The Company does not currently have a nomination committee. The Board has decided that no efficiencies will be achieved by establishing a separate nomination committee. The Board carries out the duties that would otherwise be undertaken by the nomination committee, in accordance with the Nomination Committee Charter, which is included in the Corporate Governance & Policies Manual on the Company's website.

Principle	ASX Recommendation	Conform (Y/N)	Disclosure																																
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	Y	Board Skills Collectively, the Board has an extensive range of commercial skills and other relevant experience which are vital for the effective management of the business. Board members, including some who are also directors of other ASX-listed companies, together have a combination of experience in the following business areas: commercial; corporate governance; regulatory framework; legal; investor relations; capital raising; corporate strategy; accounting; business development; risk management; mineral exploration; geographic experience; mineral project development; Leadership.																																
2.3	A listed entity should disclose: a) The names of the directors considered by the board to be independent; b) If a director has an interest, position, association or relationship of the type described in Box 2.3 (Factors relevant to addressing the independence of a director) but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and c) The length of service of each director.	N	As at 31 December 2016 the Board consisted of: <table><tr><th>Name</th><th>Role</th><th>Independent</th><th>Date appointed</th></tr><tr><td>Robert Besley</td><td>Non-Executive Chairman</td><td>Yes</td><td>June 2016</td></tr><tr><td>Patrick Mutz</td><td>Managing Director</td><td>No</td><td>June 2016</td></tr><tr><td>George Sakalidis</td><td>Executive Technical Director</td><td>No</td><td>May 1994</td></tr><tr><td>Peter Thomas</td><td>Non-Executive Director</td><td>Yes</td><td>April 2002</td></tr><tr><td>Aaron Chong Veoy Soo</td><td>Non-Executive Director</td><td>Yes</td><td>July 2015</td></tr><tr><td>Fei Wu</td><td>Non-Executive Director</td><td>No</td><td>June 2016</td></tr><tr><td>Chaodian Chen</td><td>Non-Executive Director</td><td>No</td><td>June 2016</td></tr></table>	Name	Role	Independent	Date appointed	Robert Besley	Non-Executive Chairman	Yes	June 2016	Patrick Mutz	Managing Director	No	June 2016	George Sakalidis	Executive Technical Director	No	May 1994	Peter Thomas	Non-Executive Director	Yes	April 2002	Aaron Chong Veoy Soo	Non-Executive Director	Yes	July 2015	Fei Wu	Non-Executive Director	No	June 2016	Chaodian Chen	Non-Executive Director	No	June 2016
Name	Role	Independent	Date appointed																																
Robert Besley	Non-Executive Chairman	Yes	June 2016																																
Patrick Mutz	Managing Director	No	June 2016																																
George Sakalidis	Executive Technical Director	No	May 1994																																
Peter Thomas	Non-Executive Director	Yes	April 2002																																
Aaron Chong Veoy Soo	Non-Executive Director	Yes	July 2015																																
Fei Wu	Non-Executive Director	No	June 2016																																
Chaodian Chen	Non-Executive Director	No	June 2016																																
2.4	A majority of the board of a listed entity should be independent.	N	Refer 2.3.																																

Principle	ASX Recommendation	Conform (Y/N)	Disclosure
2.5	The chair of the board of a listed entity should be an independent director, and in particular, should not be the same person as the CEO of the entity.	Y	Robert Besley, who was appointed as Chairman in June 2016, is an independent Non-Executive Director. He does not perform the role of CEO of the Company (which position is currently held by Patrick Mutz).
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	Y	Induction and professional development form part of the responsibilities of the Nomination Committee as noted in the Nomination Committee Charter, which is included in the Corporate Governance & Policies Manual on the Company's website. Induction documents are provided with a written engagement letter and the Company Secretary is available to assist with the process of new Directors familiarising themselves with the Company. Professional development requirements are addressed as circumstances require.
Principle 3:	Act ethically and responsibly		
3.1	A listed entity should: a) Have a code of conduct for its directors, senior executives and employees; and b) Disclose that code or a summary of it.	Y	The Company has formulated a general Code of Conduct and a Code of Conduct for Directors and Executives which all employees and directors are expected, at a minimum, to follow. The Codes are included in the Corporate Governance & Policies Manual on the Company's website.

Principle	ASX Recommendation	Conform (Y/N)	Disclosure
Principle 4:	Safeguard integrity in financial reporting		
4.1	The board of a listed entity should: a) Have an audit committee which: 1) Has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and 2) Is chaired by an independent director, who is not the chair of the board, And disclose: 3) The charter of the committee; 4) The relevant qualifications and experience of the members of the committee; and 5) In relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or b) If it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	Y	The Company has established an Audit Committee which comprises only non-executive directors (Fei Wu, Aaron Chong Veoy Soo and Robert Besley). The Audit Committee Charter is included in the Corporate Governance & Policies Manual on the Company's website. The qualifications, experience and attendance of the members of the Audit Committee are disclosed in the Company's Directors' Report (contained in the 2016 Annual Report).
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Y	Under the Company's Risk Management Policy, which is included in the Corporate Governance & Policies Manual on the Company's website, the CEO and CFO will provide a written declaration of assurance that in their opinion, the financial records of the Company for the relevant reporting period have been properly maintained, comply with appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Principle	ASX Recommendation	Conform (Y/N)	Disclosure
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Y	The Company takes all reasonable steps to ensure the external auditor is represented at each annual general meeting to answer questions concerning the conduct of the audit, the preparation and content of the auditor's report, accounting policies adopted by the Company and the independence of the auditor in relation to the conduct of the audit.
Principle 5:	Make timely and balanced disclosure		
5.1	A listed entity should: a) Have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and b) Disclose that policy or a summary of it.	Y	The Company has adopted a Continuous Disclosure Policy, which is included in the Corporate Governance & Policies Manual on the Company's website. The Policy is designed to guide compliance with ASX Listing Rules disclosure requirements, and to ensure all Directors, senior executives and employees of the Company understand their responsibilities under the Policy.
Principle 6:	Respect the rights of shareholders		
6.1	A listed entity should provide information about itself and its governance to investors via its website.	Y	The Company has a Shareholder Communication Policy, which is included in the Corporate Governance & Policies Manual on the Company's website. The company website provides a platform to disclose official ASX releases of material information and periodic reports, press releases, notices and presentations as well as a mechanism for shareholders to contact the Company via email.
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communications with investors.	Y	Refer 6.1.
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Y	The Company has a Shareholder Communication Policy, which is included in the Corporate Governance & Policies Manual on the Company's website. The Policy specifically encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals and outlines the various ways in which the Company communicates with shareholders.
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Y	Shareholders can register with the Company's share registrar to receive email notifications of when an announcement is made by the Company to ASX, including the release of annual, half-yearly and quarterly reports. Further, the Company provides information through its website enabling security holders to email the Company. The share registrar also provides the ability to email the share registrar and to receive documents by email from the share registrar.

Principle	ASX Recommendation	Conform (Y/N)	Disclosure
Principle 7:	Recognise and manage risk		
7.1	The board of a listed entity should: a) Have committee or committees to oversee risk, each of which: 1) Has at least three members, a majority of whom are independent directors; and 2) Is chaired by an independent director, And disclose: 3) The charter of the committee; 4) The members of the committee; and 5) As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or b) If it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	N Y	The Company does not currently have a risk committee. The Board has decided that no efficiencies will be achieved by establishing a separate risk committee. The full Board undertakes the duties which fall to the Risk Management Committee under the Company's Risk Management Policy, which is included in the Corporate Governance & Policies Manual on the Company's website. The Board recognises its responsibility for identifying areas of significant business risk and for ensuring that arrangements are in place for adequately managing these risks. This issue is regularly reviewed at Board meetings and risk management culture is encouraged amongst employees and contractors.
7.2	The board or a committee of the board should: a) Review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and b) Disclose, in relation to each reporting period, whether such a review has taken place.	N	The Board determines the Company's 'risk profile' and is responsible for overseeing and approving risk management strategy and policies, internal compliance and non-financial internal control. The Board has not reviewed the Company's risk profile during the period ended 31 December 2016, and updated its risk assessment matrix. However, this issue is reviewed at Board meetings and risk management culture is encouraged amongst employees and contractors. A formal risk analysis is scheduled to be conducted in March/April 2017 as part of the bankable feasibility study being conducted by the Company.
7.3	A listed entity should disclose: a) If it has an internal audit function, how the function is structured and what role it performs; or b) If it does not have an internal audit function, disclose that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	N	The Company does not have an internal audit function. Under the Company's Risk Management Policy, the responsibility for undertaking and assessing risk management and internal control effectiveness is assumed by the full Board.

Principle	ASX Recommendation	Conform (Y/N)	Disclosure
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Y	The Company does not have any material exposure to these risks. As an exploration company rather than an economic producer there is no material exposure to economic sustainability risk. Whilst not materially exposed to environmental sustainability risk, the Company has an Environmental Policy, which is included in the Corporate Governance & Policies Manual on the Company's website, designed to prevent and mitigate negative environmental impacts caused by exploration activities. Whilst not materially exposed to social sustainability risk, the Company has an Environmental Policy, which is included in the Corporate Governance & Policies Manual on the Company's website, designed to prevent or minimise adverse impacts of its operations on host communities.
Principle 8:	Remunerate fairly and responsibly		
8.1	The board of a listed entity should: a) Have a remuneration committee which: 1) Has at least three members, a majority of whom are independent directors; and 2) Is chaired by an independent director, And disclose: 3) The charter of the committee; 4) The members of the committee; and 5) As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or b) If it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	Y	The Company has established a Remuneration Committee which comprises only non-executive directors (Fei Wu, Peter Thomas and Robert Besley). The Remuneration Committee Charter is included in the Corporate Governance & Policies Manual on the Company's website. The qualifications, experience and attendance of the members of the Remuneration Committee are disclosed in the Company's Directors' Report (contained in the 2016 Annual Report).
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	Y	Details of the Company's policies and practices regarding the remuneration of Directors and other senior management is set out in the Remuneration Report as disclosed in the Company's Directors' Report (contained in the 2016 Annual Report).

Principle	ASX Recommendation	Conform (Y/N)	Disclosure
8.3	A listed entity which has an equity-based remuneration scheme should: a) Have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and b) Disclose that policy or a summary of it.	Y	The Company's Securities Trading Policy specifically prevents employees engaging in margin lending or otherwise leveraging securities without the fully informed consent of the board.

Appendix 4G

Key to Disclosures

Corporate Governance Council Principles and Recommendations

Introduced 01/07/14 Amended 02/11/15

Name of entity

Image Resources NL

ABN / ARBN

57 063 977 579

Financial period ended:

31 December 2016

Our corporate governance statement² for the above period above can be found at:³



Attached to this Appendix 4G after the Annexure



This URL on our website:

www.imageres.com.au

The Corporate Governance Statement is accurate and up to date as at • March 2017 and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.

Date: 10 March 2017

Name of Director or Secretary authorising
lodgement: Dennis Wilkins
Company Secretary

¹ Under Listing Rule 4.7.3, an entity must lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX.

Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of rule 4.10.3.

² "Corporate governance statement" is defined in Listing Rule 19.12 to mean the statement referred to in Listing Rule 4.10.3 which discloses the extent to which an entity has followed the recommendations set by the ASX Corporate Governance Council during a particular reporting period.

³ Mark whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where the entity's corporate governance statement can be found. You can, if you wish, delete the option which is not applicable.

Throughout this form, where you are given two or more options to select, you can, if you wish, delete any option which is not applicable and just retain the option that is applicable. If you select an option that includes "OR" at the end of the selection and you delete the other options, you can also, if you wish, delete the "OR" at the end of the selection.

ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT			
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i> ... and information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management): ☒ at www.imageres.com.au	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i>	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i>	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i>	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable

⁴ If you have followed all of the Council's recommendations in full for the whole of the period above, you can, if you wish, delete this column from the form and re-format it.

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
1.5	A listed entity should: (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either: (1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.	... the fact that we have a diversity policy that complies with paragraph (a): ☐ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location] ... and a copy of our diversity policy or a summary of it: ☒ at www.imageres.com.au ... and the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with our diversity policy and our progress towards achieving them: ☐ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location] ... and the information referred to in paragraphs (c)(1) or (2): ☐ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☒ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.6	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	... the evaluation process referred to in paragraph (a): ☒ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location] ... and the information referred to in paragraph (b): ☒ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.7	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	... the evaluation process referred to in paragraph (a): ☒ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location] ... and the information referred to in paragraph (b): ☒ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE			
2.1	The board of a listed entity should: (a) have a nomination committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	[If the entity complies with paragraph (a):] ... the fact that we have a nomination committee that complies with paragraphs (1) and (2): ☐ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location] ... and a copy of the charter of the committee: ☐ at [insert location] ... and the information referred to in paragraphs (4) and (5): ☐ in our Corporate Governance Statement <u>OR</u> ☐ at the Directors' Report in the 2016 Annual Report [If the entity complies with paragraph (b):] ... the fact that we do not have a nomination committee and the processes we employ to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☒ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	... our board skills matrix: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	... the names of the directors considered by the board to be independent directors: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location] ... and, where applicable, the information referred to in paragraph (b): ☐ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location] ... and the length of service of each director: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☐ an explanation why that is so in our Corporate Governance Statement
2.4	A majority of the board of a listed entity should be independent directors.	... the fact that we follow this recommendation: ☐ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☒ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY			
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	... our code of conduct or a summary of it: ☐ in our Corporate Governance Statement <u>OR</u> ☒ at www.imageres.com.au	☐ an explanation why that is so in our Corporate Governance Statement

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING			
4.1	The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	[If the entity complies with paragraph (a):] ... the fact that we have an audit committee that complies with paragraphs (1) and (2): ☒ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i> ... and a copy of the charter of the committee: ☒ at www.imageres.com.au ... and the information referred to in paragraphs (4) and (5): ☐ in our Corporate Governance Statement <u>OR</u> ☒ at the Directors' Report in the 2016 Annual Report [If the entity complies with paragraph (b):] ... the fact that we do not have an audit committee and the processes we employ that independently verify and safeguard the integrity of our corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner: ☐ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i>	☐ an explanation why that is so in our Corporate Governance Statement
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i>	☐ an explanation why that is so in our Corporate Governance Statement

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i>	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity that does not hold an annual general meeting and this recommendation is therefore not applicable
PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE			
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	... our continuous disclosure compliance policy or a summary of it: ☐ in our Corporate Governance Statement <u>OR</u> ☒ at www.imageres.com.au	☐ an explanation why that is so in our Corporate Governance Statement
PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	... information about us and our governance on our website: ☒ at www.imageres.com.au	☐ an explanation why that is so in our Corporate Governance Statement
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i>	☐ an explanation why that is so in our Corporate Governance Statement
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	... our policies and processes for facilitating and encouraging participation at meetings of security holders: ☐ in our Corporate Governance Statement <u>OR</u> ☒ at www.imageres.com.au	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity that does not hold periodic meetings of security holders and this recommendation is therefore not applicable
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	... the fact that we follow this recommendation: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i>	☐ an explanation why that is so in our Corporate Governance Statement

Appendix 4G

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 7 – RECOGNISE AND MANAGE RISK			
7.1	The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	[If the entity complies with paragraph (a):] ... the fact that we have a committee or committees to oversee risk that comply with paragraphs (1) and (2): ☐ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location] ... and a copy of the charter of the committee: ☐ at [insert location] ... and the information referred to in paragraphs (4) and (5): ☐ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location] [If the entity complies with paragraph (b):] ... the fact that we do not have a risk committee or committees that satisfy (a) and the processes we employ for overseeing our risk management framework: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☒ an explanation why that is so in our Corporate Governance Statement
7.2	The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	... the fact that board or a committee of the board reviews the entity's risk management framework at least annually to satisfy itself that it continues to be sound: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location] ... and that such a review has taken place in the reporting period covered by this Appendix 4G: ☐ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☒ an explanation why that is so in our Corporate Governance Statement

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	[If the entity complies with paragraph (a):] ... how our internal audit function is structured and what role it performs: ☐ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i> [If the entity complies with paragraph (b):] ... the fact that we do not have an internal audit function and the processes we employ for evaluating and continually improving the effectiveness of our risk management and internal control processes: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i>	☒ an explanation why that is so in our Corporate Governance Statement
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	... whether we have any material exposure to economic, environmental and social sustainability risks and, if we do, how we manage or intend to manage those risks: ☒ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i>	☐ an explanation why that is so in our Corporate Governance Statement

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY			
8.1	The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	[If the entity complies with paragraph (a):] ... the fact that we have a remuneration committee that complies with paragraphs (1) and (2): ☒ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location] ... and a copy of the charter of the committee: ☒ at www.imageres.com.au ... and the information referred to in paragraphs (4) and (5): ☐ in our Corporate Governance Statement <u>OR</u> ☒ at the Directors' Report in the 2016 Annual Report [If the entity complies with paragraph (b):] ... the fact that we do not have a remuneration committee and the processes we employ for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive: ☐ in our Corporate Governance Statement <u>OR</u> ☐ at [insert location]	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	... separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives: ☐ in our Corporate Governance Statement <u>OR</u> ☒ at the Directors' Report in the 2016 Annual Report	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable
8.3	A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	... our policy on this issue or a summary of it: ☐ in our Corporate Governance Statement <u>OR</u> ☒ at www.imageres.com.au	☐ an explanation why that is so in our Corporate Governance Statement <u>OR</u> ☐ we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable <u>OR</u> ☐ we are an externally managed entity and this recommendation is therefore not applicable

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
ADDITIONAL DISCLOSURES APPLICABLE TO EXTERNALLY MANAGED LISTED ENTITIES			
-	<i>Alternative to Recommendation 1.1 for externally managed listed entities:</i> The responsible entity of an externally managed listed entity should disclose: (a) the arrangements between the responsible entity and the listed entity for managing the affairs of the listed entity; (b) the role and responsibility of the board of the responsible entity for overseeing those arrangements.	... the information referred to in paragraphs (a) and (b): ☐ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i>	☐ an explanation why that is so in our Corporate Governance Statement
-	<i>Alternative to Recommendations 8.1, 8.2 and 8.3 for externally managed listed entities:</i> An externally managed listed entity should clearly disclose the terms governing the remuneration of the manager.	... the terms governing our remuneration as manager of the entity: ☐ in our Corporate Governance Statement <u>OR</u> ☐ at <i>[insert location]</i>	☐ an explanation why that is so in our Corporate Governance Statement