IMAGE RESOURCES

FROM MINE

TO CUSTOMER

Image Resources NL

ABN: 57 063 977 579

ANNUAL FINANCIAL REPORT

31 December 2018

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CORPORATE DIRECTORY

DIRECTORS

ROBERT BESLEY
Non-Executive Chairman

PATRICK MUTZ
Managing Director

GEORGE SAKALIDIS
Executive Director - Exploration

CHAODIAN CHEN
Non-Executive Director

HUANGCHENG LI
Non-Executive Director

AARON CHONG VEOY SOO
Non-Executive Director

PETER THOMAS
Non-Executive Director

FEI WU
Non-Executive Director

COMPANY SECRETARY

DENNIS WILKINS

(DW Corporate)

WEBSITE
www.imageres.com.au

FOR SHAREHOLDER INFORMATION CONTACT

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FOR INFORMATION ON THE COMPANY CONTACT

PRINCIPAL & REGISTERED OFFICE

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Telephone (08) 9485 2410

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)

ASX Code - IMA (Fully paid shares)

ISSUED CAPITAL

957,247,598 fully paid ordinary shares

ABN: 57 063 977 579

The principal focus of Image Resources NL ("**Image**" or "**the Company**") during the 2018 calendar year was finalisation of project financing, successful completion of construction and commissioning, and the achievement of an exploration company's ultimate goal of transition to active mining company at the Company's 100%-owned, high-grade, zircon-rich Boonanarring Mineral Sands Project (the "Project") in the North Perth Basin located 80 Kilometres north of Perth. The achievement of transition to production is enriched by the fact that the first sale of HMC product and receipt of first revenue were achieved in less than nine months following drawdown of project debt financing.

2018 in Review

Project Capital Financing

On 7 March 2018 the Company entered into a Loan Note Subscription Agreement ("LNSA") with Pala Investments Limited ("Pala") and Castlelake IV, L.P. and CL V Investment Solutions LLC which are entities controlled by Castlelake L.P. (collectively, "Castlelake") as the Loan Note Holders, to raise the equivalent of AUD50M in USD from the issue of senior secured loan notes.

On 15 March 2018, the Company announced that it had closed an equity raising, to raise the remaining AU$25 million required for the development of the Boonanarring Project through the issue of 250 million Image shares at 10 cents per share.

On 10 May 2018 Image satisfied all conditions precedent for funds drawdown under the LNSA and on 25 May 2018 received a single tranche USD equivalent of AU$50 million (less fees) for the Boonanarring project development.

Project Construction

In March 2018 project development activities commenced at Boonanarring with the start of construction of the site entry road and in April site civil works were started. In May, topsoil and overburden removal for the initial box cut of the mine was initiated, as was dismantling of the Wet Concentration Plant and ancillary equipment in South Australia in preparation for relocation to Boonanarring. Construction activities ramped up in May and continued through September.

Construction at Boonanarring was deemed practically complete in late October with the commencement of wet commissioning of the processing plant, and construction was deemed fully complete and commissioning declared successful and complete at the end of November 2018. Overall, project construction was completed in accordance with the approved schedule and budget.

Transition to Production

On 1 December 2018 the Company transitioned to an active mining company with the commencement of the production ramp-up period. Production statistics for December exceeded budgeted expectations in all categories. Heavy mineral concentrate (HMC) production was sufficient to allow the scheduling and preparation of 10,000 tonnes of HMC for the first sale and export of product under the Company's HMC Off-take Agreements, with scheduled departure in the first-half of January 2019.

Safety

Throughout the construction, commissioning and production ramp-up period through the end of December 2018, and including for the entire calendar year of 2018, Image had zero reported lost-time injuries.

Zircon Prices and FX

During the year, the benchmark price for zircon, used by Image to determine the price for its HMC, increased substantially. The price for Iluka premium grade zircon increased by 14% on 1 April 2018 to US$1,410 per tonne. As a result of this price rise and an increase in the longer term price forecast for zircon by TZMI, Image updated its

Bankable Feasibility Study (BFS) for higher commodity prices and for a fixed USD:AUD foreign exchange rate of 0.75. The net result was an increase in the NPV(8%) of the Boonanarring/Atlas project to AU$235M, an IRR of 125% and a pay-back period of only 13 months. Results of the BFS update were announced to the ASX on 28 June 2018. Then on 1 October 2018, Iluka announced a further 12% increase in price for its premium grade zircon to US$1,580 per tonne. The BFS has not been updated subsequent to the October price rise.

During the year, the USD:AUD foreign exchange rate softened favourably from approximately 0.78 at the beginning of January 2018 to approximately 0.70 at the end of December 2018.

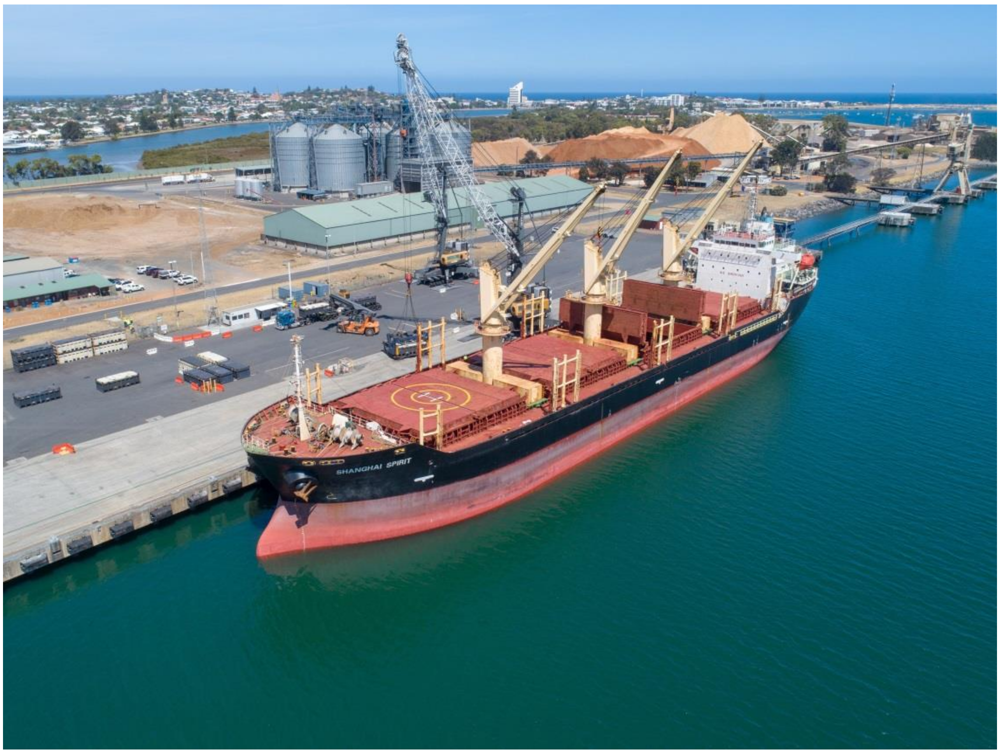
Second HMC Off-Take Agreement

In September 2018, Image executed a second HMC off-take agreement with Hainan Wensheng High-Tech Materials Co., Ltd (“Wensheng”) to purchase 50% of HMC production from Image. The new agreement with Wensheng contains the same terms and conditions and pricing as the original agreement with Natfort and both Wensheng and Natfort must take up to 100% of HMC production in the event the other is unwilling or unable to purchase any or all of its 50% portion of production. This dual arrangement serves to reduce Image’s risk of any delays in the receipt of revenue.

Subsequent to the end of the year:

- In January 2019 the Company received its first revenue from the operation of the Boonanarring project from the sale of its first shipment **(Pic 1.)** of 10,206 dry metric tonnes of HMC which finished loading on 12 January. The shipment was secured by a US$ letter of credit (“LC”) from off-taker Shantou Natfort Zirconium and Titanium Co., Ltd (“Natfort”) and Image received full payment for the HMC by cashing the LC in January following ship sailing and finalisation of appropriate shipping documents.

- **Pic 1. Shanghai Spirit with first shipment of HMC – 13 January 2019**



- As in December, production statistics for the second month of the production ramp-up period (January 2019) exceeded budgeted expectation in all categories. In particular, HMC production exceeded budget by 179% and allowed the scheduling and preparation of a second shipment of HMC for the full complement of 20,000 tonnes, which is the long-term average production rate for full-scale operations. The reason for the higher HMC production was due to higher ore processing rates and higher recovery than budgeted, but was primarily due to substantially higher ore grade than estimated in the ore reserve model.

- In February 2019 the Company received revenue from the sale of its second shipment of [20,200] tonnes of HMC which finished loading 16 February. This shipment was also secured by a US$ LC from off-taker Natfort and Image received full payment for the shipment by cashing the LC in February following ship sailing and finalisation of appropriate shipping documents. February will likely be the Company's first month of positive cashflow from operations.

Boonanarring Project

Project Funding and Commencement of Construction

The Company's primary focus during the 1st Quarter was securing project capital funding and commencing construction at Boonanarring, with the goal of achieving first production in 4th Quarter 2018.

Debt Financing

On 7 March the Company entered into a Loan Note Subscription Agreement ("LNSA") with Pala Investments Limited ("Pala") and Castlelake IV, L.P. and CL V Investment Solutions LLC which are entities controlled by Castlelake L.P. (collectively, "Castlelake") as the Loan Note Holders, to raise an equivalent of AU$50M in USD from the issue of senior secured loan notes. Key terms include a single tranche drawdown of the full amount, 3-year loan term and interest rate of 14% for the first 15 months and 13% thereafter. Full details of the terms and conditions of the LNSA were disclosed in an ASX announcement on 8 March 2018. Drawdown of the loan notes under the LNSA was subject to certain conditions precedent which were satisfied in the 2nd Quarter 2018.

Equity Raising

On 15 March 2018, the Company announced that it had closed its planned equity raising fully subscribed, to raise $25 million (before costs) by the issue of 250 million Image shares at 10 cents per share. The equity raising was supported by Euroz Securities Limited and demand was filled by new and existing shareholders including new substantial shareholder Vestpro International Limited.

Commencement of Construction

In March 2018 the Image Board approved the expenditure of funds to commence site construction at Boonanarring which formally began on 14 March 2018 with the start of construction of the site entry road. Contractor BMD Constructions Pty Ltd was awarded the contract to construct the main Boonanarring site entry road from Wannamal Road West to the proposed site for the wet concentration plant and maintenance and administration buildings.

Expenditure commitments were also made to a number of other contractors for mobilisation of personnel and equipment including Piacentini and Son Pty Ltd for site civil construction for the processing plant; ProjX Pty Ltd for overall project construction management; and LGM Industries Pty Ltd for relocation and reassembly of the wet concentration plant and associated equipment located in South Australia; as well as expenditures to procure select replacement capital equipment being purchased to facilitate processing throughput, enhance operating efficiencies and/or reduce operating costs.

Project Construction

The primary focus during the 2nd Quarter was finalisation of LNSA conditions precedent to drawdown of debt funds and ramping up project construction.

On 10 May 2018 Image was notified it had satisfied all conditions precedent for funds drawdown under the LNSA and on 25 May 2018 received a single tranche USD equivalent of AU$50 million (less fees) for the Boonanarring project development.

During the June quarter construction crews completed the dismantling of the wet concentration plant (WCP) in South Australia and relocation of the WCP components and the majority of the associated plant and equipment to the Boonanarring mine site.

At Boonanarring, construction activities were ramped up and by the end of June 2018, site civil and concrete works for the WCP were complete and general site civil works were 70% complete. Re-assembly of the WCP commenced in early June. In addition, the deconstruction of a used slimes thickener located off-site was completed and was delivered to Boonanarring. and partially re-assembled at Boonanarring in early July.

Procurement of remaining select equipment aimed at enhancing the process effectiveness was completed during the quarter and construction of a new ore feed hopper commenced.

Mining contractor Piacentini and Son continued the process of mobilising equipment and personnel during the June quarter and ramping up topsoil and overburden removal.

The primary focus during the 3rd Quarter was continuing construction at Boonanarring including associated infrastructure services and connections.

By the end of September, re-assembly of the WCP relocated from South Australia was structurally complete and construction of the slimes thickener was complete. Assembly of the ore feed preparation plant and construction of the tailings disposal facilities, water storage ponds, HMC storage pad and a second water supply bore were all well-advanced.

Overburden removal for the initial box cut for open-cut mining operations continued to ramp up through September. Mining contractor Piacentini and Son continued to ramp up with additional mining equipment and personnel, including maintenance services, throughout the quarter. A second Hitachi 3600 excavator and additional CAT 785 and 777 haul trucks were added in July/August and first low-grade ore was exposed in September.

Other project construction and related activities include installation of permanent site administration offices; commencement of construction of the maintenance shop/warehouse/lab building; delivery of final long-lead equipment to enhance process effectiveness; and significant progress on construction of the Brand Highway upgrade.

In addition to the progress on construction related activities, significant progress was made on other project related activities including:

- Selection and executing agreements with Braemar as ship broker and Mercantile Marine as shipping agent for the export of HMC;
- Construction by Qube Logistics of an HMC storage facility at Qube's Picton facilities;
- Settlement of the purchase of two parcels of land over the Boonanarring ore reserves being the Dewar Property and the Yukich Property, both to the north of the Boonanarring processing plant;
- Installation of high voltage electricity grid connection to the Boonanarring site: and
- Recruitment of the majority of site-based Image employees for plant operations and maintenance **(Pic 2)**.

Pic 2. Image Personnel at the Wet Concentration Plant – 2 October 2018

Commissioning and Transition to Production

The primary focus during the 4th Quarter was completion of construction and wet commissioning of the ore feed preparation plant (FPP), WCP, tailings disposal and associated equipment and infrastructure facilities, followed by transition to ramp-up production.

Despite numerous days lost to wet weather, construction of ore mining and processing facilities at Boonanarring were deemed practically complete on 25 October 2018, and fully complete on 30 November., 'on-time' and 'on-budget'.

Wet commissioning commenced on 26 October and was deemed successfully complete on 30 November with the processing of approximately 100,000 tonnes of ore and production of first heavy mineral concentrate (HMC). Construction and commissioning were completed 'on-time' and 'on-budget'.

The first month of a planned six-month production ramp-up period commenced 1 December with stellar results of substantially higher production rates, operating availabilities and HMC production than budgeted **(Pic 3)**.The key reasons for the better than budgeted operational performance in December are 1) fundamental positive metallurgical characteristics of the coarse-grained Boonanarring ore; 2) the correct fit of equipment and engineering to these ore characteristics; and as equally important, 3) the skills and dedicated effort of an experienced and motivated operations group.

Pic 3. Heavy Mineral Concentrate Product Inventory – 31 December 2018

Exploration

- Discussions continued during the year with landowners, seeking access agreements to allow drilling of the previously identified 5.6km northern extension of the Boonanarring Deposit.
- A new Boonanarring West mineralisation target area, which is only 600 metres west of the Boonanarring Deposit was identified during 2018. This area has now been enlarged to a significant 10 kilometres in length and a programme of 35 drill holes was completed in the December Quarter 2018. A program of 126 holes totalling 3,150 metres is planned for 2019 mainly focused on the northern parts of the Boonanarring West target area which will allow conversion of the northern Boonanarring West mineralisation to an Indicated JORC category.
- Drilling to develop additional ore reserves to enhance the mine life at Boonanarring will be a priority for 2019 and will focus on mineralisation extension to the north, south and west of the current Boonanarring ore reserve footprint.
- In the latter part of 2018, at Bidaminna, a 100-kilogramme bulk sample of drill cuttings from the mineralised zone at Bidaminna, from two lines of drill holes across the deposit, was composited and processed through wet and dry mineral separation testing, to determine the preliminary quality of potential TiO2 products. Results indicated larger variations in the leucoxene content than previous sample analyses. For this reason, more drilling is planned in 2019 to provide additional detail regarding the variability in the Leucoxene content prior to economic studies.
- At Munbinia the southern extension of the Atlas Deposit (6.5km) is expected to be further tested in 2019 by a 160-hole programme looking for a potential 3km extension.
- The Woolka dredge target area is very large at up to 10km2 and has potential for a very large mineral resource. A 13-hole drilling programme was completed in the quarter ended 31 December 2018, which was sufficiently positive to allow Image to refocus the next round of more extensive drilling. A major drilling programme of 94 holes totalling 3,760 metres is planned in 2019 with the target being to identify a strategic world-class dredge deposit adjacent to Tronox's Cooljarloo 2,000 tonnes/hour dredging operation. The drilling is designed to allow a Mineral Resource determination in the Inferred and Indicated categories.
- At Erayinia the highest gold intersection from drilling completed in 2018 was 20m @ 0.7g/t Au from 40m depth including 4m @ 1.2g/t from 48m depth and 4m @ 1.0g/t. from 56m. These results are considered preliminary as fire assays are pending. The next step is a follow-on drilling programme in 2019 of 20 Reverse Circulation (RC) holes with the aim of mapping out a gold-enhanced supergene zone prior to deeper RC drilling.

IMAGE RESOURCES

Table 1. Mineral Resources and Ore Reserves as at 3 August 2017

High Grade Ore Reserves - Strand Deposits; in accordance with the JORC Code (2012)

Project/Deposit	Category	Volume	Tonnes	% HM	% Slimes	HM Tonnes	VHM (%)	Ilmenite (%)	Leucoxene (%)	Rutile (%)	Zircon (%)
Boonanarring[2]	Proved	5,008,000	9,344,000	8.6	14.3	803,771	76.081	48.9	1.8	2.2	23.2
Boonanarring[2]	Probable	5,565,000	10,514,000	5.9	17.6	622,429	78.653	52.3	1.8	2.7	21.9
Total Boonanarring		**10,573,000**	**19,858,000**	**7.2**	**16.1**	**1,426,200**	**77.203**	**50.4**	**1.8**	**2.4**	**22.7**
Atlas[2]	Probable	5,000,000	9,477,000	8.1	15.5	767,637	73.3	50.7	4.5	7.5	10.6
Total Atlas		**5,000,000**	**9,477,000**	**8.1**	**15.5**	**767,637**	**73.3**	**50.7**	**4.5**	**7.5**	**10.6**
Total Ore Reserves		**15,573,000**	**29,335,000**	**7.5**	**15.9**	**2,193,837**	**75.8**	**50.5**	**2.7**	**4.2**	**18.4**

High Grade Mineral Resources - Strand Deposits; in accordance with the JORC Code (2012) @ 2.0% HM Cut-off

Project/Deposit	Category	Volume	Tonnes	% HM	% Slimes	HM Tonnes	VHM (%)	Ilmenite (%)	Leucoxene (%)	Rutile (%)	Zircon (%)
Boonanarring[1]	Measured	6,359,359	11,799,213	8.0	14	942,167	74.3	48.3	1.7	2.2	22.0
Boonanarring[1]	Indicated	11,802,047	22,265,400	4.9	18.3	1,081,208	71.7	49.2	2.2	2.5	17.8
Boonanarring[1]	Inferred	4,987,703	9,420,449	4.5	21	422,507	68.8	50.0	3.5	3.4	11.9
Boonanarring Total		**22,886,875**	**43,485,062**	**5.6**	**18**	**2,445,882**	**72.2**	**49.0**	**2.2**	**2.6**	**18.4**
Atlas[1]	Measured	5,210,526	9,900,000	7.9	16.1	782,000	71.0	49.1	4.2	7.2	10.5
Atlas[1]	Indicated	3,368,421	6,400,000	3.7	17.3	237,000	56.5	41.6	3.4	4.7	6.8
Atlas[1]	Inferred	947,368	1,800,000	4.0	19.9	72,000	41.5	29.0	3.3	4.4	4.8
Atlas Total		**9,526,316**	**18,100,000**	**6.0**	**16.9**	**1,091,000**	**65.9**	**46.1**	**4.0**	**6.5**	**9.3**
Sub-Total Atlas/Boonanarring		**32,413,191**	**61,585,062**	**5.7**	**17.7**	**3,536,882**	**70.3**	**48.1**	**2.8**	**3.8**	**15.6**

Previously Reported Mineral Resources - Strand Deposits; in accordance with JORC Code (2004) @ 2.5% HM Cut-off

Project/Deposit	Category	Volume	Tonnes	% HM	% Slimes	HM Tonnes	VHM (%)	Ilmenite (%)	Leucoxene (%)	Rutile (%)	Zircon (%)
Gingin Nth[3]	Indicated	680,175	1,318,642	5.7	15.7	75,163	75.4	57.4	9.3	3.2	5.5
Gingin Nth[3]	Inferred	580,000	1,090,000	5.2	14.0	57,116	78.4	57.3	11.3	3.7	6.0
Gingin Nth Total		**1,260,175**	**2,408,642**	**5.5**	**15.0**	**132,279**	**76.7**	**57.3**	**10.2**	**3.4**	**5.7**
Gingin Sth[3]	Measured	872,830	1,526,122	4.4	7.2	67,149	79.4	50.7	15.3	5.6	7.8
Gingin Sth[3]	Indicated	3,241,835	5,820,480	6.5	7.1	377,167	90.6	67.6	9.8	5.1	8.1
Gingin Sth[3]	Inferred	398,573	732,912	6.5	8.4	47,566	91.6	67.4	7.5	5.8	10.9
Gingin Sth Total		**4,513,238**	**8,079,514**	**6.1**	**7.3**	**491,882**	**89.2**	**65.3**	**10.3**	**5.2**	**8.3**
Helene[3]	Indicated	5,568,110	11,466,106	4.6	18.6	522,854	88.7	74.6	0.0	3.6	10.5
Hyperion[3]	Indicated	1,786,781	3,742,471	7.7	19.3	286,673	69.4	55.8	0.0	6.3	7.3
Cooljarloo Nth Total		**7,354,891**	**15,208,577**	**5.3**	**18.8**	**809,528**	**81.9**	**67.9**	**0.0**	**4.6**	**9.4**
Red Gully[3]	Indicated	1,930,000	3,409,768	7.8	11.5	265,962	89.7	66.0	8.3	3.1	12.4
Red Gully[3]	Inferred	1,455,000	2,565,631	7.5	10.7	192,422	89.0	65.4	8.2	3.0	12.3
Red Gully Total		**3,385,000**	**5,975,399**	**7.7**	**11.2**	**458,384**	**89.4**	**65.7**	**8.2**	**3.1**	**12.4**
Sub-Total Other		**16,513,304**	**31,672,132**	**6.0**	**14.1**	**1,892,073**	**85.2**	**66.0**	**5.4**	**4.3**	**9.6**

Historic Deposit - Strand deposit (Under EL application)

Project/Deposit	Category	Volume	Tonnes	% HM	% Slimes	HM Tonnes	VHM (%)	Ilmenite (%)	Leucoxene (%)	Rutile (%)	Zircon (%)
Regans Ford[4]	Indicated	4,505,285	9,024,226	9.9	16.8	893,398	94.3	70.0	10.0	4.3	10.0
Regans Ford[4]	Inferred	455,933	918,536	6.5	18.5	59,705	90.5	68.3	7.7	4.4	10.1
Regans Ford Total		**4,961,218**	**9,942,762**	**9.6**	**17.0**	**953,103**	**94.1**	**69.9**	**9.9**	**4.3**	**10.0**

RESOURCES AND RESERVES SCHEDULE

Previously Reported Mineral Resources - Dredge deposits; in accordance with JORC Code (2004) @ 1.0% HM Cut-off											
Project/Deposit	Category	Volume	Tonnes	% HM	% Slimes	HM Tonnes	VHM	Ilmenit	Leucoxen	Rutile	Zircon
							(%)	(%)	(%)	(%)	(%)
Titan[3]	Indicated	10,335,053	21,163,741	1.8	22.1	378,831	86.0	71.9	1.5	3.1	9.5
Titan[3]	Inferred	58,517,775	115,445,391	1.9	18.9	2,205,007	85.9	71.8	1.5	3.1	9.5
Total Titan	**Total**	**68,852,828**	**136,609,132**	**1.9**	**19.4**	**2,583,838**	**85.9**	**71.8**	**1.5**	**3.1**	**9.5**
Telesto[3]	Indicated	1,716,328	3,512,204	3.8	18.4	134,499	83.3	67.5	0.7	5.6	9.5
Calypso[3]	Inferred	27,113,647	51,457,008	1.7	13.7	854,186	85.6	68.1	1.6	5.1	10.8
Bidaminna[3]	Inferred	26,260,000	44,642,000	3.0	3.6	1,339,260	96.8	83.11	7.2	1.0	5.5
Total Dredge		**123,942,803**	**236,220,344**	**2.1**	**15.2**	**4,911,783**	**88.7**	**74.1**	**3.1**	**2.9**	**8.6**

1.COMPLIANCE STATEMENT Boonanarring/Atlas Resource
The information in this report that relates to the estimation of Mineral Resources 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

2.COMPLIANCE STATEMENT Boonanarring/Atlas Reserve
The Ore Reserves statement has been compiled in accordance with the guidelines of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code – 2012 Edition). The Ore Reserves have been compiled by Jarrod Pye, Mining Engineer and full-time employee of Image Resources, under the direction of Andrew Law of Optiro, who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Law has sufficient experience in Ore Reserves estimation relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". Mr Law consents to the inclusion in the report of the matters compiled by him in the form and context in which it appears.

3. COMPETENT PERSON'S STATEMENT – MINERAL RESOURCE ESTIMATES
The information in this presentation that relates to Mineral Resources is based on information compiled by Lynn Widenbar BSc, MSc, DIC MAusIMM MAIG employed by Widenbar & Associates who is a consultant to the Company. Lynn Widenbar has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the 'Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Lynn Widenbar consents to the inclusion of this information in the form and context in

4. HISTORIC INFORMATION - REGANS FORD DEPOSIT
The information in this presentation that relates to tonnes, grades and mineral assemblage is based on historic information published by Iluka Resources Limited and indicating the mineral resources were compiled in accordance with the JORC Code (2004).

Your directors present their report on the Company for the year ended 31 December 2018.

DIRECTORS

The following persons were directors of Image Resources NL ("**Image**") during the year 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
Huangcheng Li (Appointed 4 April 2018)

PRINCIPAL ACTIVITIES

The principal activities of the Company during the year related to finalising project funding and construction of its 100%-owned, high-grade, zircon-rich Boonanarring mineral sands project located 80km north of Perth in WA. First production of HMC concentrate occurred during November 2018.

RESULTS FROM OPERATIONS AND FINANCIAL POSITION

During the year the Company recorded an operating profit of $7,325,466 (for the year to 31 December 2017: loss of $8,014,023). Basic profit per share for the year was 0.39 cents (year to 31 December 2017: loss of 1.48 cents). Diluted profit / loss per share in respect of both periods ended 31 December 2018 and 31 December 2017 are the same as for the basic profit / loss per share.

During the year the net assets of the Company increased by $41,887,504 to $56,802,188 including cash and cash equivalents increasing by $7,463,319 to $11,885,969 and property, plant and equipment increasing by $86,419,769 being for land purchases and the construction of the Boonanarring mine. Inventory stockpiles from mine operations valued at $8,516,000 was also produced. This was largely funded by $25,085,000 being raised through share issues and $51,386,142 from a senior secured loan, offset by exploration and tenement expenses of $1,371,177 and other expenses of $3,183,708. A foreign currency translation loss on the US$ senior secured loan and USD cash deposits of $3,308,584 was also incurred.

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.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

SIGNIFICANT EVENTS SUBSEQUENT TO REPORTING DATE

Other than the following matters:

- On 12 January 2019, the Company's first shipment of 10,206 Dry Metric Tonnes of HMC finished loading backed by a letter of credit. Subsequently, in January, full payment for the shipment was received by Image, in USD.
- On 16 February 2019, the Company's second shipment of 20,038 Dry Metric Tonnes of HMC finished loading backed by a letter of credit. Subsequently, in February, full payment for the shipment was received by Image, in USD.

There were no other 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 also 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 and industry 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 operated the Mineral Hill copper-gold mine in NSW and is Chairman of Silver City Minerals Limited, which is actively exploring for silver-lead-zinc in the Broken Hill District. He was 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 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, resigned effective 28 February 2019

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.

George Sakalidis
Executive Director - Exploration
Mr Sakalidis is an exploration geophysicist with over 35 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 in Western Australia, including the Three Rivers and Rose gold deposits, the Dongara Mineral Sands Deposits, the Boonanarring-Gingin South-Hyperion Mineral Sands Deposits 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 Degrussa Copper deposit. He was the founding Director of Magnetic Minerals Limited, which was taken over in March 2003 after he was instrumental in the discovery of the Dongara mineral sand deposits north of Eneabba. He is a founding Director and is currently an Executive Director of this Company (since listing on 4 July 2002) and is Managing Director of Magnetic Resources NL (which listed on 5 April 2007). Mr Sakalidis is also a founding director of ASX listed companies Meteoric Resources NL, Emu 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, resigned November 2017.
- 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 was the CEO of Queensland Mining Corporation Limited (QMC) from August 2013 until January 2018. He is currently a Non-Executive Director of QMC 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.

Huangcheng Li
Non-Executive Director – Appointed 4 April 2018
Mr Li is an investor from Taiwan, with more than 30 years of experience investing in various industries ranging from the general merchandising, precious stones and certification businesses. Mr Li graduated from Tamkang University and in 1981 founded Leecotex International Limited in Taiwan and Capital 88 International Limited in Hong Kong in 1993 where he served as the Managing Director. In 2015 Mr Li acquired a 49% ownership interest in Giochi Preziosi Group ("GP Group") and served as the Vice President until July 2017. GP Group is a leading global toy company and has undergone a process of diversification and has expanded into new sectors and markets where it has successfully operated. Currently, Mr Li is the co-founder of Lee & Wu Company Limited, a company focusing support towards high-tech industries in the development of new material applications. Mr Li has not been a director of any other listed public companies in the past 3 years.

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 year, 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 year, the committee held one meeting. All members attended this meeting.

MEETINGS OF DIRECTORS

During the financial year ended 31 December 2018, there were six meetings of directors held. Attendances by each director during the year 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	6	6	1	1	-	-
Patrick Mutz	6	6	-	-	-	-
Peter Thomas	6	6	-	-	-	-
Aaron Soo	6	6	1	1	-	-
George Sakalidis	6	6	-	-	-	-
Fei (Eddy) Wu	6	6	-	-	-	-
Chaodian Chen	6	6	1	1	-	-
Huangcheng Li	4	2	-	-	-	-

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 year 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
Huangcheng Li	Non-Executive Director
John McEvoy	Chief Financial Officer
Todd Colton	Chief Operating Officer

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.

Employee Share Plan

The Image Employee Share Plan (ESP) was implemented after shareholder approval at the Shareholder General Meeting held on 13 February 2018.

The purpose of the ESP is to give an additional incentive to employees of the Company to provide dedicated and ongoing commitment and effort to the Company, and for the Company to reward its employees for their efforts. It is considered to be an effective way to align the objectives of management with the interests of shareholders.

The plan rewards share price growth. The plan shares are of value to the holder of the shares only to the extent to which the share price exceeds the share price after the offer is made to the employee. Furthermore, the plan does not give rise to a tax liability on issue (unlike some options) therefore encouraging long term holdings.

Issue of Plan Shares to Directors of the Company requires prior approval of Shareholder in accordance with Listing Rule 10.14.

During the 31 December 2018 year 3,504,132 ESP shares were issued. No issue of Plan Shares was made to Directors during the 31 December 2018 year.

The principal provisions of the plan include:

- The Plan is available to all executive Directors and employees of the Company;
- The Company may at any time, in its absolute discretion, make an offer to an Eligible Employee;
- The number of Plan Shares issued to an Eligible Employee is determined by the Directors of the Company;
- The issue price is the volume weighted average price of shares in the 5 trading days prior to the Issue Date;
- The person accepting the offer ("Participant") will have taken to have agreed to borrow from the Company on the terms of the loan agreement referred to below an amount to fund the purchase of the Plan Shares;
- The Plan Shares will rank pari passu with all issued fully paid shares in respect of voting rights, dividends and entitlement to participate in any bonus or rights issues;
- Plan participants may not dispose of any ESP Shares within 12 months of the issue date;
- Until the loan to the Participant is fully repaid the Company has control over the disposal of the Plan Shares; and
- Application will be made as soon as practicable after the allotment of the Plan Shares for listing for quotation on ASX.

The principal provisions of the loan agreement include:

- The amount lent will be an advance equal to the issue price of the Plan Shares multiplied by the number of Plan Shares issued:
- The repayment date is the date falling 3 years after the Issue Date.
- The loan can be repaid at any time but the Participant must pay any amount outstanding on the date the employee ceases to be an employee of Image (or such late date as determined by Image at its discretion. All dividends declared and paid on the Plan Shares will be applied towards the repayment of the advance and there is no interest on the advance.
- A holding lock will be placed on the Plan Shares until the loan is fully repaid.

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 year. 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 year 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 year ended 31 December 2018 to make a remuneration recommendation in relation to any Key Management Personnel.

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)	$450,000 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 H Li	(Non-Executive Director)	$30,000	-
Mr G Sakalidis	(Executive Technical Director)	$225,000 inclusive of super	-

Key Management Personnel Remuneration

Table 1: Remuneration for the year ended 31 December 2018

	Short-term benefits			**Post-employment**	**Share-based payments**	
	Directors Fees/Salary ($)	**Other Fees & contractual payments ($)**	**Non-monetary benefits ($)**	**Statutory superannuation ($)**	**Equity-settled share based payments ($)**	**Total ($)**
Non-Executive Directors						
Robert Besley	45,000	-	-	4,275	-	49,275
Peter Thomas	35,000	-	-	3,325	-	38,325
Aaron Soo	30,000	-	-	-	-	30,000
Fei (Eddy) Wu	35,000	-	-	3,325	-	38,325
Chaodian Chen	30,000	-	-	-	-	30,000
Huang Cheng Li	22,151	-	-	-	-	22,151
Executive Directors						
Patrick Mutz	319,821	110,663	-	20,167	-	450,651
George Sakalidis	147,821	-	-	14,043	-	161,864
Executive Officers						
John McEvoy	274,062	40,000	-	21,420	-	335,482
Todd Colton [1]	27,084	-	-	2,083	-	29,167
Total	**965,939**	**150,663**	**--**	**68,638**	**--**	**1,185,240**

Note 1 Mr Colton became a KMP on 1 December 2018.

Table 1: Remuneration for the year ended 31 December 2017

	Short-term benefits			Post-employment	Share-based payments	
	Directors Fees/Salary ($)	**Other Fees & contractual payments ($)**	**Non-monetary benefits ($)**	**Statutory superannuation ($)**	**Equity-settled share based payments ($)**	**Total ($)**
Non-Executive Directors						
Robert Besley	45,000	-	-	4,275	-	49,275
Peter Thomas	35,000	-	-	3,325	-	38,325
Aaron Soo	30,000	-	-	-	-	30,000
Fei (Eddy) Wu	35,000	-	-	3,325	-	38,325
Chaodian Chen	30,000	-	-	-	-	30,000
Executive Directors						
Patrick Mutz	253,363	54,616	-	27,766	17,881	353,626
George Sakalidis	136,510	-	-	12,968	-	149,478
Executive Officers						
John McEvoy	259,615	-	-	24,664	-	284,279
Total	**824,488**	**54,616**	**-**	**76,323**	**17,881**	**973,308**

Table 3: Compensation options as at 31 December 2018

Nil

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 - $450,000 per annum (from 1 January 2019) inclusive of superannuation
- Performance bonus – participates in a Company-wide executive performance incentive scheme.
- Bonus payment of $50,000 for reaching the milestone of full funding of the Boonanarring Project and commencement of construction.
- Allowances – from 1 January 2019, the Company will contribute up to $30,000 per 12 month period or proportion thereof for accommodation whilst located in Perth and towards airfares for travel between Adelaide and Perth. The Company provides a Company vehicle for use on Company business and commuting between his place of residence in the Perth area and the corporate office and the Company's various mining and exploration sites as and when necessary.
- 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.

George Sakalidis – Executive Director – Exploration

- Base Salary - $225,000 per annum (from 1 December 2018) inclusive of superannuation based on a 70% commitment of time being an average of 28 hours work per week. Salary is paid monthly based on a rate of $155 per hour inclusive of 9.5% superannuation.
- 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 - $350,000 per annum (from 1 December 2018) inclusive of superannuation.
- Performance bonus – participates in a Company-wide executive performance incentive scheme.
- Bonus payment of $40,000 for reaching the milestone of full funding of the Boonanarring Project and commencement of construction.
- The agreement may be terminated by the provision of three month's written notice by either the Company or Mr McEvoy.

Todd Colton – Chief Operating Officer

- Base Salary - $350,000 per annum (from 1 December 2018) inclusive of superannuation.
- Performance bonus – participates in a Company-wide executive performance incentive scheme.
- The agreement may be terminated by the provision of three month's written notice by either the Company or Mr Colton.

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 year ended 31 December 2018 and the year to 31 December 2017 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	-	-	-
Huang Cheng Li	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 issued to key management personnel to acquire fully paid ordinary shares. As shown in the following table, Mr Mutz exercised 1,000,000 options at $0.085 during 2018.

Options held by Key Management Personnel

KMP	Balance at Beginning of Year	Grant Details		Exercised		Lapsed	Balance at End of Year
	No.	No.	Value $	No.	Value $	No.	No.
Directors							
Patrick Mutz	3,000,000	-	-	(1,000,000)	85,000	(2,000,000)	-
Totals	**3,000,000**	**-**	**-**	**(1,000,000)**	**85,000**	**(2,000,000)**	**-**

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

Shares held by Key Management Personnel

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

Name	Balance at Beginning of Year or Date of Appointment	Purchased during the Year	Award under Employee Share Plan	Other Changes during the Year	Balance at End of Year or Date of Retirement
Directors					
Robert Besley	566,667	-	-	-	566,667
Peter Thomas	2,104,306	-	-	-	2,104,306
Aaron Soo	11,000,000	1,473,000	-	-	12,473,000
Fei Wu	-	-	-	-	-
Chaodian Chen	-	-	-	-	-
George Sakalidis	4,378,489	-	-	-	4,378,489
Patrick Mutz	-	1,000,000	-	-	1,000,000
Executive Officers					
John McEvoy	1,420,834	220,080	784,973	-	2,425,887
Todd Colton [1]	716,860	-	-	-	716,860
Totals	**20,187,156**	**2,693,080**	**784,973**	**-**	**23,665,209**

Note 1 Mr Colton held 716,860 shares in the Company when he became a KMP on 1 December 2018. Of these shares 706,860 were awarded under the employee share plan.

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 no options held over ordinary paid shares.

No options were issued to directors or executives as remuneration during the year ended 31 December 2018.

During the year ended 31 December 2018 1,000,000 ordinary shares were issued on the exercise of options granted. No further shares have been issued since year-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.

IMAGE RESOURCES

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 year an amount of $46,426 (the year to 31 December 2017: $31,548) 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

SIGNED: ROBERT BESLEY
CHAIRMAN
Perth, 25 February 2019

Greenwich & Co

Greenwich & Co Audit Pty Ltd | ABN 51 609 542 458
Level 2, 35 Outram Street, West Perth WA 6005
PO Box 983, West Perth WA 6872
T 08 6555 9500 | F 08 6555 9555
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Auditor's Independence Declaration

As auditor for the audit of Image Resources NL for the period ended 31 December 2018, 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 Pty Ltd

Greenwich & Co Audit Pty Ltd

Nicholas Hollens

Nicholas Hollens
Managing Director

25 February 2019
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 2018 Corporate Governance Statement is dated at 25 February 2019 and reflects the corporate governance practices in place throughout the period ended 31 December 2018. The 2018 Corporate Governance Statement was approved by the Board on 25 February 2019. A description of the Company's current corporate governance practices is set out in the Company's Corporate Governance Statement which can be viewed at www.imageres.com.au.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the Year Ended 31 December 2018

	Notes	Year to 31 Dec 2018 ($)	Year to 31 Dec 2017 ($)
Revenue			
Interest income	3	**426,801**	19,373
Other revenue	3	**15,603**	8,805
Realised foreign currency gain		**706,198**	-
Expenses			
Depreciation and amortisation expense		**(356,281)**	(53,132)
Exploration and evaluation expenses		**(1,371,177)**	(5,096,598)
Impairment of property, plant and equipment	11	**(734,007)**	-
Other expenses	3	**(3,183,709)**	(2,694,875)
Interest expense	3	**(916,760)**	(206,252)
Borrowing costs		**(4,000)**	(24,000)
Loss before income tax		**(5,417,332)**	(8,048,965)
Income tax benefit	4	**12,742,798**	34,942
Profit / (loss) from continuing operations		**7,325,466**	(8,014,023)
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Unrealised foreign currency loss		**(4,014,782)**	-
Changes in the fair value of available for sale financial assets		**9,975**	2,869
Other comprehensive income for the period, net of tax		**(4,004,807)**	2,869
Total profit / (loss) and other comprehensive income for the period		**3,320,659**	(8,011,154)
Total profit / (loss) and other comprehensive income for period attributable to members of the Company		**3,320,659**	(8,011,154)
Basic profit / (loss) per share (cents per share)	7	**0.39**	(1.48)
Diluted profit / (loss) per share (cents per share)	7	**0.39**	(1.48)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Notes	31 Dec 2018 ($)	31 Dec 2017 ($)
Current Assets			
Cash and cash equivalents	8	**11,885,969**	4,422,650
Trade and other receivables	9	**1,463,321**	81,756
Inventory	13	**9,246,816**	-
Deferred Tax Assets	4	**3,685,000**	-
Other assets	10	**536,308**	126,065
Total Current Assets		**26,817,414**	4,630,471
Non-Current Assets			
Property, plant and equipment	11	**101,061,852**	14,642,083
Inventory	13	**-**	755,514
Deferred Tax Assets	4	**9,057,798**	-
Other financial assets	12	**447,253**	16,780
Total Non-Current Assets		**110,566,903**	15,414,377
TOTAL ASSETS		**137,384,317**	20,044,848
Current Liabilities			
Trade and other payables	14	**11,667,952**	940,445
Provisions	15	**454,034**	158,876
Borrowings	16	**12,564,655**	34,843
Total Current Liabilities		**24,686,641**	1,134,164
Non-Current Liabilities			
Provisions	15	**4,507,559**	-
Borrowings	16	**51,387,929**	3,996,000
Total Non-Current Liabilities		**55,895,488**	3,996,000
TOTAL LIABILITIES		**80,582,129**	5,130,164
NET ASSETS		**56,802,188**	14,914,684
Equity			
Contributed equity	17	**103,170,439**	68,917,165
Reserves	17	**4,323,815**	42,269
Accumulated losses		**(50,692,066)**	(54,044,750)
TOTAL EQUITY		**56,802,188**	14,914,684

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the Year Ended 31 December 2018

	Contributed Equity ($)	Fair Value through Other Comprehensive Income ($)	Warrants Reserve ($)	Employee Benefit Reserve ($)	Accumulated Losses ($)	Total ($)
Balance at 1 January 2017	56,251,135	(2,600)	-	24,119	(46,030,727)	10,241,927
Comprehensive loss						
Operating loss for the year	-	-	-	-	(8,014,023)	(8,014,023)
Other comprehensive income	-	2,869	-	-	-	2,869
Total comprehensive loss for the year	-	2,869	-	-	(8,014,023)	(8,011,154)
Transactions with owners in their capacity as owners						
Shares issued during the year	13,353,548	-	-	-	-	13,353,548
Cost of share issue	(687,518)	-	-	-	-	(687,518)
Equity settled share based payment transactions	-	-	-	17,881	-	17,881
Total transactions with owners in their capacity as owners	12,666,030	-	-	17,881	-	12,683,911
Balance at 31 December 2017	68,917,165	269	-	42,000	(54,044,750)	14,914,684
Balance at 1 January 2018	**68,917,165**	**269**	**-**	**42,000**	**(54,044,750)**	**14,914,684**
Comprehensive loss						
Operating profit for the year	**-**	**-**	**-**	**-**	**7,325,466**	**7,325,466**
Other comprehensive income	**-**	**9,975**	**-**	**-**	**(4,014,782)**	**(4,004,807)**
Total comprehensive loss for the year	**-**	**9,975**	**-**	**-**	**3,310,684**	**3,320,659**
Transactions with owners in their capacity as owners						
Shares issued during the year	**35,735,144**	**-**	**-**	**-**	**-**	**35,735,144**
Cost of share issue	**(1,481,870)**	**-**	**-**	**-**	**-**	**(1,481,870)**
Warrants issued during the year			**4,313,571**			**4,313,571**
Options expired during the year	**-**	**-**	**-**	**(42,000)**	**42,000**	**-**
Total transactions with owners in their capacity as owners	**34,253,274**	**-**	**4,313,571**	**(42,000)**	**42,000**	**38,566,845**
Balance at 31 December 2018	**103,170,439**	**10,244**	**4,313,571**	**-**	**(50,692,066)**	**56,802,188**

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
For the Year Ended 31 December 2018

IMAGE RESOURCES

	Notes	Year to 31 Dec 2018 ($)	Year to 31 Dec 2017 ($)
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**6,831**	6,008
Payments to suppliers and contractors		**(2,630,174)**	(2,497,325)
Interest received		**424,989**	21,582
Interest paid		**(200,971)**	(206,252)
Net cash used in operating activities	18	**(2,399,325)**	(2,675,987)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		**2,000**	182
Purchase of property, plant and equipment		**(64,143,863)**	(1,459,359)
Payments for exploration and evaluation		**(1,435,160)**	(5,239,945)
Proceeds from sale of investments		**14,685**	-
Net cash used in investing activities		**(65,562,338)**	(6,699,122)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from new issues of shares	17	**25,085,000**	13,353,548
Payments for share issue costs		**(1,483,861)**	(698,355)
Proceeds from interest bearing loan	16	**51,386,142**	112,159
Repayment of borrowings	16	**(46,782)**	(77,316)
Net cash inflows from / (used in) financing activities		**74,940,499**	12,690,036
Net increase in cash held		**6,978,836**	3,314,927
Cash at beginning of the year		**4,422,650**	1,107,723
Effect of exchange fluctuations on cash held		**484,483**	-
Cash at the end of the year	8	**11,885,969**	4,422,650

The accompanying notes form part of these financial statements.

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 25 February 2019.

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.

Going Concern

The Company recognises that its ability to continue as a going concern to meet its debt when they fall due is dependent on successful production and product sales from the Boonanarring project resulting in the project's subsequent profitable operation. The Directors have reviewed the business outlook, taking into account the early production achievements and the fact that the first shipment has been completed, 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.

New or amended Accounting Standards and Interpretations adopted
The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

New or Amended Accounting Standards and Interpretations Adopted

The following Accounting Standards and Interpretations are most relevant to the Company:

AASB 9 Financial Instruments
The Company has adopted AASB 9 from 1 January 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

AASB 15 Revenue from Contracts with Customers
The Company has adopted AASB 15 from 1 January 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

There was no impact on the financial performance and position of the Company from the adoption of these Accounting Standards.

Accounting Policies

a) Revenue Recognition

The Company recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

Sale of goods
Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Rendering of services
Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

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) Foreign Currency Translation

Functional and Presentation Currency

Both the functional and presentation currency of Image is Australian Dollars.

Foreign Currency Translation

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange at balance date.

All translation differences relating to transactions and balances denominated in foreign currency are taken to the Statement of Profit and Loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

d) 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.

e) Asset Acquisitions

The cost method is used for all acquisitions of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value of assets given up at the date of acquisition plus costs incidental to the acquisition.

Costs relating to the acquisition of new areas of interest are classified as either exploration and evaluation expenditure or mine properties based on the stage of development reached at the date of acquisition.

f) 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.

g) Income Tax

The income tax expense for the year 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 year 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 year 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.

h) 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.

i) 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.

j) 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 year.

(ii) *Diluted Earnings per Share* – Options that are considered to be dilutive are taken into consideration when calculating the diluted earnings per share.

k) Inventory

Inventories of heavy mineral concentrate are valued at the lower of an average weighted cost and net realisable value (NRV). Cost comprises direct costs and an appropriate proportion of fixed and variable expenditure including depreciation and amortisation.

Inventories of consumable supplies and spare parts to be used in production are valued at weighted average cost.

NRV is the estimated selling price in the ordinary course of business less the estimated costs of production and to complete the sale.

l) Property, plant, and equipment

Property, plant and equipment is stated at historical cost, less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items and costs incurred in bringing the asset into use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item flow to the Company and the cost of the item can be measured reliably.

Mine development costs are capitalised to property, plant and equipment only once a decision to mine is made and the development is fully funded. Mine development expenditure represents the cost incurred in preparing mines for commissioning and production, and also includes other attributable costs incurred before production commences. These costs are capitalised to the extent they are expected to be recouped through successful exploitation of the related mining project. Once production commences, these costs are amortised over the estimated economic life of the mine on a units of production basis. Mine development costs are written off if the mine property is abandoned. Development costs incurred to maintain production are expensed as incurred against the related production.

At each reporting date, the entity assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the entity makes a formal assessment of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the greater of fair value less costs of disposal and value in use.

Depreciation

Depreciation is provided on a straight-line or units of production basis on all plant and equipment commencing from the time the asset is held ready for use. Major depreciation periods are:

- Plant and equipment – 1 to 5 years
- Motor vehicles – 3 to 5 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The assets' residual values, useful lives and depreciation methods are reviewed at each reporting period and adjusted prospectively, if appropriate.

m) Borrowings

Recognition and Measurement

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

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

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

The fair value of financial liabilities carried at amortised cost approximates their carrying values.

n) Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

Financial assets at fair value through profit or loss
Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income
Financial assets at fair value through other comprehensive income include equity investments which the Company intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Impairment of financial assets
The Company recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Company's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

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.

o) 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.

p) 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.

q) 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.

r) Comparative Figures

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

s) 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.

t) Critical Accounting Estimates, Assumptions and Judgements

The Company makes estimates and assumptions concerning the future in applying its accounting policies. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. Estimates and underlying assumptions are reviewed on an ongoing basis, with revisions recognised in the period in which the estimates are revised and future periods affected.

Impairment of Property, Plant and Equipment and Mine Development Expenditure

Non-current assets are assessed for impairment when there is an indication that their carrying amount may not be recoverable. The recoverable amount of each Cash Generating Unit (CGU) is determined as the higher of value-in-use and fair value less costs of disposal estimated on the basis of discounted present value of the future cash flows (a level 3 fair value estimation method).

The estimates of discounted future cash flows for each CGU are based on significant assumptions including:

- estimates of the quantities of mineral reserves and ore resources for which there is a high degree of confidence of economic extraction and the timing of access to these reserves and ore resources:
- future production levels and the ability to sell that production
- future product prices based on the Company's assessment of forecast short and long term prices for each of the key products

- future exchange rates for the Australian dollar compared to the US dollar using external forecasts by recognised economic forecasters
- future cash costs of production, sustaining capital expenditure, rehabilitation and mine closure
- the asset specific discount rate applicable to the CGU

Determination of Mineral Resources and Ore Reserves

The determination of reserves impacts the accounting for asset carrying values, depreciation and amortisation rates, and provision for decommissioning and restoration. The information in this report as it relates to ore reserves, mineral resources or mineralisation is reported in accordance with the AusIMM “Australian Code for Reporting of Identified Mineral Resources and Ore Reserves 2012”. The information has been prepared by or under supervision of competent persons as identified by the Code.

There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may ultimately result in the reserves being restated.

Rehabilitation and Site Restoration Provision

Significant estimates and assumptions are made in determining the provision for rehabilitation of the mine as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to inflation rates, and changes in discount rates. These uncertainties may result in future actual expenditure differing from amounts currently provided.

Recovery of Deferred Tax Assets

Judgement is required in determining whether deferred tax assets are recognised in the Consolidated Statement of Financial Position. Deferred tax assets, including those arising from unutilised tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilise recognised deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realise net deferred tax assets could be impacted. Additionally, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods.

The Company has unrecognised deferred tax assets arising from tax losses and other temporary differences. The ability of the Company to utilise its tax losses is subject to meeting the relevant statutory tests.

The income tax expense has been estimated and calculated based on management’s best knowledge of current income tax legislation. There may be differences with the treatment of individual jurisdiction provisions but these are not expected to have any material impact on the amounts as reported.

u) New Accounting Standards for Application in Future Years

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.

NOTE 2 OPERATING SEGMENTS

Segment Information

Identification of reportable segments

The Company has identified that it operates in only one segment based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Company is a minerals sands production and exploration 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 derived from sources and assets located wholly within Australia.

Major customers

The Company currently provides products to two offtakers.

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 3 INCOME AND EXPENDITURE	Year to 31 Dec 2018 ($)	Year to 31 Dec 2017 ($)
Operating Expenses		
Mine operating costs	**(4,301,889)**	-
Mine depreciation and amortisation	**(974,000)**	-
Reclassified to Inventory	**5,275,889**	-
	-	-
Interest Revenue	**426,801**	19,373
Other Revenue		
Revaluation of available for sale financial assets	**-**	6,397
Rendering of Services	**-**	2,408
Profit on the sale of available for sale financial assets	**14,685**	-
Profit/(loss) on disposal of property, plant and equipment	**918**	(2,286)
	15,603	6,519
Interest Expense	**(916,760)**	(206,252)
Other Expenses		
Occupancy costs	**(174,151)**	(169,872)
Filing and ASX Fees	**(32,286)**	(43,436)
Corporate, staff and management	**(2,388,961)**	(1,827,345)
Other expenses from continuing operations	**(588,311)**	(654,222)
	(3,183,709)	(2,694,875)

NOTE 4 INCOME TAX

Reconciliation of income tax expense to prima facie tax payable

A reconciliation of income tax benefit applicable to accounting profit/(loss) before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate for the years ended 31 December 2018 and 31 December 2017.

Loss from continuing operations before income tax	**(5,417,332)**	(8,014,023)
Prima facie tax benefit attributable to loss from continuing operations before income tax at statutory rate of 27.5% (2017: 30%)	**(1,489,766)**	(2,404,207)
Non-deductible expenses	**193,367**	607,376
Tax effect on temporary differences brought to account	**(2,029,735)**	(230,877)
Non-assessable income	**(4,038)**	(1,919)
Under/over provision in prior year	**-**	92,378
Tax losses brought to account as a deferred tax asset	**(9,412,626)**	-
Tax losses not brought to account as a deferred tax asset		1,937,249
Income tax benefit/(expense)	**(12,742,798)**	-

The Corporate tax rate payable by the Company if the Company was required to pay income tax in the year ended 31 December 2018 was 27.5% as it was a Base Rate Entity for taxation purposes. Company budgets indicate that the company will not be a Base Rate Entity in future years and will be required to pay income tax at the standard income tax rate of 30%. The deferred tax asset held on the balance sheet is calculated at the 30% income tax rate.

(a) Recognised deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2018 $	2017 $	2018 $	2017 $	2018 $	2017 $
Tax losses	**(16,130,740)**	-	**-**	-	**(16,130,740)**	-
Property, plant and equipment		-	**521,475**	-	**521,475**	-
Unrealised foreign exchange gains	**(1,204,435)**	-	**-**	-	**(1,204,435)**	-
Provisions and accruals	**(180,917)**	(8,227)	**-**	-	**(180,917)**	(8,227)
Capital raising costs	**(502,669)**	(209,283)	**-**	-	**(502,669)**	(209,283)
Borrowing costs	**-**	-	**4,749,911**	-	**4,749,911**	-
Other	**-**	(663)	**759**	-	**759**	(663)
Investments	**-**	-	**3,818**	-	**3,818**	-
Deferred tax asset not taken to account	**-**	218,173	**-**	-	**-**	218,173
Net tax (assets)/liabilities	**(18,018,761)**	-	**5,275,963**	-	**(12,742,798)**	-

Deferred tax assets of $12,742,798 at 31 December 2018 (31 December 2017: Nil) have been recognised in relation to unused tax losses at 30%, due to taxable income being forecast from the Boonanarring project.

	Year to 31 Dec 2018 ($)	Year to 31 Dec 2017 ($)
(b) Unrecognised deferred tax assets		
Deferred tax assets (recognised at 30%) have not been recognised in respect of temporary differences on the following items		
Other deductible temporary differences	**-**	(218,173)
Unused tax losses	**-**	(12,683,189)
	-	12,901,362

NOTE 5 KEY MANAGEMENT PERSONNEL COMPENSATION

Short-term employee benefits	**1,116,602**	879,104
Post-employment benefits	**68,638**	76,323
Equity-settled share based payments	**-**	17,881
	1,185,240	973,308

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 22.

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

Information on related party and entity transactions are disclosed in Note 23.

NOTE 6 AUDITORS REMUNERATION

Amounts received or due and receivable by the auditors of the Company for:

Auditing and reviewing the financial reports – Greenwich & Co Audit Pty Ltd	**40,000**	20,279

IMAGE RESOURCES

NOTE 7 EARNINGS PER SHARE

	Year to 31 Dec 2018 (Cents)	Year to 31 Dec 2017 (Cents)
Basic and diluted profit / (loss) per share	**0.39**	(1.48)

	($)	($)
The following reflects the earnings and share data used in the calculation of basic and diluted loss per share		
Profit / (loss) for the period attributable to owners of the Company	**3,310,684**	(8,011,154)
Profit / (loss) used in calculating basic profit / (loss) per share	**3,310,684**	(8,011,154)
Profit / (loss) used in calculating diluted profit / (loss) loss per share	**3,320,659**	(8,011,154)

	Number of shares	Number of shares
Weighted average number of ordinary shares used in calculating basic loss per share	**859,218,824**	542,790,567

The Company had Nil (2017: 3,000,000) 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 the year to 31 December 2017 and accordingly have not been included in the determination of diluted loss per share.

NOTE 8 CASH AND CASH EQUIVALENTS

	31 Dec 2018 ($)	31 Dec 2017 ($)
Cash at bank	**11,871,418**	4,408,780
Deposits at call	**14,551**	13,870
	11,885,969	4,422,650

NOTE 9 TRADE AND OTHER RECEIVABLES

	31 Dec 2018 ($)	31 Dec 2017 ($)
Trade receivables	**-**	19,272
GST and tax refundable	**486,790**	62,484
Other receivables	**976,531**	-
	1,463,321	81,756

Other receivables represent an amount expected to be recovered for expenses incurred dismantling the wet concentrator plant at Mindarie, South Australia offset by additional equipment purchased from Murray Zircon Pty Ltd.

NOTE 10 OTHER ASSETS - CURRENT

	31 Dec 2018 ($)	31 Dec 2017 ($)
Restricted cash – security for guarantees	**54,667**	54,667
Prepayments	**481,641**	71,398
	536,308	126,065

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.

NOTE 11 PROPERTY, PLANT AND EQUIPMENT	Plant and Equipment ($)	Land and Buildings ($)	Mine Development ($)	Borrowing Costs ($)	Total ($)
Period ended 31 December 2017					
Balance at 1 January 2017	12,753,476	-	-	-	12,753,476
Additions	3,113	1,941,094	-	-	1,944,207
Disposals	(2,468)	-	-	-	(2,468)
Depreciation	(53,132)	-	-	-	(53,132)
Closing Net Book Value	12,700,989	1,941,094	-	-	14,642,083
At 31 December 2017					
Cost	12,902,291	1,941,094	-	-	14,843,385
Accumulated Depreciation	(201,302)	-	-		(201,302)
Net Book Value	12,700,989	1,941,094	-		14,642,083
Year ended 31 December 2018					
Balance at 1 January 2018	**12,700,989**	**1,941,094**	**-**	**-**	**14,642,083**
Additions	**37,892,479**	**9,453,318**	**15,073,943**	**21,960,927**	**84,380,667**
Mine closure and rehabilitation asset	**-**	**-**	**4,397,712**		**4,397,712**
Disposals	**(1,082)**	**-**	**-**	**-**	**(1,082)**
Impairments	**(734,007)**	**-**	**-**	**-**	**(734,007)**
Transfer to inventory	**(293,240)**	**-**	**-**	**-**	**(293,240)**
Depreciation	**(660,281)**	**-**	**(341,000)**	**(329,000)**	**(1,330,281)**
Closing Net Book Value	**48,904,858**	**11,394,412**	**19,130,655**	**21,631,927**	**101,061,852**
At 31 December 2018					
Cost	**49,766,441**	**11,394,412**	**19,471,655**	**21,960,927**	**102,593,435**
Accumulated Depreciation	**(861,583)**	**-**	**(341,000)**	**(329,000)**	**(1,531,583)**
Net Book Value	**48,904,858**	**11,394,412**	**19,130,655**	**21,631,927**	**101,061,852**

Property, plant and equipment includes 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 and construction costs incurred building the Boonanarring Mine. Mine development expenditure represents the cost incurred in preparing mines for commissioning and production, other attributable costs incurred before production commences and mine closure and rehabilitation costs.

Land represents lots at Boonanarring which the company has acquired.

Impairments of plant and equipment represent the write down in the value of plant and equipment purchased from Murray Zircon Pty Ltd and not used in the construction of the Boonanarring mine.

Borrowing costs incurred financing the senior debt facility were fully capitalised to property, plant and equipment. Depreciation on the borrowing costs was expensed directly to profit and loss. Depreciation on plant and equipment and mine development is charged to the inventory cost base.

As at 31 December 2018 the carrying value of motor vehicles was $53,656 (31 December 2017: $58,029)

NOTE 12 OTHER FINANCIAL ASSETS	31 Dec 2018 ($)	31 Dec 2017 ($)
Non-Current		
Loans to Employees – (Employee Share Plan)	**241,478**	-
Loans to Key Management Personnel – (Employee Share Plan)	**179,020**	-
Available-for-sale financial assets – shares in listed corporations	**26,755**	16,780
	447,253	16,780

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	**355**	780

NOTE 13 INVENTORY	31 Dec 2018 ($)	31 Dec 2017 ($)
Current		
Ore stockpiles (at cost)	**1,254,000**	-
Heavy mineral concentrate and other intermediate stockpiles (at NRV)	**7,262,000**	-
Stores and consumables (at cost)	**730,816**	-
	9,246,816	-
Non-Current		
Inventory	**-**	755,514

Inventories of heavy mineral concentrate are valued at the lower of an average weighted cost and net realisable value (NRV). Cost comprises direct costs and an appropriate proportion of fixed and variable expenditure including depreciation and amortisation.

Inventories of consumable supplies and spare parts to be used in production are valued at weighted average cost.

NRV is the estimated selling price in the ordinary course of business less the estimated costs of production and to complete the sale.

NOTE 14 TRADE AND OTHER PAYABLES		
Trade creditors	**7,527,402**	781,258
Accruals	**3,899,169**	80,130
GST and tax payable	**185,529**	65,423
Other payables	**55,852**	13,634
	11,667,952	940,445

Trade creditors, accruals, GST and tax payables and other payables are normally settled on 30 Day terms.

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date.

NOTE 15 PROVISIONS		
Current		
Employee leave benefits	**454,034**	158,876
Non-Current		
Employee leave benefits	**109,847**	-
Mine closure and rehabilitation	**4,397,712**	-
	4,507,559	--

Mine closure and rehabilitation obligations

The calculation of the mine closure and rehabilitation provision requires assumptions such as application of environmental legislation, plant closure dates, available technologies, engineering costs and inflation and discount rates. A change in any of the assumptions used may have a material impact on the carrying value of mine closure and rehabilitation obligations.

The mine closure and rehabilitation provision is recorded as a liability at fair value, assuming a risk-free discount rate equivalent to the 5 year Australian US Government bond rate of 2.25% as at 31 December 2018 (31 December 2017: N/A) and an inflation factor of 2.25% (31 December 2017: N/A). Although the ultimate amount to be incurred is uncertain, management has, at 31 December 2018, estimated the asset retirement cost of work completed to date using an expected remaining mine life of 5 ½ years and a total undiscounted estimated cash flow of $4,517,185 (31 December 2017: N/A). Management's estimate of the underlying asset retirement costs are independently reviewed by an external consultant on a regular basis for completeness.

Recognition and measurement of 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.

A mine closure and rehabilitation provision is recognised at the commencement of a mining project and/or construction based on the estimated costs necessary to meet legislative requirements by estimating future costs and discounting these to a present value. The provision is recognised as a liability, separated into current (estimated costs arising within twelve months) and non-current components based on the expected timing of these cash flows. A corresponding asset is included property, plant and equipment (mine development assets section), only to the extent that it is probable that future economic benefits associated with the restoration expenditure will flow to the entity, and is amortised over the life of the mine.

At each reporting date the mine closure and rehabilitation provision is re-measured in line with changes in discount rates and timing or amounts of the costs to be incurred. Adjustments to the estimated amount and timing of future closure and rehabilitation cash flows are a normal occurrence in light of the significant judgements and estimates involved and are dealt with on a prospective basis as they arise.

Changes in the liability relating to mine closure and rehabilitation obligations are added to or deducted from the related asset (where it is probable that future economic benefits will flow to the entity), other than the unwinding of the discount which is recognised as a financing expense in the Statement of Profit and Loss and Other Comprehensive Income. Changes in the asset value have a corresponding adjustment to future amortisation charges.

The mine closure and rehabilitation provision does not include any amounts related to remediation costs associated with unforeseen circumstances.

NOTE 16 BORROWINGS	*Interest Rate*	**31 Dec 2018 ($)**	**31 Dec 2017 ($)**
Current			
Interest bearing loan – Murray Zircon Pty Ltd	(5%)	**4,000,000**	34,843
Interest bearing loan – Senior Secured Loan Notes	(14%)	**8,564,655**	-
		12,564,655	34,843
Non-Current			
Interest bearing loan – Senior Secured Loan Notes	(14%)	**51,387,929**	-
Interest bearing loan – Murray Zircon Pty Ltd		**-**	4,000,000
Fees associated with draw-down on 8 June 2016		**-**	(4,000)
		51,387,929	3,996,000

(a) Loan – Murray Zircon Pty Ltd

The loan is with Murray Zircon Pty Ltd and was fully drawn down on 8 June 2016 on completion of the transaction with Murray Zircon and Orient Zirconic. Murray Zircon is a related party due to it holding a [20.1]% 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 four months after first production of 20,000 wet tonnes of heavy mineral concentrates (First Production) (early payment is allowed at any time, with no ability to redraw) and customary default provisions. The loan is secured by a second mortgage against all present and after-acquired property of the Company and a mining mortgage in respect of certain core tenements held by Image.

(b) Senior Secured Debt Facility.

A senior secured debt facility with Pala Investments Limited ("Pala") and Castelake IV, L.P. and CL V Investment Solutions LLC which are entities controlled by Castlelake L.P. as the Loan Note Holders, to raise A$50,000,000 from the issue of senior secured loan notes. The senior loan notes amount to US$38,865,000. $8,564,655 is the current portion of the loan at 31 December 2018 (31 December 2017: Nil).

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

NOTE 17 ISSUED CAPITAL	Year to 31 Dec 2018 No.	$	Year to 31 Dec 2017 No.	$
Contributed Equity – Ordinary Shares				
At the beginning of the period	**611,289,987**	**68,917,165**	379,511,740	56,251,135
Underwritten issue of shares at $0.10	**250,000,000**	**25,000,000**		
Loan note holder bonus shares valued at $0.1111	**56,255,000**	**6,252,220**		
Shares issued for decision to mine valued at $0.1130	**35,198,459**	**3,977,426**		
Employee share plan shares issued at $0.12	**3,504,152**	**420,498**		
Shares issued on exercise of options at $0.085	**1,000,000**	**85,000**		
Placement issue of shares at $0.04			158,129,891	6,325,196
Placement issue of shares at $0.09			15,870,578	1,428,352
Placement issue of shares at $0.09			17,777,778	1,600,000
Placement issue of shares at $0.10			40,000,000	4,000,000
Share issue costs		**(1,481,870)**	-	(687,518)
Balance at the end of the period	**957,247,598**	**103,170,439**	611,289,987	68,917,165

	31 Dec 2018 ($)	31 Dec 2017 ($)
Reserves		
Available-for-sale financial assets reserve	**10,244**	269
Share based payments reserve (i)	**-**	42,000
Warrants reserve	**4,313,571**	-
Closing balance	**4,323,815**	42,269

	Year to 31 Dec 2018 ($)	Year to 31 Dec 2017 ($)
Reserve – Available for Sale Financial Assets		
Balance at the beginning of the period	**269**	(2,600)
Changes in the fair value of available for sale financial assets	**9,975**	2,869
Balance at the end of the period	**10,244**	269
Reserve – Share Based Payments		
Balance at the beginning of the period	**42,000**	24,119
Options expired	**(29,000)**	-
Exercise of options	**(13,000)**	-
Share based payment benefit expense	**-**	17,881
Balance at the end of the period	**-**	42,000
Reserve – Warrants		
Balance at the beginning of the period	**-**	-
Issue of warrants	**4,313,571**	-
Balance at the end of the period	**4,313,571**	-

(i) The employee benefits reserve is used to recognise the fair value of options issued. During the year to 31 December 2018, the value previously ascribed to options that lapsed and exercised during the year was transferred to retained losses.

Options	31 Dec 2018 No.	31 Dec 2017 No.
The Company had the following options over un-issued fully paid ordinary shares at the end of the year:		
Exercisable at $0.085 on or before 4.December 2018	-	1,500,000
Exercisable at $0.010 on or before 4 December 2018	-	1,500,000
Total Options	-	3,000,000

Warrants	31 Dec 2018 No.	31 Dec 2017 No.
The Company had the following warrants over un-issued fully paid ordinary shares at the end of the year:		
Exercisable at $0.1365 on or before 20.May 2023	**14,285,714**	-
Exercisable at $0.11385 on or before 24.May 2023	**35,000,000**	-
Total Warrants	**49,285,714**	-

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.

NOTE 18 CASH FLOW INFORMATION

	Year to 31 Dec 2018 ($)	Year to 31 Dec 2017 ($)
Reconciliation of operating loss after income tax with funds used in operating activities:		
Operating profit / (loss) after income tax	**7,325,466**	(8,014,023)
Income tax benefit	**(12,742,798)**	-
Depreciation and amortisation expense	**356,281**	53,132
Exploration and evaluation expense	**1,371,177**	5,096,598
(Profit) / loss on sale of property, plant and equipment	**(918)**	2,286
Impairment of property, plant and equipment	**734,007**	-
Revaluation of available for sale financial assets	**-**	(6,397)
Foreign currency revaluation gain	**(683,167)**	-
Profit on sale of available for sale financial assets	**(14,685)**	-
Interest expense	**692,474**	-
Share based payments expense	**-**	17,881
Borrowing costs	**4,000**	24,000
Changes in operating assets and liabilities:		
(Increase) in trade and other receivables relating to operating activities	**(1,812)**	(48,061)
(Increase) in prepayments	**(7,823)**	(8,181)
(Increase) / decrease in inventory	**(4,301,889)**	570
Increase in trade and other payables relating to operating activities	**4,465,355**	140,103
Increase in current borrowings	**-**	34,843
Increase in provisions	**405,007**	31,262
Cash flow from operations	**(2,399,325)**	(2,675,987)

NOTE 19 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 $1,512,300.

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 lease is currently in the process of being extended. The commitment for the 2019 financial year is $12,684 including all outgoings and car parking. The commitment for less than one year is $12,684.

NOTE 20 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 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.

The Company is in advanced negotiations with a number of landholders with a view to signing purchase agreements on properties required to expand reserves at the Boonanarring project to the north.

NOTE 21 SIGNIFICANT EVENTS SUBSEQUENT TO REPORTING DATE

Other than the following matters:

- On 12 January 2019, the Company's first shipment of 10,206 Dry Metric Tonnes of HMC finished loading backed by a letter of credit. Subsequently, in January, full payment for the shipment was received by Image, in USD.
- On 16 February 2019, the Company's second shipment of 20,038 Dry Metric Tonnes of HMC finished loading backed by a letter of credit. Subsequently, in February, full payment for the shipment was received by Image, in USD.

There were no other material significant events subsequent to the reporting date.

NOTE 22 EMPLOYEE BENEFITS

Employee Share Plan

Under the terms of the Image Share Plan ("ESP"), as approved by shareholders, Image may, in its absolute discretion, make an offer of ordinary fully paid shares in Image to any Eligible Employee, to be funded by a limited recourse interest free loan granted by the Company.

The issue price is determined by the Directors and is not to be less than the volume weighted average price of shares in the 5 trading days prior to the Issue Date. Eligible Employees use the abovementioned loan to acquire the plan shares.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in plan shares during the year.

	Number 2018	WAEP 2018	Number 2017	WAEP 2017
Outstanding at 1 January	**-**	**-**	-	-
Granted during the year	**3,504,152**	**0.12**	-	-
Forfeited during the year	**-**	**-**	-	-
Expired during the period			-	-
Outstanding at 31 December	**3,504,152**	**0.12**	-	-
Exercisable at 31 December	**3,504,152**	**0.12**	-	-

Warrants

a) *Summaries of warrants granted*

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

	Number 2018	WAEP 2018	Number 2017	WAEP 2017
Outstanding at 1 January			-	-
Issued during the year	**49,285,714**	**0.1204**	-	-
Expired during the year			-	-
Outstanding at 31 December	**49,285,714**	**0.1204**	-	-
Exercisable at 31 December	**49,285,714**	**0.1204**	-	-

b) *Weighted average remaining contractual life*

The weighted average remaining contractual life for the warrants outstanding as at 31 December 2018 is between 4 and 5 years (31 December 2017: Nil).

b) *Range of exercise price*

The range of exercise prices for warrants outstanding at the end of the year was $0.11385 to $0.1365 (31 December 2017: Nil).

c) *Weighted average fair value*

The weighted average fair value of warrants granted during the year was $0.0875 (31 December 2017: Nil).

d) *Warrants pricing model*

The fair value of the warrants granted during the year ending 31 December 2018 was estimated as at the date of grant using a Black-Scholes option pricing model taking into account the terms and conditions upon which the warrants were granted.

The following table lists the inputs to the model used for the year ended 31 December 2018.

	31 Dec 2018	**31 Dec 2018**
	Tranche A	Tranche B
Dividend yield (%)	Nil	Nil
Expected volatility (%)	85%	85%
Risk-free interest rate (%)	2.50%	2.47%
Expected life of warrants (years)	5.02	4.95
Warrant exercise prices ($)	$0.091	$0.79
Weighted average share price at grant date ($)	$0.13	$0.12

The minimum life of the Warrants is the length of any vesting period. The maximum life is based on the expiry date. For the purposes of these warrants the exercise date is estimated as the expiry date The expected volatility reflects the assumption that the historical volatility was indicative of future trends, which may also not necessarily be the actual outcome. No other features of warrants granted were incorporated into the measurement of fair value.

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 year ending 31 December 2018 and year to 31 December 2017 was Nil.

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.

	Number 2018	**WAEP 2018**	**Number 2017**	**WAEP 2017**
Outstanding at 1 January	**3,000,000**	**0.09250**	3,000,000	0.0925
Granted during the year	**-**	**-**	-	-
Converted to shares during the year	**(1,000,000)**	**0.08500**		
Expired during the year	**(2,000,000)**	**0.09625**	-	-
Outstanding at 31 December	**-**	**-**	3,000,000	0.0925
Exercisable at 31 December	**-**	**-**	3,000,000	0.0925

b) *Weighted average remaining contractual life*

Not applicable.

c) *Range of exercise price*

The range of exercise prices for options outstanding at the end of the year was $0 as no options were outstanding (31 December 2017: $0.085 to $0.10).

d) *Weighted average fair value*

The weighted average fair value of options granted during the year was Nil (the year to 31 December 2017: Nil).

e) *Option pricing model*

The fair value of the equity settled share options granted during the period ending 31 December 2017 under the option plan was 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 2017.

	31 Dec 2017
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 expect life of the options was based on historical data and was not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility was 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 2018	Balance at Beginning of Year No.	Exercised No.	Lapsed No.	Balance at End of Year No.
Managing Director	3,000,000	(1,000,000)	(2,000,000)	-
Total	**3,000,000**	**(1,000,000)**	**(2,000,000)**	**-**

(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.

31 December 2017	Balance at Beginning of Period No.	Grant Details No.	Lapsed No.	Balance at End of Period No.
Managing Director	3,000,000	-	-	3,000,000
Total	**3,000,000**	**-**	**-**	**3,000,000**

NOTE 23 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:

	Year to 31 Dec 2018 ($)	Year to 31 Dec 2017 ($)
Orient Zirconic Resources (Australia) Pty Ltd – Chaodian Chen	**-**	(45,550)
Leeman Pty Ltd, a George Sakalidis related party, hire of specialised equipment	**(3,150)**	(2,695)
Magnetic Resources NL, a George Sakalidis related party, purchase of stationary	**(1,996)**	(1,045)
Murray Zircon Pty Ltd – Interest on $4,000,000 loan (Note 17)	**(200,000)**	(200,000)
Murray Zircon Pty Ltd – Vehicle repairs, flights & camp meals, car hire	**(5,955)**	(2,684)
Spouse of Patrick Mutz – The Company purchases travel expenses from a national travel agency of which his spouse is an agent and receives a commission. The amount disclosed is an estimate of the fees and commissions which is shared between the agency and the spouse of Patrick Mutz	**(3,730)**	(2,280)
	(214,831)	(254,254)

Total amounts owing to directors and/or director-related parties and related entities at 31 December 2018 were Nil (31 December 2017: $Nil). All transactions were incurred on normal commercial terms and were arm's length transactions.

Murray Zircon Pty Ltd is a related party due to it holding a 20.14% interest in the shares of the Company.

NOTE 24 CONTINGENT LIABILITIES

The Company has approved the payment of $300,000 as a bonus to management for the completion of the construction of the Boonanarring project within a fixed timeframe subject to production of 20,000 tonnes of heavy mineral concentrates also within a fixed timeframe. Construction was completed within the timeframe and the bonus became payable when the first 20,000 tonnes of heavy mineral concentrate was produced in January 2019.

Other than those matters disclosed in Notes 19 and 20 and above, there are no contingent liabilities or commitments.

NOTE 25 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 commodity price, 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.

The Company completed its first shipment of product in January 2019 and expects to be generating sufficient cash flows from operations to meet all its obligations during first quarter 2019. The focus of the Company's capital risk management is managing the timing and quantity of product shipments to meet operational, exploration and corporate overhead expenditure requirements. In addition the Company is focussed on building up a cash position sufficient to be able to repay a short term loan ($4 million due May 2019) and loan note repayments (first repayment due in November 2019).

The working capital position of the Company at 31 December 2018 and 31 December 2017 was as follows:

	31 Dec 2018 ($)	31 Dec 2017 ($)
Cash and cash equivalents	**11,885,969**	4,422,650
Restricted cash	**54,667**	54,667
Trade and other receivables	**1,463,321**	81,756
Trade and other payables and provisions	**(12,231,831)**	(940,445)
Inventory	**9,246,816**	-
Borrowings ($4 million due May 2019 and remainder due November 2019)	**(12,564,655)**	(34,843)
Working capital position	**(2,145,713)**	3,583,785

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 (2017: $54,667) 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:

A rated	**11,940,372**	4,477,317

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 2018	Weighted Average Effective Interest Rate %	Fixed Interest Rate ($)	Floating Interest Rate ($)	Non-Interest Bearing ($)	Total ($)
Financial Assets:					
Cash and cash equivalents		-	11,885,669	300	11,885,969
Restricted cash		-	54,667	-	54,667
Trade and other receivables		-	-	1,463,321	1,463,321
Available-for-sale financial assets		-	-	26,755	26,755
Total Financial Assets	0.57%	-	11,940,336	1,490,376	13,430,712
Financial Liabilities:					
Trade and other payables and provisions		-	-	12,231,831	12,231,831
Borrowings		63,952,584	-	-	63,952,584
Total Financial Liabilities	12.5%	63,952,584	-	12,231,831	76,184,415
Net Financial Assets		(63,952,584)	11,940,336	(10,741,455)	(62,753,703)

31 December 2017	Weighted Average Effective Interest Rate %	Fixed Interest Rate ($)	Floating Interest Rate ($)	Non-Interest Bearing ($)	Total ($)
Financial Assets:					
Cash and cash equivalents		-	4,420,641	2,010	4,422,651
Restricted cash		-	54,667	-	54,667
Trade and other receivables		-	-	81,756	81,756
Available-for-sale financial assets		-	-	16,780	16,780
Total Financial Assets	0.14%	-	4,475,308	100,546	4,575,854
Financial Liabilities:					
Trade and other payables and provisions		-	-	(1,099,321)	(1,099,321)
Borrowings		(4,034,843)	-	-	(4,034,843)
Total Financial Liabilities	5.01%	(4,034,843)	-	(1,099,321)	(5,134,164)
Net Financial Assets		(4,034,843)	4,475,308	(998,775)	(558,310)

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 2018	Less than 3 months	3 to 12 months	1 to 5 years	Total
Trade and other payables and provisions	12,231,831	-	-	12,231,831
Borrowings	4,000,000	8,564,655	51,387,929	63,952,584
	16,231,831	8,564,655	51,387,929	76,184,415

31 December 2017	Less than 3 months	3 to 12 months	1 to 5 years	Total
Trade and other payables and provisions	940,445	-	-	940,445
Borrowings	34,843	99,178	800,000	934,021
	975,288	99,178	800,000	1,874,466

Please refer to Note 16 (a) Murray Zircon Pty Ltd investment in Image Resources NL for further details of the $4 million short term loan and to Note 16 (b) for further details of the Senior Secured Debt Facility.

(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 2018	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	26,755	-	-	26,755
	26,755	-	-	26,755

31 December 2017	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	16,780	-	-	16,780
	16,780	-	-	16,780

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 2018 ($)	31 Dec 2017 ($)
Change in loss – increase/(decrease):		
- Increase in interest rate by 2%	**(238,807)**	(89,546)
- Decrease in interest rate by 2%	**238,807**	89,546
Change in equity – increase/(decrease):		
- Increase in interest rate by 2%	**238,807**	89,546
- Decrease in interest rate by 2%	**(238,807)**	(89,546)

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 2018 and performance for the year 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 year ended 31 December 2018 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 year have been properly maintained in accordance with section 286 of the Corporations Act 2001;

   (b) the financial statements and the notes for the financial year comply with Accounting Standards; and

   (c) the financial statements and notes for the financial year 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.

ORIGINAL SIGNED BY ROBERT BESLEY
CHAIRMAN

PERTH
Dated this 25 February 2019

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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 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the period then 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 2018 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.

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.

Provision for Rehabilitation
Refer to Note 15, Provisions and accounting policy Notes 1o and 1t

Key Audit Matter	How our audit addressed the key audit matter
As at 31 December 2018, the company has a liability of $4,397,712 relating to the estimated cost of rehabilitation, decommissioning and restoration relating to areas disturbed during operation in Boonanarring but not yet rehabilitated. The provision is based upon current cost estimates and has been determined on a	Our audit work included, but was not restricted to, the following: • Obtaining an Independent expert valuation report and external underlying documentation for their determination of future required activities, their timing and associated cost estimations. We also determined the nature and quantum of costs contained in the provision estimate.

discounted basis with reference to current legal requirements and technology. At each reporting date the rehabilitation liability is reviewed and re-measured in line with changes in observable assumptions, timing and the latest estimates of the costs to be incurred based on area of disturbance at reporting date. This area is a key audit matter as the determination of the restoration liability involves a level of complex calculations and significant management judgement.	• Testing the accuracy of historical restoration and rehabilitation provisions by comparing to actual expenditure. • Assessing the planned timing of environmental restoration and demobilisation provisions through comparison to mine plans and reserves. • Assessing the competence, scope and objectivity of the company's external experts used in determination of the provisions estimate. • Analysed inflation rate and discount assumptions in the provision calculation to current market data and economic forecasts. • Evaluating the completeness of the provisions estimate to the company's analysis of each operating location to identify where disturbance requires rehabilitation or demobilisation and our understanding of the company's operations.

Deferred Tax Asset

Refer to Note 4, Income Tax and accounting policy Notes 1g and 1t

Key Audit Matter	How our audit addressed the key audit matter
As at 31 December 2018, the company has recognised a deferred tax asset. This requires management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilise recognised deferred tax assets. This area is a key audit matter as the determination of the Deferred Tax Asset involves a level of complex calculations and significant management judgement.	Our audit work included, but was not restricted to, the following: • Obtaining an Independent expert report and external underlying documentation for their determination of recognition and appropriateness of the Deferred Tax Asset. • We engaged our tax specialist to understand the current status of tax assessments and determine the appropriateness of the recognition of the Deferred Tax Asset. • We have assessed and challenged management's judgements relating to the forecasts of future taxable profit and evaluated the reasonableness of the assumptions underlying the preparation of these forecasts including the consistency of the assumptions used with those used to evaluate the recoverable amount of Image's cash generating units were relevant.

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 17 to 22 of the directors' report for the period ended 31 December 2018. 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 2018 complies with section 300A of the *Corporations Act 2001*.

Greenwich & Co Pty Ltd

Greenwich & Co Audit Pty Ltd

Nicholas Hollens

Nicholas Hollens
Managing Director

25 February 2019
Perth

ASX ADDITIONAL INFORMATION

Additional information required by the ASX Listing Rules and not shown elsewhere in this report is as follows. The information is current as at 22 February 2019.

Distribution of Equity Securities

			Ordinary shares	
			Number of holders	**Number of shares**
1	-	1,000	290	161,072
1,001	-	5,000	502	1,519,562
5,001	-	10,000	304	2,502,933
10,001	-	100,000	776	32,914,587
100,001		and over	429	927,149,444
			2,301	964,247,598

The number of shareholders holding less than a marketable parcel of shares are:	532	618,111

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	191,902,001	19.90
2	Vestpro International	131,936,921	13.68
3	Orient Zirconic Resources (Australia) Pty Ltd	51,761,950	5.37
4	Million Up Ltd	40,624,754	4.21
5	Citicorp Nom PL	36,873,023	3.82
6	XQ (HK) Enterprises Ltd	22,420,082	2.33
7	J P Morgan Nominees Australia Ltd	22,367,411	2.32
8	Ava Cartel SDN BHD	18,000,000	1.87
9	TQ International	18,000,000	1.87
10	Target Range Pty Ltd	17,033,888	1.77
11	Merrill Lynch Aust Nom PL	12,845,587	1.33
12	Choy Fuan Ku	12,473,000	1.29
13	Cai Zonglin	11,555,546	1.20
14	Pontian Orico Plantations	11,539,728	1.20
15	Aktiengesellschaft D U	11,100,000	1.15
16	Shumei Chen	11,000,000	1.14
17	Ribton Super Fund Pty Ltd <Ribton S/F A/C>	10,100,000	1.05
18	UBS Nom PL	10,044,622	1.04
19	Lim Pang Soo	10,000,000	1.04
20	Alcock Super Fund PL <Alcock S/F A/C>	8,788,888	0.91
		660,367,401	68.49

ASX ADDITIONAL INFORMATION

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	266,084,033
Vestpro International	131,936,921

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 Holders	Holder Name	Number of Securities
Warrants exercisable at $0.1365 expiring 20/05/2023	1	Jett Capital Advisors LLC	14,285,714
Warrants exercisable at $0.11385 expiring 24/05/203	1	Pala Investments Limited	13,475,000
Warrants exercisable at $0.11385 expiring 24/05/203	1	CLV Investment Solutions	12,054,000
Warrants exercisable at $0.11385 expiring 24/05/203	1	Castlelake IV LP	9,471,000

SCHEDULE OF TENEMENTS

Location	Tenement	Nature of Interest	Project	Equity (%) held at start of Quarter	Equity (%) held at end of Quarter
WA	E28/1895	Granted	ERAYINIA	100%	100%
WA	E70/2636	Granted	COOLJARLOO	100%	100%
WA	E70/2844	Granted	BIDAMINNA NTH	100%	100%
WA	E70/2898	Granted	COOLJARLOO	100%	100%
WA	E70/3032	Granted	GINGIN	100%	100%
WA	E70/3041	Granted	REGANS FORD SOUTH	100%	100%
WA	E70/3100	Granted	QUINNS HILL	100%	100%
WA	E70/3192	Granted	BOOTINE	100%	100%
WA	E70/3298	Granted	BIDAMINNA -PARK	90%	90%
WA	E70/3411	Granted	REGANS FORD	100%	100%
WA	E70/3494	Granted	BRYALANA	100%	100%
WA	E70/3720	Granted	BLUE LAKE	100%	100%
WA	E70/3892	Granted	CHAPMAN HILL	100%	100%
WA	E70/3997	Granted	MUNBINIA	100%	100%
WA	E70/4077	Granted	DARLING RANGE	100%	100%
WA	E70/4244	Granted	WOOLKA	100%	100%
WA	E70/4245	Granted	WINOOKA	100%	100%
WA	M70/0448	Granted	GINGIN SOUTH	100%	100%
WA	M70/1192	Granted	RED GULLY	100%	100%
WA	M70/1194	Granted	BOONANARRING	100%	100%
WA	P70/1516	Granted	COOLJARLOO	100%	100%
WA	M70/1311	Granted	BOONANARRING NORTH	100%	100%
WA	G70/0250	Granted	BOONANARRING	100%	100%
WA	R70/0051	Granted	COOLJARLOO NORTH	100%	100%
WA	M70/1305	Application	ATLAS	100% pending grant	100% pending grant
WA	P70/1520	Application	COOLJARLOO	100% pending grant	100% pending grant
WA	E70/4631	Granted	MUNBINIA WEST	100%	100%
WA	E70/4656	Granted	WINOOKA NORTH	100%	100%
WA	E70/4663	Granted	BIBBY SPRINGS	100%	100%
WA	E70/4689	Granted	BOONANARRING WEST	100%	100%
WA	E70/4779	Granted	MIMEGARRA	100%	100%
WA	E70/4794	Granted	REGANS FORD NORTH	100%	100%
WA	E70/4795	Application	BIDAMINNA SOUTH	100% pending grant	100% pending grant
WA	E70/4919	Granted	ORANGE SPRINGS	100%	100%
WA	E70/4946	Granted	RED GULLY NORTH	100%	100%
WA	E70/4949	Granted	NAMMEGARRA	100% pending grant	100%
WA	E28/2742	Application	MADOONIA DOWNS	100% pending grant	100% pending grant
WA	E70/5192	Application	WINOOKA SOUTH	-	100% pending grant
WA	E70/5193	Application	CHAPMAN HILL NORTH	-	100% pending grant
WA	E70/5213	Application	GINGINUP HILL	-	100% pending grant