



IMAGE
RESOURCES



Image Resources NL

ABN: 57 063 977 579

INTERIM FINANCIAL REPORT

For the half-year ended 30 June 2020

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INTERIM FINANCIAL REPORT

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Your directors submit the financial report of the Company for the half-year ended 30 June 2020.

DIRECTORS

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

Mr Robert Besley
Mr Patrick Mutz
Mr Aaron Chong Veoy Soo
Mr Chaodian Chen
Mr Fei Wu
Mr Peter Thomas
Mr Huangcheng Li
Mr George Sakalidis (resigned: 29 May 2020)

OPERATING AND FINANCIAL REVIEW

Operating Result

The profit from continuing operations for the half-year ended 30 June 2020 was \$14,192,000 (2019: \$6,909,000).

Review of Operations

Image Resources NL ("Image" or "the Company") has followed up its first full year of production in 2019 at the Boonanarring Mineral Sands Project located 80km north of Perth, with sustained operating success during the half year ending 2020 ("1H 2020") resulting in a significant increase in profit before tax when compared to first half of 2019 ("1H 2019").

The following summarises the key drivers of operational and financial performance for 1H 2020:

- Wet Concentration Plant ("WCP") ore throughput of 1.9Mt for 1H 2020 compared to 1.5Mt for 1H 2019. 1H 2020 ore throughput on pace with CY2020 guidance with plant availability averaging greater than 90% compared to target of 85%.
- Heavy mineral concentrate ("HMC") production of 167kt for 1H 2020 compared to 138kt for 1H 2019. Record HMC production in the March quarter ("Q1") of 84kt followed by similar production in the June quarter ("Q2") of 83kt, keeping the Company on-track to achieve production guidance of 300-330,000 tonnes for CY2020.
- HMC sales of 110kt for 1H 2020 compared to 116kt for 1H 2019. Lower HMC sales in Q1 of 45kt followed by an increase in sales of 65kt for Q2 with sales accelerating in June and sales anticipated to be heavily weighted in 2H to meet CY2020 guidance of 300-330,000kt (refer relevant ASX announcements subsequent to 1H 2020 below).
- Increased average HMC realised sales price of A\$642 per tonne for 1H 2020 compared to A\$580 for 1H 2019 due to increased ZrO₂ grades and a lower average AUD versus USD partially offset by lower zircon prices.
- Lower cost of sales (excluding depreciation and amortisation) of \$228 per tonne for 1H 2020 compared to \$326 per tonne for 1H 2019 due primarily to higher HMC production.

The following table provides a summary of the key drivers of underlying EBITDA for the Boonanarring Project:

	6 months to 30 June 2020	6 months to 30 June 2019
HMC Production (DMT 000s)	167	138
HMC Sales (DMT 000s)	110	116
HMC Realised Price (\$/DMT)	642	580
HMC Cost of Sales (\$/DMT)	228	326
HMC Margin (\$/DMT)	414	254
HMC Sales (A\$ millions)	70.6	67.3
Cost of sales excluding depreciation and amortisation (A\$ millions)	(25.1)	(40.5)
Underlying EBITDA (A\$ millions)	45.5	26.8

Underlying EBITDA

Underlying EBITDA, defined as earnings before interest, tax, depreciation and amortisation, and other expenses is used as a key measure of the Company's financial performance. The reconciliation of the underlying EBITDA to the financial metrics reported in the 1H 2020 financial statements under Australian Accounting standards is presented below.

	6 months to 30 June 2020 (A\$000's)	6 months to 30 June 2019 (A\$000's)
Operating sales revenue	70,611	67,320
Costs of sales excluding depreciation and amortisation	(25,098)	(40,515)
Underlying EBITDA	45,513	26,805
Depreciation and amortisation	(16,292)	(7,238)
Exploration, corporate and other	(4,184)	(4,589)
Realised foreign currency loss	(1,684)	(575)
Finance costs (net)	(3,912)	(4,659)
Profit before tax	19,441	9,744
Income tax expense	(5,249)	(2,835)
Net profit after tax	14,192	6,909

Boonanarring

Overall, performance for 1H 2020 was very positive with heavy mineral concentrate (HMC) production of 167k tonnes of HMC, 21% higher than in 1H 2019, while cost of sales were 30% lower than in 1H 2019. The net result being project operating margin of \$414 per tonne were significantly higher than the corresponding margin of \$254 per tonne in 1H 2019. Underlying project EBITDA for 1H 2020 of \$45.5 million was also substantially higher (78%) than in 1H 2019 (\$26.8 million).

The company continues to see WCP availability consistently above the target rate of 85% and this, combined with higher average ore processing feed rate than in 1H 2019, has supported HMC production of 167,000 tonnes for the half year, putting the Company in a strong position to achieve HMC production guidance for CY2020 of 300,000 to 330,000 tonnes.

Sales for Q1 2020 were delayed by the impact of COVID-19 in China, and general shipping delays, but increased substantially in Q2 and accelerated in June, with shipments for a nominal 25,000 tonnes in April, 10,000 tonnes in May and two shipments of a nominal 20,000 and 10,000 tonnes in June. Average realised pricing for 1H 2020 of \$642 per tonne was significantly higher than in 1H 2019 (\$580 per tonne) due to increased ZrO2 grades in the HMC and a lower average AUD:USD foreign exchange rate partially offset by lower zircon prices in 1H 2020. The

Company continued to operate relatively unaffected by COVID-19 with no confirmed cases at any of the Company's sites. The Company remains vigilant with respect to COVID-19 and has maintained strict adherence to modifications of its daily work practices and procedures in line with recommendations from regulatory and health officials to reduce the potential risks posed by COVID-19 to its employees, contractors, consultants and their families as well as the local communities in which they reside.

Exploration

In 1H 2020 exploration efforts have been focussed on the zircon-rich Boonanarring project area and the development of additional Mineral Resources for conversion to Ore Reserves. The objective is to quickly and efficiently evaluate areas of mineralisation within pumping (or hauling) distance from the current location of the WCP. The goal is to identify two years of new Ore Reserves at Boonanarring prior to the end of December 2020.

Focus areas during this reporting period include Boonanarring Southern Extension Area, Boonanarring Northern Extension Area, Boonanarring North-Western Extension Area, Boonanarring West (including Trandos Blue Lake) and Gingin North.

Drilling programmes are also being conducted on a number of other project areas to meet minimum expenditure requirements, to investigate potential mineralised zones and to enhance the understanding and size of existing Mineral Resources.

In 1H 2020 the Company completed 1,030 drill holes for 34,753 metres.

SIGNIFICANT EVENTS SUBSEQUENT TO REPORTING DATE

Other than the following matters:

- Subsequent to period end the Company signed a master sales agreement for 100,000 tonnes of HMC to off-take partner Shantou Natfort Zirconium and Titanium Co. Ltd ("Natfort") and Guangdong Orient Zirconic Ind Sci & Tech Co, Ltd ("OZC") for deliveries across a three to five month period (at Image's discretion) starting in July 2020. This 100,000 tonnes sales agreement provides greater certainty for substantially higher sales in second half 2020 than in first half 2020 and for the Company to meet calendar year 2020 sales guidance of 300, 000 to 330,000 HMC which is unchanged. The Company continues to proactively seek to diversify its sales base through the sale of additional HMC to interested buyers outside of existing off-take agreements.
- On 27 July 2020, the Company completed the loading and sale of the seventh shipment of HMC for the 2020 calendar year containing 29k dry metric tonnes (DMT). This shipment was secured by a letter of credit (LC) and subsequently, on 30 July 2019 full payment for the shipment was received in USD.
- On 17 August 2020, the Company completed the loading and sale of the eighth shipment of HMC for CY2020 of a nominal 20k wet metric tonnes (WMT).
- Sales agreements for two additional shipments of a nominal 20k WMT each, have been received with tentative departure dates in September, one of which is part of the 100kt master sales agreement.
- Trial mining of ore from the high-grade core of the Eastern Strand at Boonanarring was implemented in August. The objective of this trial is to determine if higher grade and quality zircon can be isolated in HMC that can be sold separately from the typical HMC and priced with premium grade zircon. Selective stockpiling of high-grade, high zircon ore will likely lead to lower zircon grades in typical HMC being sold during this trial. This will likely translate to lower realised price per tonne of HMC sold in the shorter term, until the ore with higher zircon grade and quality is processed and the HMC sold. If the trial is successful, higher average realised prices will be achieved in the longer term.

DIRECTORS' REPORT



- On 11 August 2020, the Company completed the purchase of another section of land that will allow access for further drilling of the Boonanarring Northern and North-western Extension Areas under Project 'MORE'.

There have been no other material significant matters or circumstances that have arisen subsequent to the end of the reporting period which have had, or are likely to have, a material impact on the operations of the Company or the financial statements.

FORWARD LOOKING STATEMENTS

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

Accordingly, results could differ materially from those set out in the forward looking statements as a result of, among other factors, changes in economic and market conditions, success of business and operating initiatives, changes that could result from future acquisitions of new exploration properties, the risks and hazards inherent in the mining business (including industrial accidents, environmental hazards or geologically related conditions), changes in the regulatory environment and other government actions, risks inherent in the ownership, exploration and operation of or investment in mining properties, fluctuations in prices and exchange rates and business and operations risks management, as well as generally those additional factors set forth in our periodic filings with ASX.

INDEPENDENCE DECLARATION BY AUDITOR

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 7 for the half-year ended 30 June 2020.

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

For and on behalf of the Directors

A handwritten signature in blue ink, appearing to read "Patrick Mutz".

SIGNED: Patrick Mutz

Managing Director

Perth

1 September 2020

ELDERTON
AUDIT PTY LTD

Auditor's Independence Declaration

To those charged with the governance of Image Resources NL

As auditor for the review of Image Resources NL for the half-year ended 30 June 2020, 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 review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

Elderton Audit Pty Ltd

Elderton Audit Pty Ltd

Nicholas Hollens

Nicholas Hollens
Managing Director

01 September 2020
Perth

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 30 JUNE 2020**



	Note	6 months to 30 Jun 2020 (\$000's)	6 months to 30 Jun 2019 (\$000's)
Continuing operations			
Operating sales revenue		70,611	67,320
Cost of sales	3	(34,443)	(40,872)
Gross profit		36,168	26,448
Other income		84	-
Government royalties		(3,317)	(3,167)
Shipping and other selling costs		(3,630)	(3,714)
Corporate expenses		(1,920)	(2,115)
Exploration and evaluation expenses		(2,348)	(1,465)
Other expenses		-	(1,009)
Realised foreign currency loss		(1,684)	(575)
Operating profit		23,353	14,403
Finance income		35	20
Financing costs	4	(3,947)	(4,679)
Profit before tax		19,441	9,744
Income tax expense		(5,249)	(2,835)
Net profit after tax		14,192	6,909
Other comprehensive income			
Unrealised foreign currency loss		-	(294)
Other comprehensive loss for the period, net of tax		-	(294)
Total comprehensive income for the period, net of tax		14,192	6,615
Earnings per share			
		Cents	Cents
Basic profit per share (cents per share)		1.45	0.68
Diluted profit per share (cents per share)		1.40	0.68

The accompanying notes form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020**



	Notes	30 Jun 2020 (\$000's)	31 Dec 2019 (\$000's)
Current Assets			
Cash and cash equivalents		36,067	49,935
Trade and other receivables	5	7,374	593
Inventory	6	33,885	16,789
Other assets		892	468
Total Current Assets		78,218	67,785
Non-Current Assets			
Property, plant and equipment	7	87,588	95,582
Other financial assets		2,886	2,885
Deferred tax assets		-	4,358
Total Non-Current Assets		90,474	102,825
TOTAL ASSETS		168,692	170,610
Current Liabilities			
Trade and other payables		17,122	16,210
Provisions		806	692
Borrowings	8	38,478	37,679
Total Current Liabilities		56,406	54,581
Non-Current Liabilities			
Provisions		15,357	15,380
Borrowings	8	55	18,858
Deferred tax liabilities		891	-
Total Non-Current Liabilities		16,303	34,238
TOTAL LIABILITIES		72,709	88,819
NET ASSETS		95,983	81,791
Equity			
Issued capital	9	108,553	108,553
Reserves	9	3,098	3,098
Accumulated losses		(15,668)	(29,860)
TOTAL EQUITY		95,983	87,791

The accompanying notes form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 30 JUNE 2020**



	Issued Capital (\$000's)	Warrants Reserve (\$000's)	Financial Assets at FVOCI (\$000's)	Accumulated Losses (\$000's)	Total (\$000's)
As at 1 January 2019	103,170	4,314	10	(50,692)	56,802
Operating profit for the period	-	-	-	6,909	6,909
Other comprehensive loss	-	-	-	(294)	(294)
Total comprehensive profit	-	-	-	6,615	6,615
<i>Transactions with owners</i>					
Issue of shares	1,788	-	-	-	1,788
Cost of share issue	(12)	-	-	-	(12)
Total transactions with owners	1,776	-	-	-	1,776
At 30 June 2019	104,946	4,314	10	(44,077)	65,193
As at 1 January 2020	108,553	3,088	10	(29,860)	81,791
Operating profit for the period	-	-	-	14,192	14,192
Other comprehensive loss	-	-	-	-	-
Total comprehensive profit	-	-	-	14,192	14,192
At 30 June 2020	108,553	3,088	10	(15,668)	95,983

The accompanying notes form part of these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 30 JUNE 2020**



	6 months to 30 Jun 2020 (\$000's)	6 months to 30 Jun 2019 (\$000's)
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	64,957	54,865
Payments to suppliers and contractors	(43,557)	(35,443)
Other income	84	-
Interest received	35	21
Interest paid	(4,071)	(253)
Net cash from operating activities	17,448	19,190
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(8,791)	(1,038)
Payments for exploration and evaluation	(1,998)	(4,574)
Net cash used in investing activities	(10,789)	(5,612)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	1,534
Share issue expenses	-	(29)
Proceeds from interest bearing loan	-	566
Repayment of borrowings	(19,828)	(1,895)
Net cash (used in) / from financing activities	(19,828)	176
Net (decrease) / increase in cash held	(13,169)	13,754
Cash at the beginning of the financial period	49,935	11,886
Effect of exchange fluctuations on cash held	(699)	44
Cash at the end of the financial period	36,067	25,684

The accompanying notes form part of these financial statements.

NOTE 1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of Preparation

These general-purpose financial statements for the interim half-year reporting period ended 30 June 2020 have been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard 134: *Interim Financial Reporting*.

These financial statements were approved by the Board of Directors on the date of the Directors Declaration.

This interim financial report is intended to provide users with an update on the latest annual financial statements of the Company. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year. It is therefore recommended that this financial report be read in conjunction with the annual financial statements for the year ended 31 December 2019, together with any public announcements made by the Company during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

Going Concern

The Company recognises that its ability to continue as a going concern to meet its debts when they fall due is dependent on successful production and product sales from the Boonanarring project resulting in the project's ongoing profitable operation. The Directors have reviewed the business outlook, taking into account the early production achievements and the fact that significant cash flow is being generated, and are of the opinion that the use of the going concern basis of accounting is appropriate.

Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

The Company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these Accounting standards and Interpretations did not have any significant impact on the financial performance or position of the Company.

NOTE 2 SEGMENT INFORMATION

Identification of reportable segments

The Company has identified that it operates in only one segment based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Company is a Mineral Sands mining Company operating its 100% owned high-grade zircon rich Boonanarring mine located in the North Perth Basin of Western Australia. Currently all the Company's mineral sands tenements, reserves and resources are located in Western Australia .

Revenue and assets by geographical region

The Company operates wholly within the geographical location of Australia with all of its assets located there. All revenue is received from two customers based in China.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2020**



	6 months to 30 Jun 2020 (\$000's)	6 months to 30 Jun 2019 (\$000's)
NOTE 3 COST OF SALES		
Mine operating costs	35,047	33,136
Depreciation and amortisation	13,077	7,238
Amortisation of capitalised borrowing costs	3,215	2,691
Inventory movement	(16,896)	(2,193)
	34,443	40,872

Cost of goods sold is in the inventory value of each tonne of finished product sold. All production is added to inventory at cost, which includes direct costs and depreciation and amortisation. The inventory value recognised as cost of goods sold for each tonne of finished product sold is the weighted average value per tonne for the stockpile from which the product is sold.

Inventory movement represents the movement in balance sheet inventory stockpiles, including the non-cash depreciation and amortisation components and movement in the net realisable value adjustments.

NOTE 4 FINANCING COSTS

Interest expense	3,801	4,635
Other financing costs	146	44
	3,947	4,679

Refer to note 8 for the accounting policy on borrowing/financing costs.

	30 Jun 2020 (\$000's)	31 Dec 2019 (\$000's)
NOTE 5 TRADE AND OTHER RECEIVABLES		
Trade Receivables	6,488	-
GST and tax refundable	728	592
Other receivables	158	1
	7,374	593

Trade receivable are amounts due from customers for goods sold in the ordinary course of business. Trade receivables amounts reflect sales of mineral sands and are backed by a letter of credit when the ship dispatches. Funds are received from the letter of credit in US dollars generally within five business days from the date the ship dispatches.

Due to the short-term nature of current receivables, their carrying amount is assumed to be the same as their fair value.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2020



	30 Jun 2020 (\$000's)	31 Dec 2019 (\$000's)
NOTE 6 INVENTORIES		
Ore stockpiles – at cost	451	466
Heavy mineral concentrate and other intermediate stockpiles – at cost	32,049	15,139
Stores and consumables – at cost	1,385	1,184
	33,885	16,789

Subsequent to period end the Company signed a sales agreement for 100,000 tonnes of HMC to off-take partner Shantou Natfort Zirconium and Titanium Co. Ltd (“Natfort”) and Guangdong Orient Zirconic Ind Sci & Tech Co, Ltd (“OZC”) for deliveries across a three to five month period (at Image’s discretion) starting in July 2020.

On 27 July 2020, the Company completed the loading and sale of the seventh shipment of HMC for the 2020 calendar year containing 29k dry metric tonnes (DMT).

NOTE 7 PROPERTY, PLANT AND EQUIPMENT

	Plant and Equipment (\$000's)	Land and Buildings (\$000's)	Mine Development (\$000's)	Borrowing Costs (\$000's)	Total (\$000's)
At 30 June 2020					
Cost	54,810	16,245	35,442	21,968	128,465
Accumulated Depreciation	(22,636)	-	(9,434)	(8,807)	(40,877)
Closing carrying amount	32,174	16,245	26,008	13,161	87,588
<u>Reconciliation of carrying amounts</u>					
As at 1 January 2020	39,602	11,469	28,135	16,376	95,582
Additions	1,090	14,776	2,464	-	8,330
Reclassification	320	-	(320)	-	-
Depreciation	(8,838)	-	(4,271)	(3,215)	(16,324)
At 30 June 2020	32,174	16,245	26,008	13,161	87,588

Note: 1 During the period the Company completed the purchase of a section of land that will allow access for further drilling of the Boonanarring Northern and North-western Extension Areas under Project ‘MORE’.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2020



NOTE 7 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Plant and Equipment (\$000's)	Land and Buildings (\$000's)	Mine Development (\$000's)	Borrowing Costs (\$000's)	Total (\$000's)
At 31 December 2019					
Cost	53,720	11,469	32,978	21,968	120,135
Accumulated Depreciation	(14,118)	-	(4,843)	(5,592)	(24,553)
Closing carrying amount	39,602	11,469	28,135	16,376	95,582
<u>Reconciliation of carrying amounts:</u>					
As at 1 January 2018	48,905	11,394	19,131	21,632	101,062
Additions	4,331	75	3,374	7	7,787
Mine closure and rehabilitation	-	-	10,655	-	10,655
Disposals	(901)	-	-	-	(901)
Transfers	523	-	(523)	-	-
Depreciation	(13,256)	-	(4,502)	(5,263)	(23,021)
At 31 December 2018	39,602	11,469	28,135	16,376	95,582

	30 Jun 2020 (\$000's)	31 Dec 2019 (\$000's)
NOTE 8 BORROWINGS		
Current		
Interest bearing loan – Senior Secured Loan Notes	38,390	37,606
Operating lease liabilities	88	73
	38,478	37,679
Non-Current		
Interest bearing loan – Senior Secured Loan Notes	-	18,803
Operating lease liabilities	55	55
	55	18,858

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 as financing costs.

NOTE 8 BORROWINGS (CONT'D)

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.

(a) Senior Secured Debt Facility.

A senior secured debt facility originally with Pala Investments Limited ("Pala") and Castlake IV, L.P. and CL V Investment Solutions LLC which are entities controlled by Castlake 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 and capitalised interest of US\$. US\$26,347,241 is the current portion of the loan at 30 June 2020 (31 December 2019: US\$19,434,351).

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.

	30 Jun 2020 (\$000's)	31 Dec 2019 (\$000's)
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NOTE 9 ISSUED CAPITAL

Ordinary share capital:

Issued and fully paid	108,553	108,553
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	Number	(\$000's)
As at 1 January 2020	980,979,899	108,553
Share issue costs	-	-
At 30 June 2020	980,979,899	108,553

	(\$000's)	(\$000's)
Reserves		
Warrants reserve	3,088	3,088
Available-for-sale financial assets reserve	10	10
	3,098	3,098

NOTE 9 ISSUED CAPITAL (CONT'D)

	30 Jun 2020 Number	31 Dec 2019 Number
Warrants		
The Company had the following warrants over un-issued fully paid ordinary shares at the end of the period:		
Exercisable at \$0.1365 on or before 20 May 2023	14,285,714	14,285,714
Exercisable at \$0.11385 on or before 24 May 2023	21,525,000	21,525,000
	35,810,714	35,810,714

NOTE 10 TENEMENT EXPENDITURE COMMITMENTS

The Company has entered into certain obligations to perform minimum exploration work on tenements held. These obligations vary from time to time in accordance with contracts signed. Tenement rentals and minimum expenditure obligations, that may be varied or deferred on application, are expected to be met in the normal course of business.

The minimum statutory expenditure requirement on the granted tenements for the next twelve months amounts to \$1,616,300. The company no longer has any joint ventures over any of its tenements.

The tenements are subject to legislative requirements with respect to the processes for application, grant, conversion and renewal. Tenements are also subject to the payment of annual rent and the meeting of minimum annual expenditure commitments. There is no guarantee that any applications, conversions or renewals for the Company's tenements will be granted.

NOTE 11 SIGNIFICANT EVENTS SUBSEQUENT TO REPORTING DATE

Other than the following matters:

- Subsequent to period end the Company signed a master sales agreement for 100,000 tonnes of HMC to off-take partner Shantou Natfort Zirconium and Titanium Co. Ltd ("Natfort") and Guangdong Orient Zirconic Ind Sci & Tech Co, Ltd ("OZC") for deliveries across a three to five month period (at Image's discretion) starting in July 2020. This 100,000 tonnes sales agreement provides greater certainty for substantially higher sales in second half 2020 than in first half 2020 and for the Company to meet calendar year 2020 sales guidance of 300, 000 to 330,000 HMC which is unchanged. The Company continues to proactively seek to diversify its sales base through the sale of additional HMC to interested buyers outside of existing off-take agreements.
- On 27 July 2020, the Company completed the loading and sale of the seventh shipment of HMC for the 2020 calendar year containing 29k dry metric tonnes (DMT). This shipment was secured by a letter of credit (LC) and subsequently, on 30 July 2019 full payment for the shipment was received in USD.
- On 17 August 2020, the Company completed the loading and sale of the eighth shipment of HMC for CY2020 of a nominal 20k wet metric tonnes (WMT).
- Sales agreements for two additional shipments of a nominal 20k WMT each, have been received with tentative departure dates in September, one of which is part of the 100kt master sales agreement.
- Trial mining of ore from the high-grade core of the Eastern Strand at Boonanarring was implemented in August. The objective of this trial is to determine if higher grade and quality zircon can be isolated in HMC that can be sold separately from the typical HMC and priced with premium grade zircon. Selective stockpiling of high-grade, high zircon ore will likely lead to lower zircon grades in typical HMC being sold during this trial. This will likely translate to lower realised price per tonne of HMC sold in the shorter term, until the ore with higher zircon grade and quality is processed and the HMC sold. If the trial is successful, higher average realised prices will be achieved in the longer term.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2020**



- On 11 August 2020, the Company completed the purchase of another section of land that will allow access for further drilling of the Boonanarring Northern and North-western Extension Areas under Project 'MORE'

There have been no other material significant matters or circumstances that have arisen subsequent to the end of the reporting period which have had, or are likely to have, a material impact on the operations of the Company or the financial statements.

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DIRECTORS' DECLARATION



The directors of the Company declare that:

1. the accompanying financial statements and notes:
 - (a) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position of the Company as at 30 June 2020 and its performance for the half-year ended on that date.
2. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

A handwritten signature in blue ink that reads "Patrick Mutz".

SIGNED BY PATRICK MUTZ

Managing Director

Perth

Dated this 1st day of September 2020

ELDERTON

AUDIT PTY LTD

Independent Auditor's Review Report

To the members of Image Resources NL

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Image Resources NL, which comprises the condensed statement of financial position as at 30 June 2020, the condensed statement of profit or loss and condensed other comprehensive income, condensed statement of changes in equity and the condensed statement of cash flows for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 30 June 2020 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*. As the auditor of Image Resources NL, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Image Resources NL is not in accordance with the *Corporations Act 2001* including:

- (i) giving a true and fair view of the Image Resources NL's financial position as at 30 June 2020 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*

Elderton Audit Pty Ltd

Elderton Audit Pty Ltd

Nicholas Hollens

Nicholas Hollens
Managing Director

01 September 2020
Perth