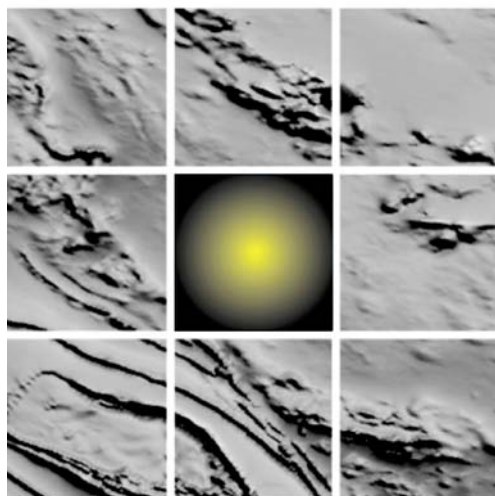


**IMAGE RESOURCES NL**

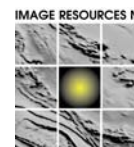


**ABN: 57 063 977 579**

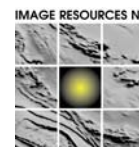
# **ANNUAL REPORT**

**FINANCIAL YEAR  
ENDED 30 JUNE 2010**

## CONTENTS



Corporate Directory	3
Review of Operations	4
Directors' Report	19
Auditor's Independence Declaration	26
Corporate Governance Statement	27
Statement of Comprehensive Income	32
Statement of Financial Position	33
Statement of Changes in Equity	34
Statement of Cash Flows	35
Notes to and forming part of the Financial Statements	36
Directors' Declaration	54
Independent Auditor's Report	55
Tenement Schedule	57
Other Information	59



## **CORPORATE DIRECTORY**

### **DIRECTORS**

PETER THOMAS  
Non-Executive Chairman

GEORGE SAKALIDIS  
Managing Director

ROGER THOMSON  
Executive Director

**COMPANY SECRETARY**  
Rudolf Tieleman

**REGISTERED OFFICE**  
2<sup>nd</sup> Floor  
16 Ord Street, West Perth WA 6005  
Telephone (08) 9485 2410  
Facsimile (08) 9485 2840

**WEBSITE**  
[www.imageres.com.au](http://www.imageres.com.au)

### **FOR SHAREHOLDER INFORMATION CONTACT**

**SHARE REGISTRY**  
Computershare Investor Services Limited  
Level 2  
Reserve Bank Building  
45 St George's Terrace, Perth WA 6000  
Telephone (08) 9323 2000  
Facsimile (08) 9323 2033

### **FOR INFORMATION ON THE COMPANY CONTACT**

**PRINCIPAL & REGISTERED OFFICE**  
2<sup>nd</sup> Floor  
16 Ord Street, West Perth WA 6005  
Telephone (08) 9485 2410  
Facsimile (08) 9485 2840

**SOLICITORS TO THE COMPANY**  
Smyth & Thomas  
10 Walker Avenue, West Perth WA 6005

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

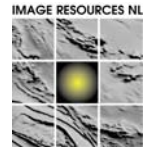
**AUDITORS**  
Somes & Cooke  
Chartered Accountants  
Level 1, 1304 Hay Street, West Perth WA 6005

**STOCK EXCHANGE**  
Australian Securities Exchange (ASX)

**COMPANY CODE**  
IMA (Fully paid shares)

**ISSUED CAPITAL**  
86,313,959 fully paid ordinary shares  
2,000,000 options exercisable at 37 cents by  
21 November 2010  
2,500,000 options exercisable at \$1.80 cents by  
16 November 2011  
2,500,000 options exercisable at \$1.50 cents by  
19 November 2011  
1,000,000 employee options exercisable at \$2.38  
by 26 March 2012  
2,200,000 options exercisable at \$2.12 cents by  
20 November 2012  
2,345,000 options exercisable at \$1.1162 cents by  
18 December 2014

## REVIEW OF OPERATIONS



### PROJECT SUMMARIES

**Image Resources is a mineral sands focused explorer with a major landholding and an expanding resource base in both the North Perth and the Eucla Basins of Western Australia.**

During the year Image continued to focus on its mineral sands projects in the North Perth and Eucla Basins, following its exploration success in both of these regions. Highlights during the year were a high grade discovery at Gingin in the North Perth Basin and definition of a maiden resource at Cyclone Extended in the Eucla Basin.

In addition Image retains interests in a diverse package of gold, nickel, iron and uranium tenements through joint ventures with Emu Nickel NL, Meteoric Resources NL, Magnetic Resources NL, Catalpa Resources Ltd and Sipa Resources Ltd. The locations of Image's main projects are shown in Figure 1.

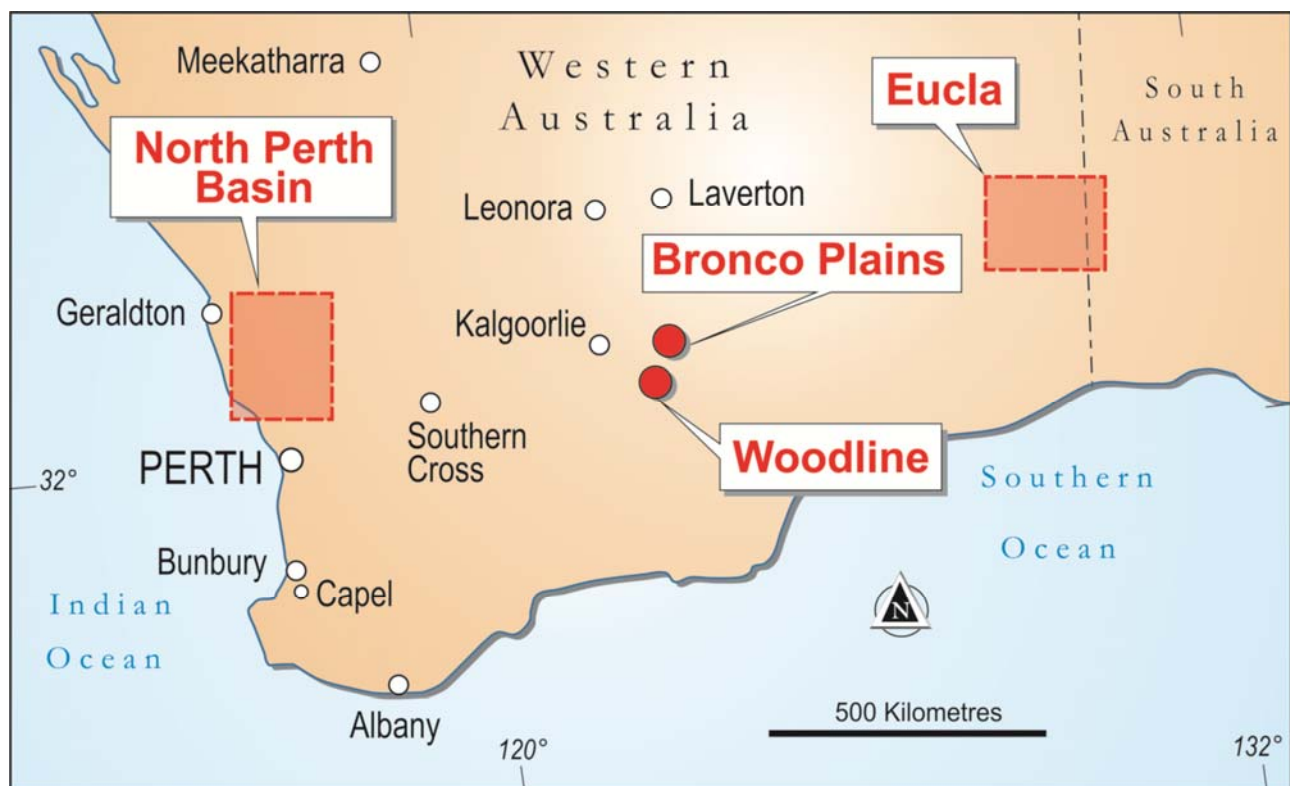
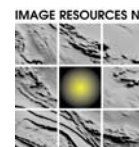


Figure 1  
Image Resources Project Location Map

## REVIEW OF OPERATIONS



### NORTH PERTH BASIN MINERAL SANDS

As part of its commitment to grow and develop its mineral sands resource base, Image has maintained its position as the largest mineral sand tenement holder in the North Perth Basin, with more than 1,600sq km of 100%-owned tenements and a further 256sq km of joint venture tenements, including 80sq km of tenements at the Cooljarloo joint venture (Image 70%). These tenements are shown on Figure 2 with the locations of existing production facilities highlighted. Image has appointed Engenium Pty Ltd, a firm of experienced management consultants and engineers, to assist in advancing the commercialisation of Image's heavy mineral assets in the North Perth Basin. Image's key objective is to build the value of these assets through expansion of its resource base and the determination of the optimal path for the development and mining of these resources in order for Image to liberate that value for shareholders, whether by mining the resources or through a transaction.

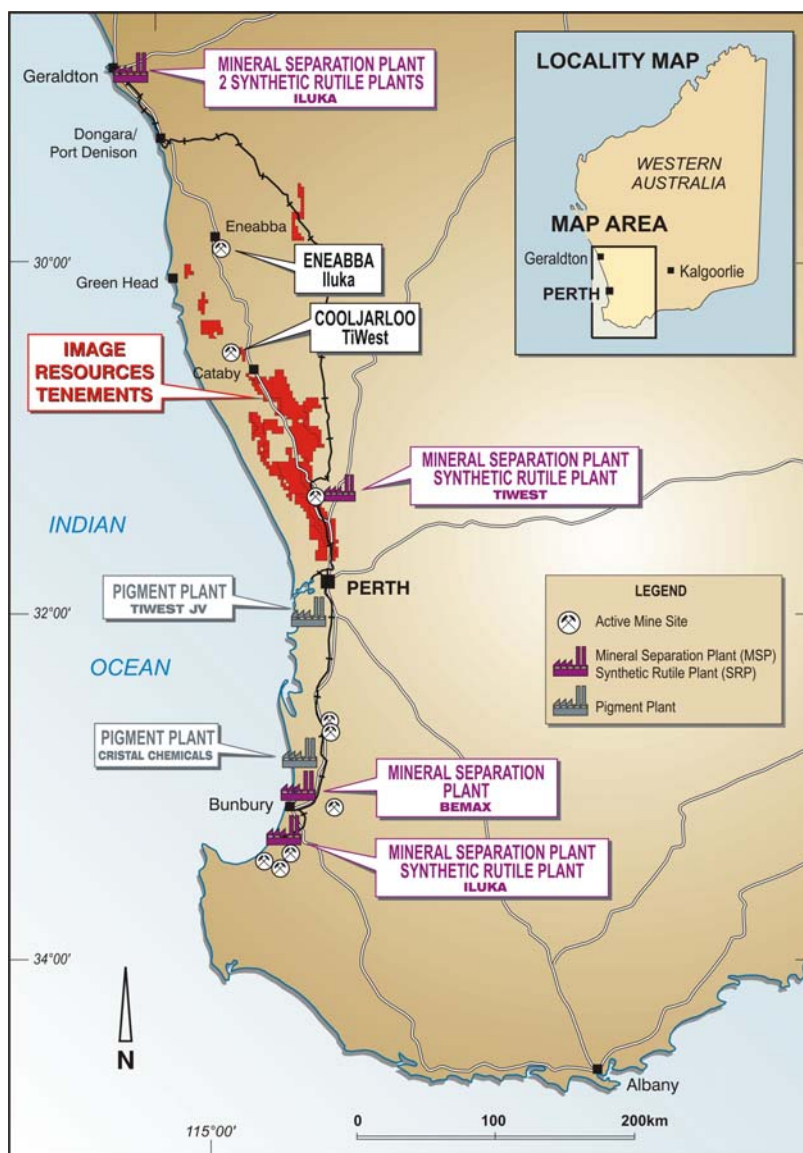
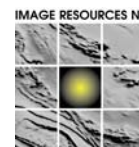


Figure 2  
North Perth Basin Tenements and Infrastructure



## REVIEW OF OPERATIONS

### Cooljarloo (Image 70%)

During the year Image completed infill drilling (388 holes, 4,268m) at the Atlas deposit, bringing the total holes drilled to 1,721 aircore drill holes, 22,130m. The drilling programme followed the previously reported resource upgrade at Atlas (summarised in Table 1) and was designed to bring this deposit to Measured Resource status. The resource is summarised in Figure 3.

Table 1  
**Atlas Resource Estimate Heavy Minerals and Mineralisation**

Category	Cut Off Grade % HM	Tonnes	Grade % HM	Slimes %	t HM
Indicated	2.5	14,600,000	6.2	15.6	910,000

**Atlas Resource Estimate Heavy Mineral Suite**

Category	Ilmenite	Leucoxene + Rutile	Zircon	Other
Inferred	555,000t	66,000t	102,000t	186,000t
Inferred	61.0%	7.3%	11.2%	20.4%

Following additional detailed ground magnetic surveys in the south eastern part of the Cooljarloo heavy minerals project, a revised interpretation has more clearly defined drilling targets along strike from existing identified resources. The potential to increase these resources is substantial because the total length of the target strand lines is now 6.8km compared to the 1.1km strike length of the known mineralisation within the existing resources as shown in Figure 4

This major target (previously referred to as the “new high grade strand”) is now called Rhea. The adjacent targets to the west of Rhea are the northwest extension of Tiwest’s Middle Strand resource and will retain that name.

## REVIEW OF OPERATIONS

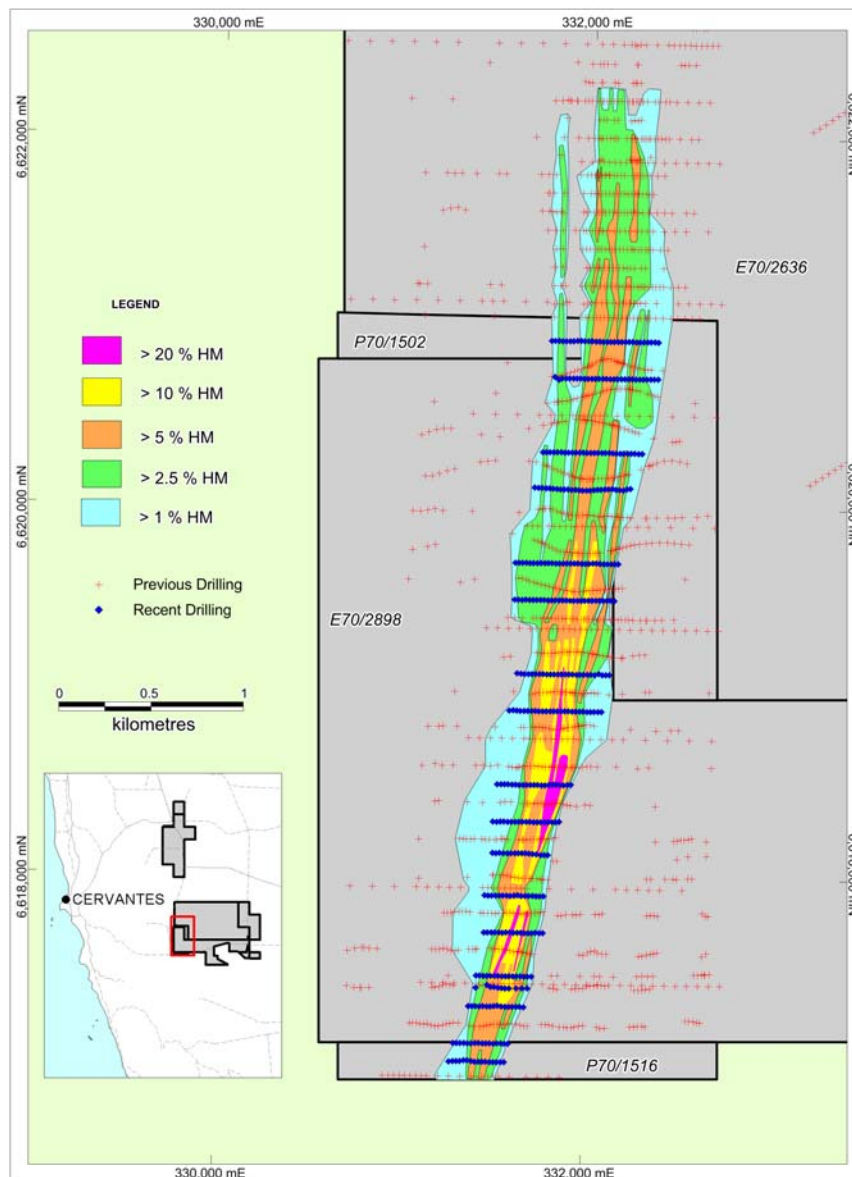
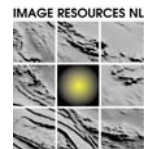


Figure 3  
**Atlas Resource Drilling**

A 6,000m drilling programme on 100m line spacings is proposed on those parts of the target strands currently accessible, as shown in Figure 4. Permitting for this drilling is in progress. This drill density should be adequate to define measured resources within the mineralised strands. In addition, four new channel targets are planned to be tested in the proposed programme, following up previous drilling on known channels where thick intersections up to 72m @1.6% heavy minerals occur.

The strand targets form part of the group of interpreted strand lines that have been magnetically mapped in detail and which have associated mineralisation indicated from previous drilling by Image Resources or other explorers.



## REVIEW OF OPERATIONS

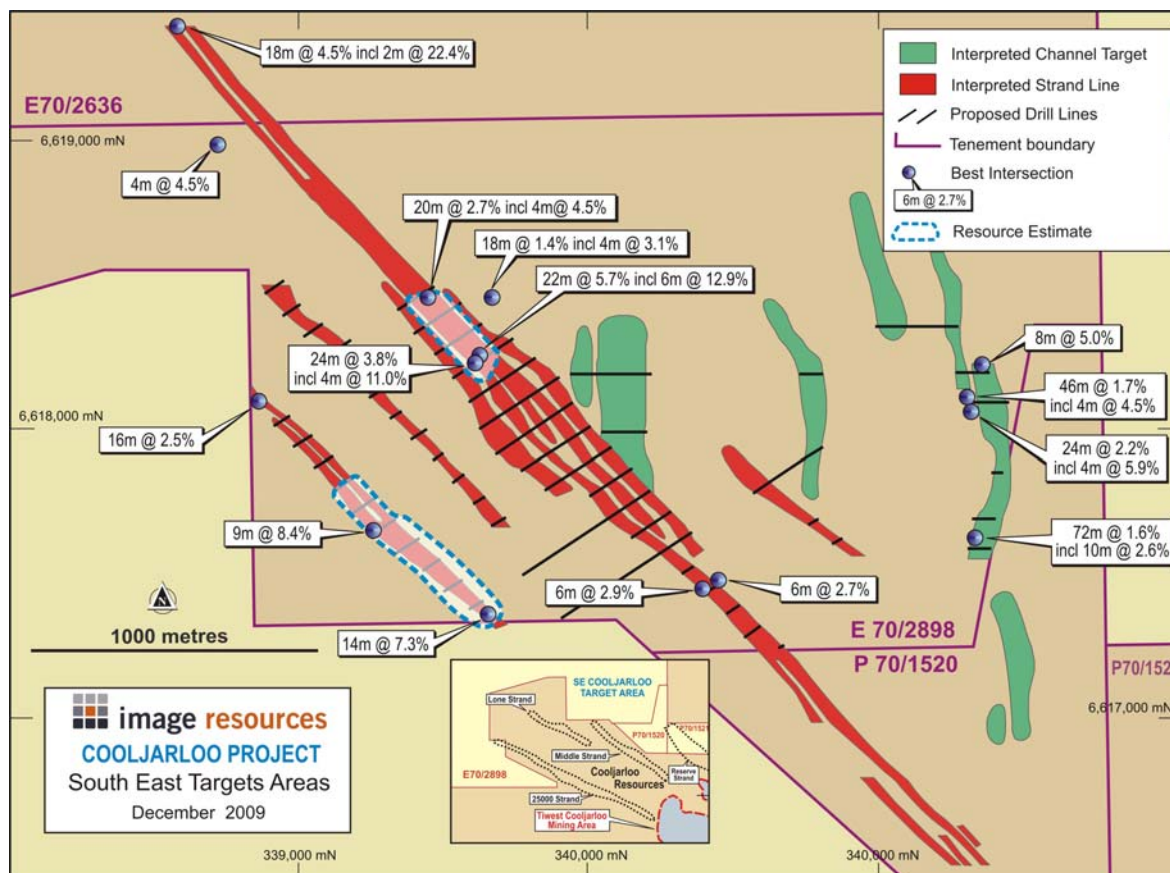
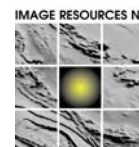


Figure 4  
Cooljarloo, South East Target Areas

Image has been successful in attracting state government co-funding of drilling to assess the channel targets at Cooljarloo, with funding of \$100,000 towards drilling approved. The funding scheme is aimed at encouraging and supporting mineral exploration, particularly on innovative projects that may lead to further discoveries.

### Gingin (Image 100%) and Chandala (Image earning up to 80%)

Image identified excellent heavy mineral (HM) grades within its contiguous Gingin and Chandala tenements situated south of Gingin town site. An extensive target zone more than 16km in length has been defined by detailed ground magnetic surveys along the Gingin Scarp which has historically been the site of several world class HM ore bodies including Eneabba and Cooljarloo. The location of the 16km-long target zone is shown in Figure 5.

Image has completed 231 aircore drill holes totalling 7,172m over a 3.6km strike length in the northern part of the target zone as shown in Figure 5. The aircore drilling results are summarised in Table 2. These results compare most favourably with grades of about 6% HM being dry mined in the North Perth basin. Panning of a typical high grade sample is shown in Figure 6. Image is planning to extend its drilling programme to test the remaining 13km of target strike length which extends south to the Tiwest Separation and Synthetic Rutile Plant near Muchea. Image is highly encouraged by these high grade results and plans to continue an aggressive drilling programme in the near future over this new high grade discovery.



# REVIEW OF OPERATIONS

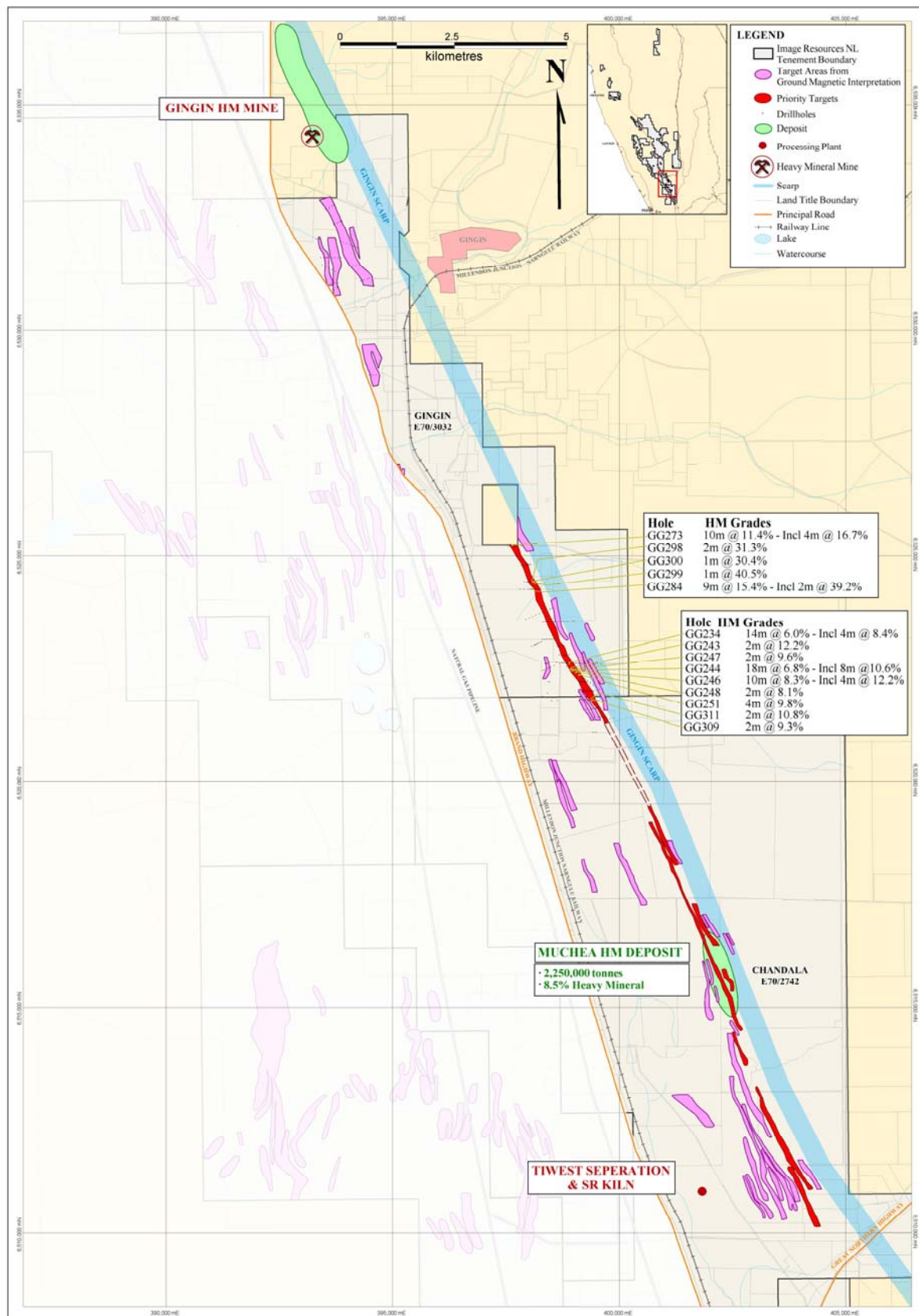
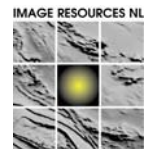


Figure 5  
Gingin and Chandala Drilling and Target Summary Map

## REVIEW OF OPERATIONS

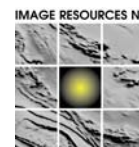
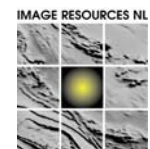


Table 2  
Gingin/Chandala Aircore Drilling Results

Hole Number	MGA East	MGA North	From m	To m	Interval m	HM %
GG219	399520	6522597	22	26	4	3.9
GG225	399274	6522594	12	16	4	2.2
GG233	398938	6522607	10	14	4	3.2
GG234	398898	6522608	8	22	14	6.0
including			18	22	4	8.4
GG237	398920	6522609	10	14	4	4.8
GG243	398931	6522480	22	28	6	7.0
including			24	26	2	12.2
GG244	398971	6522446	14	32	18	6.8
including			18	26	8	10.6
GG245	399003	6522424	14	18	4	4.6
GG246	398990	6522439	14	24	10	8.3
including			18	22	4	12.2
GG247	398949	6522464	22	28	6	5.2
including			24	26	2	9.6
GG248	399048	6522403	14	20	6	5.1
including			18	20	2	8.1
GG249	399082	6522374	16	22	6	5.1
GG251	399117	6522348	14	22	8	6.5
including			18	22	4	9.8
GG252	399158	6522319	20	26	6	3.2
GG269	397720	6525207	6	12	6	3.4
GG270	397697	6525205	4	10	6	4.0
GG271	397677	6525206	2	16	14	3.4
GG272	397656	6525206	0	12	12	4.2
GG273	397633	6525216	0	18	18	8.0
including			6	16	10	11.4
GG274	397614	6525209	2	8	6	3.5
GG283	398079	6524263	8	20	12	5.0
GG284	398099	6524263	8	18	10	14.1
including			9	18	9	15.4
GG285	398110	6524266	9	12	3	8.6
including			10	11	1	10.1
GG287	398056	6524259	12	19	7	2.7
GG293	398018	6524419	14	20	6	4.3
GG296	398035	6524433	18	20	2	4.4
GG297	398064	6524437	16	18	2	4.6
GG298	398090	6524427	14	20	6	12.1
including			16	18	2	31.3
GG299	398111	6524431	16	19	3	15.9
including			17	18	1	40.5
GG300	398132	6524437	16	19	3	13.4
including			17	18	1	30.4
GG304	397842	6524792	2	10	8	3.8
GG309	399434	6521809	19	33	14	6.0
including			23	27	4	11.6
GG310	399411	6521803	17	28	11	8.5
including			19	26	7	11.5
GG311	399388	6521795	21	23	2	10.8
GG312	399366	6521791	16	23	7	5.7
including			21	22	1	11.3
GG313	399342	6521793	17	22	5	4.0
including			21	22	1	7.1
GG315	399295	6521814	19	25	5	3.3
including			24	25	1	9.2
GG316	399253	6521822	28	31	3	4.8
including			28	29	1	8.9
GG329	399643	6521415	24	28	4	3.2
GG337	399399	6522008	24	32	8	6.4



## REVIEW OF OPERATIONS

Hole Number	MGA East	MGA North	From m	To m	Interval m	HM %
GG339	399379	6522019	21	34	13	10.0
	including		26	32	6	17.3
GG340	399356	6522007	18	32	14	13.9
	including		23	31	8	21.2
GG341	399339	6522002	18	32	14	13.0
	including		21	30	9	18.4
GG342	399310	6521998	18	28	10	14.5
	including		21	28	7	18.4
GG343	399293	6522004	17	28	11	9.6
GG344	399271	6522009	18	27	9	6.8
GG345	399244	6522007	20	25	5	6.2
GG346	399225	6522003	20	24	4	5.0
GG347	399204	6522006	19	23	4	5.1
GG348	399182	6521991	30	32	2	9.7
GG350	399116	6522207	15	25	10	6.5
GG351	399101	6522206	16	25	9	8.2
GG352	399137	6522195	15	22	7	11.3
GG353	399153	6522199	15	24	9	11.3
	including		19	23	4	20.1
GG354	399178	6522200	15	30	15	7.6
GG355	399200	6522204	15	27	12	11.0
	including		21	26	5	20.3
GG356	399223	6522206	16	30	14	9.8
	including		23	28	5	19.8
GG357	399244	6522196	20	31	11	10.7
	including		23	29	6	16.6
GG358	399263	6522193	23	29	6	2.5
GG364	398766	6522790	22	28	6	4.3
GG365	398793	6522793	12	28	16	3.3
GG366	398813	6522790	12	15	3	3.8
GG371	398685	6522994	17	31	14	5.5
GG372	398665	6522993	27	32	5	2.4
GG373	398705	6523000	15	21	6	3.6
GG374	398726	6523004	14	21	7	5.4
GG375	398749	6523008	14	21	7	5.6
GG376	398771	6523000	15	21	6	3.9
GG380	398593	6523202	17	30	13	6.3
GG381	398578	6523190	26	29	3	6.9
GG382	398614	6523206	17	24	7	6.7
GG383	398628	6523197	17	25	8	7.0
GG384	398655	6523185	19	26	7	6.6
GG385	398678	6523188	22	28	6	6.2
GG389	397866	6524797	4	12	8	5.2
GG390	397822	6524794	4	10	6	2.4
GG393	397697	6525007	17	20	3	7.2
GG394	397676	6525003	16	18	2	3.7
GG395	397655	6524994	15	20	5	2.0
GG407	397879	6524595	16	20	4	2.2
GG408	397858	6524595	16	23	7	5.7
GG409	397899	6524796	6	10	4	3.3
GG412	398551	6523343	14	19	5	4.1

1m or 2m samples. HM grades determined by TBE heavy liquid separation

## REVIEW OF OPERATIONS

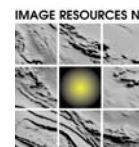


Figure 6  
Project Geologist, Wayne Carter, Panning High Grade HM in Hole GG311

### EUCLA BASIN MINERAL SANDS (Image 100%)

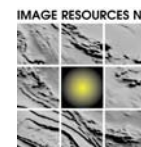
Image has completed a 402-hole, 16,308m aircore drilling programme this year on the Cyclone Extended prospect at Serpentine Lakes in the Eucla Basin, following up its previous drilling which intersected significant thicknesses of zircon-rich heavy minerals (HM). Zircon comprises up to 45% of the HM assemblage and is of great significance because it is the highest value mineral normally found in HM deposits (approximately 10 times the value of ilmenite). The price of Zircon is at record highs (\$US1,000/tonne) and market conditions are expected to become even more favourable with the current producers being unable to meet expected market demand for Zircon and Rutile.

In addition, the material has very low slime values (range 1.8-7.6%, average 4.2%). Low slime content is important because the material is easier to treat and operating costs of mining are reduced.

Significant results are summarised in Table 3.

Table 3  
Cyclone Extended, Significant Aircore Drilling Results

Hole Number	MGA East	MGA North	From m	To m	Interval m	% HM
SL220	476032	6808980	18	27	9	3.2
SL239	474769	6808769	9	22	13	3.3
SL249	475880	6809016	12	28	16	4.4
SL251	475976	6808972	14	27	13	3.1
SL301	486923	6806525	26	36	8	5.0
SL350	475866	6809941	20	32	12	3.9
SL369	474593	6809706	12	26	14	4.3
SL370	474545	6809716	12	21	9	4.4
SL371	474489	6809720	14	21	7	4.1



## REVIEW OF OPERATIONS

Hole Number	MGA East	MGA North	From m	To m	Interval m	% HM
SL372	474438	6809712	13	28	10	4.4
SL373	474389	6809696	13	30	17	4.4
SL374	474341	6809685	15	30	14	3.0
SL386	474401	6809266	15	21	6	3.1
SL388	474500	6809280	15	24	9	4.5
SL389	474544	6809295	14	19	5	3.5
SL390	474591	6809308	12	22	10	5.3
SL392	474688	6809306	15	22	7	4.0
SL393	474740	6809304	15	22	7	4.0
SL405	475616	6809481	18	27	9	3.1
SL407	475713	6809511	18	29	11	3.3
SL486	476842	6808330	34	36	2	6.3
SL545	497993	6804068	16	22	6	3.1

1m or 2m samples, HM grade determined by TBE heavy liquid separation

Two distinct zones of mineralisation are recognised within the Cyclone Extended HM prospect which abuts Diatreme Resources' Cyclone resource to the north as shown in Figure 6. Based on the drilling completed to date, the western zone of Cyclone Extended has been closed off to the south. The main body of this zone is 2km long and 800m wide, and there is a ~200m wide extension to the south for a further 750m. However the eastern zone, about 800m wide, remains open to the south and probably extends up to 4.5km within the Image tenements.



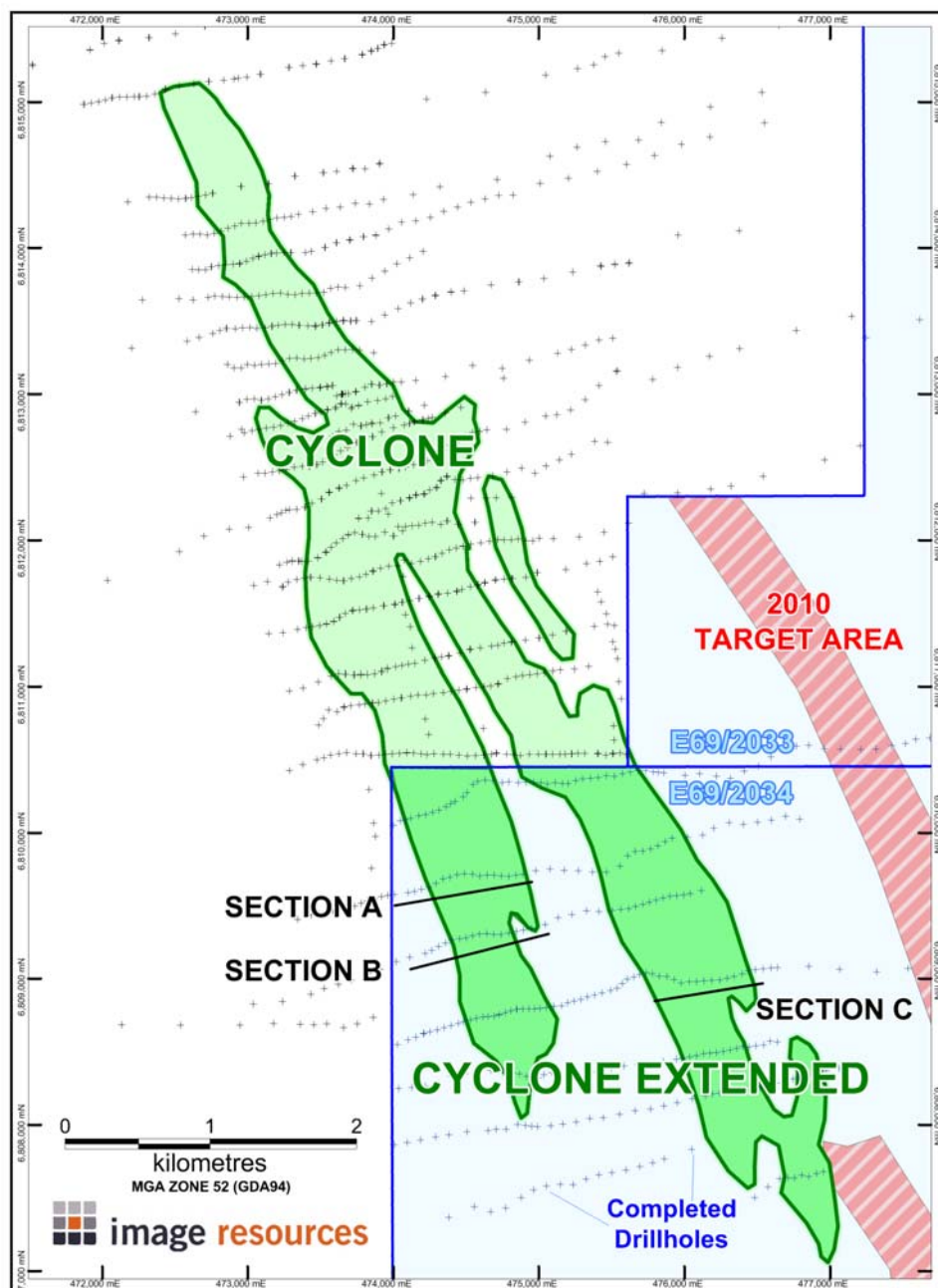
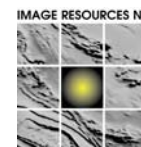
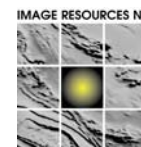


Figure 7  
Cyclone and Cyclone Extended Resource Outlines (1% HM cut-off)

Image has completed its maiden resource estimate for Cyclone Extended which is shown in Table 4. Following a data swap with Diatreme, Image has completed a global estimate for both Cyclone and Cyclone Extended in order to properly set its Cyclone Extended resource in context with the whole mineral deposit, as shown in Table 5. The estimates presented here are solely those of Image, and are not endorsed by Diatreme, which is preparing its own resource estimate for the project. The tables summarise the resource estimates by category for various HM cut-off grades. These resources have been estimated in accordance with the JORC guidelines.

Figure 7 shows the outline of mineralisation at a 1%HM cut-off, which consists of two arms that total 13km in aggregate strike length and which varies from 400m - 600m in width. The deposit ranges in thickness from 1 to 26 metres. The mineralised area is large at over 7.4sq km in extent. Typical cross sections of Cyclone Extended are shown in Figure 8.





## REVIEW OF OPERATIONS

Table 4  
Resource Summary Cyclone Extended (Image 100%)

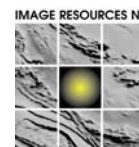
Mineral Resource Category	HM Cut-off	M Tonnes Insitu	HM %	HM kt	Slimes %	Zircon kt	Rutile + Leucoxene kt	Hi Ti Oxide kt	Altered Ilmenite kt
INDICATED	2.00	25.7	3.2	819	4.5	167	95.3	319.6	171.5
INDICATED	1.50	41.6	2.6	1093	4.9	226	117.0	417.2	246.7
INDICATED	1.00	77.3	2.0	1525	5.6	322	152.1	571.9	357.0
INDICATED	0.75	115.7	1.6	1856	6.1	389	180.6	691.1	441.1
INFERRED	2.00	0.3	2.3	6.2	3.1	1.0	0.2	2.5	2.3
INFERRED	1.50	1.2	1.8	21.9	5.8	4.3	1.0	8.1	7.6
INFERRED	1.00	9.0	1.2	113	3.3	23.3	5.6	44.6	34.5
INFERRED	0.75	32.3	1.0	313	2.3	59.6	15.7	130.9	92.5
TOTAL	2.00	26.0	3.2	825	4.5	168	95.3	322.1	174.1
TOTAL	1.50	42.9	2.6	1114	4.9	230	117.4	425.1	255.5
TOTAL	1.00	86.3	1.9	1638	5.3	345	154.7	617.8	395.7
TOTAL	0.75	148.0	1.5	2168	5.3	445	188.5	828.9	542.6

Table 5  
Global Resource Summary Cyclone and Cyclone Extended

Mineral Resource Category	HM Cut-off	M Tonnes Insitu	HM %	HM kt	Slimes %	Zircon kt	Rutile + Leucoxene kt	Hi Ti Oxide kt	Altered Ilmenite kt
INDICATED	2	94.1	3.2	3027	4.2	864	390	1071	424
INDICATED	1.5	156.3	2.6	4093	4.7	1165	504	1406	633
INDICATED	1	304.2	1.9	5878	5.5	1661	701	1962	957
INDICATED	0.75	482.5	1.5	7416	6.1	2083	875	2402	1242
INFERRED	2	0.6	2.3	14	4.3	3.0	1.1	5.0	3.9
INFERRED	1.5	4.2	1.8	74	5.5	19.8	8.6	24.8	15.2
INFERRED	1	41.8	1.2	502	4.5	136	48.7	190	90
INFERRED	0.75	143.1	1.0	1375	3.5	362	130	515	267
TOTAL	2	94.7	3.2	3040	4.2	867	391	1076	428
TOTAL	1.5	160.5	2.6	4167	4.7	1184	512	1430	649
TOTAL	1	346.0	1.8	6381	5.3	1794	744	2164	1051
TOTAL	0.75	625.6	1.4	8790	5.5	2434	990	2949	1526

The mineralogy is based on 153 composite samples analysed by SGS Oretest at its Advanced Mineralogy Facility using QEMSCAN technology.

Diatreme has estimated its Cyclone resource at 98.4Mt at 2.88% HM (1% HM cut-off) containing 2.8Mt of heavy mineral (DRX ASX release of 23 September 2009). The variance from the estimates in Table 4 is mainly a result of the inclusion of more recent grade data in the Image estimate of the global resource, particularly from the dune deposits which overlie the resource and which are now recognised to contain significant mineralisation. The presence of mineralisation in the dune material has the potential to significantly improve the project economics in reducing overburden removal and by increasing the mineral inventory. Clearly, the resources at Cyclone and Cyclone Extended offer a number of possible development options ranging from lower tonnage and higher grades to large tonnage and lower grades, depending on how the dune material and cut-off grade is treated.



## REVIEW OF OPERATIONS

Based on wide spaced scout drilling at Cyclone Extended, Image has identified an area of 30sq km prospective for further discoveries, as shown in Figure 9. In addition, some of the mineralisation at Cyclone Extended has not been closed off and further drilling may result in further increases to the resource.

The interpreted geology used to constrain the global resource model comprises five main elements; the Dune, Beach, Surf, Near Shore and Offshore zones. The combined deposit is interpreted to be a series of regressive shorelines where the Beach, Surf, Near Shore and Offshore sediments were deposited. The Dune sediments on top of the Beach zone were deposited later. These geological units have been identified on the basis of sedimentary features such as grain size, sorting and HM grade and can be traced throughout the deposit.

Indicated and Inferred Resources have been estimated for each of the main geological units at Cyclone and Cyclone Extended, using a wire framed block model and inverse distance squared method. At the 1% HM cut-off the Dune, Beach, Surf and Near Shore zones contain 13%, 48%, 12% and 27% respectively of the resource tonnes. The Beach and Surf zones contain the higher HM grades. The bulk density was determined by formula, and averages 1.733t/m<sup>3</sup> for the 1% HM cut-off resource.

Image recently released its maiden resource over the Cyclone Extended Deposit and is planning further infill resource drilling plus exploration drilling totalling 10,000m because the exploration target to the south and south east of Cyclone Extended is a significant 30km<sup>2</sup> (being at least 4 times the size of Cyclone and Cyclone Extended Resource).

Image and Diatreme Resources Limited have announced that a Memorandum of Understanding ("MOU") has been signed in respect of the "Cyclone Extended" and "Cyclone" heavy mineral deposits in Western Australia (the "Assets").

The parties have each indicated their agreement to cooperate with each other with the aim of entering into a joint venture agreement, or similar arrangement, in respect of the two deposits which abut each other over a common mineral tenement boundary. Diatreme recently announced a MOU with BaoTi who are the biggest end user of zircon in China.

The purpose of the transaction is to advance the Assets to feasibility and, if warranted, to production with the aim of adding substantial value for both Diatreme and Image. Such cooperation may include collective negotiations with third parties who may wish to enter into an agreement or arrangement to invest in or purchase the Assets.

This action, seeking to combine the individual deposits into a single project, is expected to significantly enhance the possibility of future mining operations – the combined value of the resources is likely to be worth much more than the sum of the parts. The combined contiguous Cyclone deposit is of global significance containing 2.4 mT of Zircon and 1mT of Rutile and Leucoxene (0.75% HM cut-off). This is because the world's annual production of Zircon is only 1.3 mT.

## REVIEW OF OPERATIONS

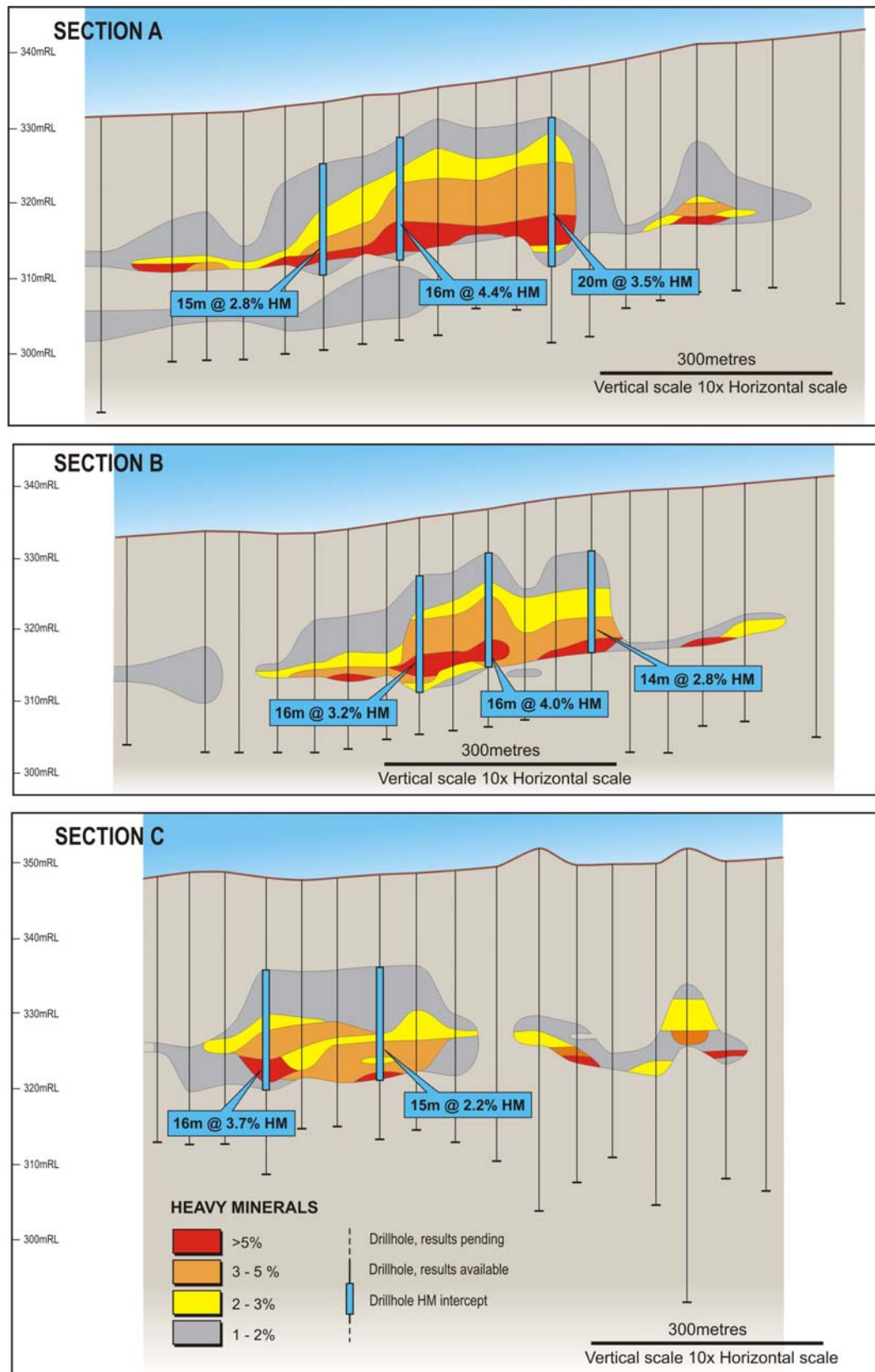


Figure 8  
Cyclone Extended Cross Sections

## REVIEW OF OPERATIONS

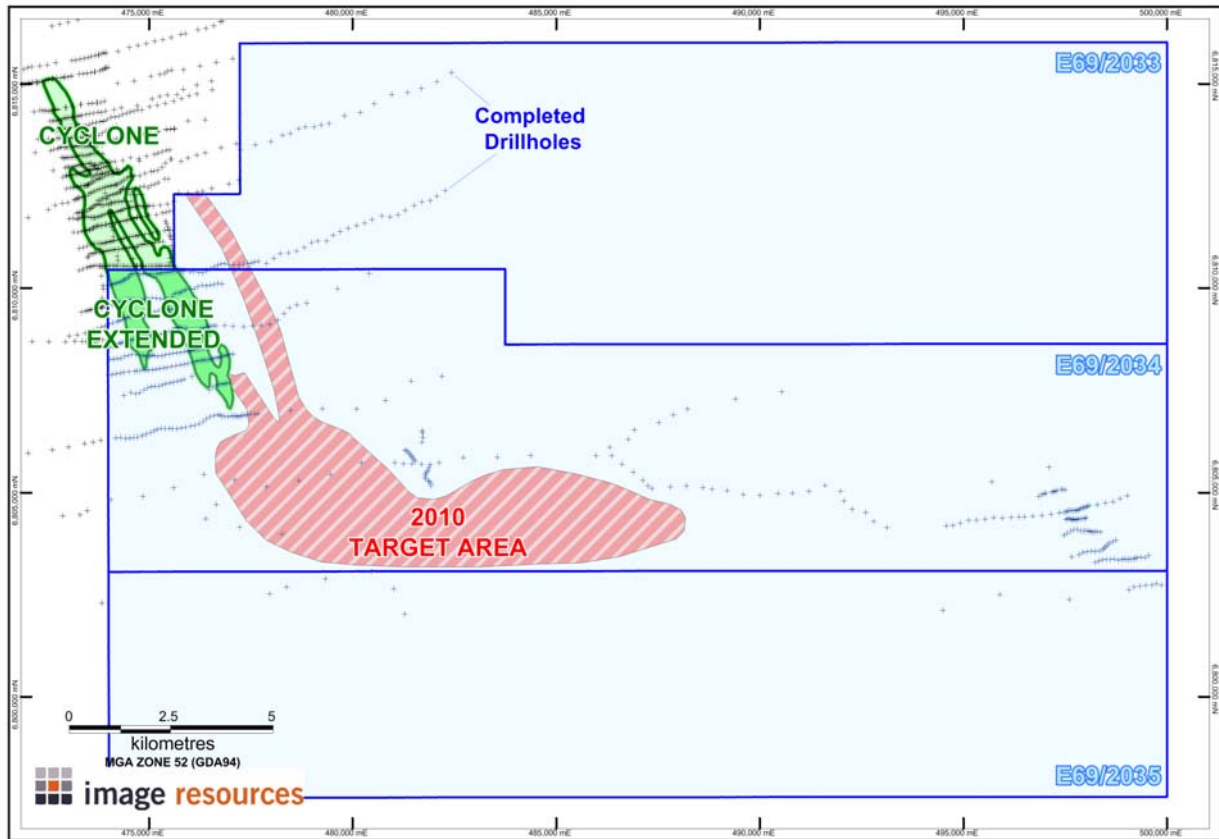
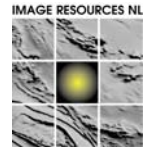
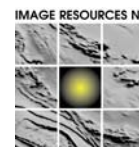


Figure 9  
**Cyclone Extended Target Area**

The information in this report is based on information compiled or reviewed by Paul Leandri BSc, who is a member of the Australasian Institute of Mining and Metallurgy. Paul Leandri is an employee of Image Resources NL. He has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Paul Leandri consents to the inclusion of this information in the form and context in which it appears in this report.



## DIRECTORS' REPORT

Your directors present their report on the Company for the year ended 30 June 2010.

### DIRECTORS

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

Peter Thomas  
George Sakalidis  
Roger Thomson

### PRINCIPAL ACTIVITIES

The principal activity of the Company during the year was the exploration for heavy minerals and the evaluation thereof for determining mineral resources in the North Perth Basin and the Eucla Basin of Western Australia.

### RESULTS FROM OPERATIONS

During the year the Company recorded an operating loss of \$2,889,660 (2009: \$2,711,745).

The foregoing figure includes \$398,650 (2009: \$169,250) in respect of "share based payments". This is not a cash outlay. It is brought to book by virtue of a requirement at law. Net of this figure, the operating loss was \$2,491,010 (2009: \$2,542,495).

### DIVIDENDS

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

### REVIEW OF OPERATIONS

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

### EARNINGS PER SHARE

Basic Loss per share for the financial period was 3.37 cents (2009: 3.38 cents). Diluted Loss per share in respect of the year ended 30 June 2010 is 3.29 cents (2009: 3.25 cents).

### FINANCIAL POSITION

The Company's cash position as at 30 June 2010 was \$4,049,572, a reduction from the 2009 cash balance which was \$6,417,933. The cash position is adequate to fund committed exploration expenditure.

### SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Significant changes in the state of affairs of the Company during the financial period were the exercise of 1,214,605 options by directors at an exercise price of \$0.39 each.

### MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

No material matters have occurred subsequent to the end of the financial year which require reporting on other than the matters as reported to ASX.

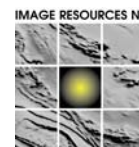
### LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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 has no formal procedures in place to ensure regulations are adhered to. During or since the financial period there have been no known significant breaches of these regulations.



## DIRECTORS' REPORT

### INFORMATION ON DIRECTORS AND COMPANY SECRETARIES

#### **Peter Thomas**

Chairman

Mr Thomas, a commercial solicitor specialising in the resource sector, is and has been a director of various listed companies. He is non-executive chairman of this company, Image Resources NL (since 19 April 2002), and also Magnetic Resources NL (since that company was incorporated on 23 August 2006), Meteoric Resources NL (since that company was incorporated on 13 February 2004) and Emu Nickel NL (since that company was incorporated 29 August 2007), all four of whom are ASX listed. He was non-executive director of GoldLink IncomePlus Limited for a period from 4 April 2008 to 18 June 2008.

Mr Thomas has a relevant interest in 1,100,306 ordinary fully paid shares, 400,000 unquoted options exercisable at \$0.37 each by 21 November 2010, 600,000 unquoted options exercisable at \$1.80 each by 16 November 2011, 650,000 unquoted options exercisable at \$2.12 each by 20 November 2012 and 500,000 unquoted options exercisable at \$1.1162 each by 18 December 2014.

#### **George Sakalidis**

Managing Director

Mr Sakalidis is an exploration geophysicist with over twenty-five years industry experience, during which time his career has included extensive gold, diamond, base metals and mineral sands exploration. Mr Sakalidis has been involved in a number of significant mineral discoveries, including the Three Rivers and Rose gold deposits in Western Australia and the tenement applications over the Silver Swan nickel deposit. He was also instrumental in the design of the magnetic surveys and exploration drilling program that led to the discovery of the large mineral sands resources at Magnetic Minerals Limited's Dongara Project. He is managing director of this company, Image Resources NL (director since 13 May 1994, managing director since 13 June 2007), Magnetic Resources NL (since that company was incorporated on 23 August 2006), Emu Nickel NL (since that company was incorporated 29 August 2007) and executive director of Meteoric Resources NL (since that company was incorporated on 13 February 2004), all four of whom are ASX listed. He is also non-executive chairman of unlisted Imperium Resources Limited (appointed 23 June 2008).

Mr Sakalidis has a relevant interest in 2,631,372 ordinary fully paid shares, 800,000 unquoted options exercisable at \$0.37 each by 21 November 2010, 950,000 unquoted options exercisable at \$1.80 each by 16 November 2011, 800,000 unquoted options exercisable at \$2.12 each by 20 November 2012, 2,000,000 unquoted options exercisable at \$1.50 each by 19 November 2011 and 800,000 unquoted options exercisable at \$1.1162 each by 18 December 2014.

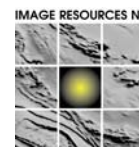
#### **Roger Thomson**

Executive Director

Mr Thomson is a geologist with more than 35 years experience in mineral exploration, mining geology and management in Australia, Africa, South America and Southeast Asia. He has held the positions of General Manager Exploration with Delta Gold Ltd and Sons of Gwalia Ltd and has been responsible for, or closely associated with, making economic discoveries of gold and tantalum in Australia. Mr Thomson successfully managed the exploration programme that led to the discovery of the multi-million ounce Sunrise gold deposit near Laverton in Western Australia. He is an Associate of the Royal School of Mines, a Member of the Australasian Institute of Mining and Metallurgy and a Member the Australian Institute of Geoscientists. He is managing director of Meteoric Resources NL (since the company was incorporated on 13 February 2004), executive director of this company, Image Resources NL (since 19 April 2002), Magnetic Resources NL (since that company was incorporated on 23 August 2006) and Emu Nickel NL (since that company was incorporated 29 August 2007), all four of whom are ASX listed. He was a non-executive director of Mariana Resources Limited from 20 February 2006 to 28 November 2008.

Mr Thomson has a direct interest in 2,143,969 ordinary fully paid shares, 800,000 unquoted options exercisable at \$0.37 each by 21 November 2010, 950,000 unquoted options exercisable at \$1.80 each by 16 November 2011, 750,000 unquoted options exercisable at \$2.12 each by 20 November 2012 and 550,000 unquoted options exercisable at \$1.1162 each by 18 December 2014.





## DIRECTORS' REPORT

### Rudolf Tieleman

Company Secretary

Mr Tieleman is an accountant with over 20 years experience in public practice. He has extensive knowledge in matters relating to the operation and administration of listed mining companies in Australia.

### AUDIT COMMITTEE

At the date of this report the Company does not have a separately constituted Audit Committee as all matters normally considered by an audit committee will be dealt with by the full board.

### MEETINGS OF DIRECTORS

During the financial period ended 30 June 2010, there were thirteen meetings of directors, all of which were attended by all the directors.

### REMUNERATION REPORT (Audited)

Names and positions held of key management personnel in office at any time during the financial year are:

Key Management Person	Position
Peter S Thomas	Non-Executive Chairman
George Sakalidis	Managing Director
Roger M Thomson	Executive Director
Rudolf Tieleman	Company Secretary

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 ("**committee**") makes decisions 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; and
- aligns the interests of key leadership with the interests of the Company's shareholders;
- are paid within the 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;
- 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.

The committee is to ensure that recommendations are made to the Board with respect to the above.

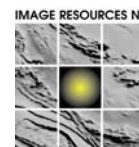
### Non-Executive Directors

- 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 committee shall document its reasons for the purpose of disclosure to stakeholders.

### 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



## DIRECTORS' REPORT

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
- continually review and, if necessary, improve any existing benefit programs established for employees.

### Retirement and Superannuation Payments

Prescribed benefits were provided by the Company to all directors by way of superannuation contributions to externally managed complying superannuation funds during the year. These benefits were paid as superannuation contributions to at least satisfy 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.

### Constitutional Provisions as to Directors Fees

The Constitution contains the following provisions in respect of directors' fee.

#### **87. REMUNERATION OF MANAGING DIRECTORS AND EXECUTIVE DIRECTORS**

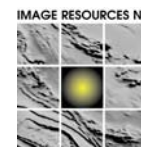
- 87.1. Subject to the provisions of any contract between the Company and a Managing Director or an Executive Director the remuneration of a Managing Director or an Executive Director is fixed from time to time by the Directors and may be by way of fixed salary or participation in profits of the Company or of any other company in which the Company is interested or by any or all of those modes but may not be by way of commission on or percentage of operating revenue of the Company.
- 87.2. Unless otherwise determined by the Company in general meeting this remuneration may be in addition to any remuneration which he or she receives as a Director.

#### **88. PAYMENT OF FEES**

- 88.1. The Directors may be paid out of the funds of the Company as remuneration for their ordinary services as Directors such sum as has been or may from time to time be determined by the Company in general meeting. Pending determination in general meeting the amount shall be \$300,000 per annum.
- 88.2. The remuneration must be by a fixed sum and not by a commission on or percentage of operating revenue of the Company or (except in the case of a Managing Director or Executive Director) its profits.
- 88.3. The sum so fixed must be divided among the Directors in such proportion and manner as they agree from time to time or, in default of agreement, equally.
- 88.4. The remuneration of each Director for his or her ordinary services is deemed to accrue from day to day and is apportionable accordingly.

#### **90. PAYMENT FOR EXTRA SERVICES**

- 90.1. Any Director who being willing is called upon to perform extra services or to make any special exertions or to undertake any executive or other work for the Company beyond his or her ordinary duties or to go or reside abroad or otherwise away from home for any of the purposes of the Company may, subject to the Law, be remunerated either by a fixed sum or a salary as determined by the Directors and this remuneration shall be in addition to his or her share in the remuneration provided by rule 88 unless otherwise agreed.



# DIRECTORS' REPORT

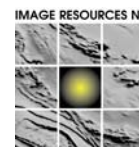
## Key Management Personnel Remuneration

Year ended 30 June 2010					
Key Management Person	Cash Directors Fees and Contractual Payments	Post Employment Superannuation	Total Cash and Cash Equivalent Benefits	Non-cash Benefits Equity Options (1)	Total
Peter Thomas Non-Executive Chairman	\$56,095	\$3,600	\$59,695	\$85,000	\$144,695
George Sakalidis Executive Managing Director	\$155,675	\$3,600	\$159,275	\$136,000	\$295,275
Roger Thomson Executive Director	\$89,410	\$3,600	\$93,010	\$93,500	\$186,510
Rudolf Tieleman Company Secretary	\$57,745	-	\$57,745	\$51,000	\$108,745
<b>Total</b>	<b>\$358,925</b>	<b>\$10,800</b>	<b>\$369,725</b>	<b>\$365,500</b>	<b>\$735,225</b>

**Note (1)** Equity remuneration represents share options granted during the year as approved at the general meeting of shareholders held 30 November 2009. These options have been valued in accordance with International Financial Reporting Standards which specifies that an option-pricing model be applied to employees' or directors' stock options to estimate their fair value as at their grant date. The independent valuer used a range of open form models (Basic and Binomial).

Year ended 30 June 2009					
Key Management Person	Cash Directors Fees and Contractual Payments	Post Employment Superannuation	Total Cash and Cash Equivalent Benefits	Non-cash Benefits Equity Options (2)	Total
Peter Thomas Non-Executive Chairman	\$36,697	\$3,303	\$40,000	-	\$40,000
George Sakalidis Executive Managing Director	\$123,525	-	\$123,525	\$169,250	\$292,775
Roger Thomson Executive Director	\$62,505	-	\$62,505	-	\$62,505
Rudolf Tieleman Company Secretary (Period from appointment being 22.6.2009)	\$9,071	-	\$9,071	-	\$9,071
Robert Lewis Company Secretary (Period to resignation being 22.6.2009)	\$7,777	-	\$7,777	-	\$7,777
<b>Total</b>	<b>\$239,575</b>	<b>\$3,303</b>	<b>\$242,878</b>	<b>\$169,250</b>	<b>\$412,128</b>

**Note (2)** Equity remuneration represents share options granted during the year as approved at the general meeting of shareholders held 19 November 2008. These options have been valued in accordance with International Financial Reporting Standards which specifies that an option-pricing model be applied to employees' or directors' stock options to estimate their fair value as at their grant date. The independent valuer used the Binomial Options Pricing Model.



## DIRECTORS' REPORT

### Key Management Personnel Remuneration (Continued..)

#### Consultant Agreements

Two separate (but similar) agreements have been executed between the Company and nominated associated entities of Messrs Sakalidis and Thomson.

The major provisions of the agreements are set out as follows:

	Term of agreements	Base rate	Review periods	Increase
Leeman Pty Ltd (G Sakalidis)	Annually from 1 January 2010	\$155.00 per hour	Annually on 1 July	Discretionary by Board
Regor Consulting Pty Ltd (RM Thomson)	Annually from 1 July 2008	\$135.00 per hour	Annually on 1 July	

#### Guaranteed Rate Increases

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

### DIRECTORS' INTERESTS

The relevant interest of each director in the shares and options over such instruments issued by the Company as notified by the directors to the Australian Securities Exchange in accordance with Section 205G(1) of the Corporations Act 2001, **at the date of this report** is as follows:

	Fully Paid Ordinary Shares	Options over Ordinary Shares				
		Expiring 21.11.2010 Exercisable at \$0.37	Expiring 16.11.2011 Exercisable at \$1.80	Expiring 19.11.2011 Exercisable at \$1.50	Expiring 20.11.2012 Exercisable at \$2.12	Expiring 18.11.2014 Exercisable at \$1.1162
Peter Thomas	1,100,306	400,000	600,000	-	650,000	500,000
George Sakalidis	2,631,372	800,000	950,000	2,000,000	800,000	800,000
Roger Thomson	2,143,969	800,000	950,000	-	750,000	550,000

### SHARE OPTIONS GRANTED TO DIRECTORS AND OFFICERS

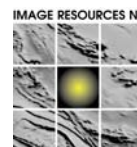
During the financial year, shareholders at the Annual General Meeting held on 30.11.2009 approved the grant of options to the Directors for no consideration. These options over unissued ordinary shares were granted at 1.5 times the market price current on the date of issue and are exercisable at \$1.1162 each on or before 18.12.2014.

No options have been issued since the end of the financial year.

### END OF AUDITED SECTION

### EMPLOYEES

Aside from directors (all of whom are, for tax purposes, treated as employees), the Company had six non-casual employees at 30 June 2010 (2009: five).



## DIRECTORS' REPORT

### CORPORATE STRUCTURE

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

### ACCESS TO INDEPENDENT ADVICE

Each director has the right, so long as he is acting reasonably in the interests of the Company and in the discharge of his duties as a director, to seek independent professional advice and recover the reasonable costs thereof from the Company.

The advice shall only be sought after consultation about the matter with the chairman (where it is reasonable that the chairman be consulted) or, if it is the chairman that wishes to seek the advice or it is unreasonable that he be consulted, another director (if that be reasonable).

The advice is to be made immediately available to all board members other than to a director against whom privilege is claimed.

### INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has entered into agreements indemnifying, to the extent permitted by law, all the directors and officers of the Company against all losses or liabilities incurred by each director and officer in their capacity as directors and officers of the Company. During the year an amount of \$12,716 (2009: \$10,206) was incurred in insurance premiums for this purpose.

### OPTIONS

As at the date of this report, there are the following options over un-issued ordinary shares in the Company:

#### Unquoted:

- (a) 2,000,000 exercisable at \$0.37 per option on or before 21 November 2010;
- (b) 2,500,000 exercisable at \$1.80 per option on or before 16 November 2011;
- (c) 2,500,000 exercisable at \$1.50 per option on or before 19 November 2011;
- (d) 1,000,000 employee options exercisable at \$2.38 per option on or before 26 March 2012;
- (e) 2,200,000 exercisable at \$2.12 per option on or before 20 November 2012;
- (f) 2,345,000 exercisable at \$1.1162 per option on or before 18 December 2014.

### 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

**G SAKALIDIS**

Managing Director

Perth

28 September 2010

A handwritten signature in dark ink, reading 'George Sakalidis' in a cursive script.

## AUDITOR'S INDEPENDENCE DECLARATION

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### Image Resources NL

#### Auditors Independence Declaration

As lead auditor for the audit of Image Resources NL for the year ended 30 June 2010, declare under Section 307C of the *Corporations Act 2001*, that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review
- no contraventions of any applicable code of professional conduct in relation to the review.

*Somes and Cooke*

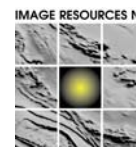
Somes and Cooke

*J Talbot*

Jennifer Talbot

1304 Hay Street  
West Perth WA 6005  
Date: 29 September 2010





# CORPORATE GOVERNANCE STATEMENT

## Preamble

This statement is provided in compliance with the recommendations (**Recommendations**) in the ASX Corporate Governance Council's second edition (August 2007 as revised in June 2008) of the Corporate Governance Principles and Recommendations.

Reference is to be made to this Statement or the Directors' Report for the information required by the Recommendations to appear in an Annual Report.

Except to the extent indicated in the "if not, why not" exception report appearing below, the Company has resolved that for so long as it is admitted to the official lists of the ASX it shall abide by the ASX Recommendations.

Due to the exigencies and vagaries of commercial life and changing circumstances, there will, no doubt, be occasions when, especially because of the size of the Company and the composition of its Board, that it can be expected to depart from the policies and charters which it has adopted. These policies have been adopted on the basis that, in the circumstances of the Company, they reflect what is considered to reflect a reasonable aspiration. It is not expected that they will be slavishly adhered to. Their object is to focus attention upon the issues they address and provoke thought about and awareness of those issues and the pitfalls that one could otherwise fall into inadvertently. The important thing is to develop a culture conducive only to good and appropriate conduct and practices.

Honesty and integrity must be the overriding and guiding principle in all things - substance must prevail over form and lip service. The Company intends that adherence to these policies be a condition of each contract of employment or service.

The Board encourages all key management personnel, other employees, contractors and other stakeholders to monitor compliance with this Corporate Governance manual and periodically, by liaising with the Board, management and staff; especially in relation to observable departures from the intent of hereof and with and any ideas or suggestions for improvement. Suggestions for improvements or amendments can be made at any time by providing a written note to the chairman.

## If not why not exception report

Except to the extent stated below, during the financial year ended 30 June 2010, the Company complied with each of The Recommendations (set out below). Exceptions are stated in italics following an "**If not, why not**": heading.

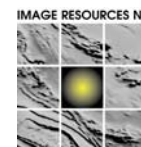
### 1. LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Companies should establish and disclose the respective roles and responsibilities of board and management.

- 1.1. Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.
- 1.2. Companies should disclose the process for evaluating the performance of senior executives.
- 1.3. Companies should provide the information indicated in the Guide to reporting on Principle 1.

### 2. STRUCTURE THE BOARD TO ADD VALUE

Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.



## CORPORATE GOVERNANCE STATEMENT

- 2.1. A majority of the board should be independent directors.

**“If not, why not”:**

*The Company has a three person board. Two of the directors (namely, Messrs G Sakalidis and RM Thomson) serve as executives and are not considered to be independent directors. As to the other director (namely, PS Thomas), see the “If not, why not” response to Recommendation 2.2.*

*The Company has a small close knit team which has a positive interactive working history.*

*Given all the circumstances attendant upon the Company including its objectives, the nature and extent of its actual and proposed operations, its capital base and other resources, the costs associated with a board comprised of more than the minimum number and the need for a board comprised of persons with a blend of traits, skills, experience, expertise, entrepreneurialism, innovation, tenacity, vision and dedication in order to enliven the prospects of creating value for shareholders, this recommendation is thought by the board to be inappropriate.*

- 2.2. The chair should be an independent director.

**“If not, why not”:**

*The chair, namely Mr PS Thomas, holds securities in the Company (directors are encouraged to own the same), provides legal services to it and contributes to the development of its corporate strategy and promotion.*

*The chair considers himself to be an independent director as he is neither part of nor expected to be a part of the day to day management team. The chair regards himself as being free of any relationship that could materially interfere with his independent exercise of judgement and ability to act in an entirely disinterested manner in all things.*

*The remaining directors consider Mr Thomas to be an independent director for the same reasons. Go to the Company’s website to view a copy of its formal policies for further details regarding independence.*

- 2.3. The roles of the chair and chief executive officer (or equivalent) should not be exercised by the same individual.

- 2.4. The board should establish a Nomination Committee.

**“If not, why not”:**

*The Company has a small board which does not perceive that any gains are to be derived through the operation of a formal committee structure. The board will deal with nomination issues on an ad hoc unstructured basis.*

- 2.5. Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.

**“If not, why not”:**

*No formal performance evaluation has been conducted because of the size of the Company and the fact that the directors (of which there are only three) work as a close knit team and each is cognisant of what the others are doing and constantly encouraging the others to secure better outcome for shareholders.*

- 2.6. Companies should provide the information indicated in the Guide to Reporting on Principle 2.

### 3. PROMOTE ETHICAL AND RESPONSIBLE DECISION- MAKING

Companies should actively promote ethical and responsible decision-making.

## CORPORATE GOVERNANCE STATEMENT

- 3.1. Companies should establish a Code of Conduct and disclose the code or a summary of the code as to the:
  - 3.1.1. practices necessary to maintain confidence in the Company's integrity;
  - 3.1.2. practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders;
  - 3.1.3. responsibility and accountability of individuals for reporting and investigating reports of unethical practices.
- 3.2. Companies should establish a policy concerning trading in Company securities by directors, senior executives and employees and disclose the policy or a summary of that policy.
- 3.3. Companies should provide the information indicated in the Guide to reporting on Principle 3.

### 4. SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

- 4.1. The board should establish an audit committee.
- 4.2. The audit committee should be structured so that it:
  - 4.2.1. consists only of non-executive directors;
  - 4.2.2. consists of a majority of independent directors;
  - 4.2.3. is chaired by an independent chair, who is not chair of the board;
  - 4.2.4. has at least three members.
- 4.3. The audit committee should have a formal charter.
- 4.4. Companies should provide the information indicated in Guide to reporting on Principle 4.

#### **"If not, why not":**

*The Company has a policy regarding the formation, composition, role, powers and responsibilities of an audit committee although it has not yet established such a committee.*

*The Company is small, has a small board with a tight management structure, relies on equity capital for funding and in all the circumstances of the Company the board does not perceive that any gains are to be derived through the operation of a formal committee structure.*

### 5. MAKE TIMELY AND BALANCED DISCLOSURE

Companies should promote timely and balanced disclosure of all material matters concerning the Company.

- 5.1. Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.
- 5.2. Companies should provide the information indicated in the *Guide to reporting on Principle 5*.

# CORPORATE GOVERNANCE STATEMENT

## 6. RESPECT THE RIGHTS OF SHAREHOLDERS

Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

- 6.1. Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.
- 6.2. Companies should provide the information indicated in the Guide to reporting on Principle 6.

## 7. RECOGNISE AND MANAGE RISK

Companies should establish a sound system of risk oversight and management and internal control.

- 7.1. Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.
- 7.2. The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.
- 7.3. The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.
- 7.4. Companies should provide the information indicated in the Guide to reporting on Principle 7.

### **"If not, why not":**

*Management has not reported to the board as to the effectiveness of the Company's management of its material business risks as the board has not required this of it.*

*Whilst the board recognises the benefit of the discipline of documenting such matters, the board has deployed its scarce resources to other endeavours in priority to the preparation of a written report on the matter of risk given the Company has strict procedures in place and the board has two executive directors so they are well versed in the day to day affairs of the Company and know what measures are in place.*

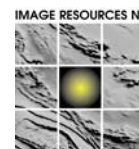
## 8. REMUNERATE FAIRLY AND RESPONSIBLY

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

- 8.1. The board should establish a Remuneration Committee.
- 8.2. Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.
- 8.3. Companies should provide the information indicated in the Guide to reporting on Principle 8.

### **"If not, why not":**

*The Company has a policy regarding the formation, composition, role, and responsibilities of a remuneration committee although it has not yet established such a committee as, since listing on ASX, no matter has arisen for a remuneration committee to consider.*



## CORPORATE GOVERNANCE STATEMENT

### ADDITIONAL INFORMATION

The following information is required by the Recommendations to appear in this Statement.

The board has agreed on the following guidelines for assessing the materiality of matters:

#### 1. MATERIALITY – QUANTITATIVE

##### 1.1. Statement of Financial Position items:

Statement of Financial Position items are material if they have a value of more than 5% of pro-forma net assets.

##### 1.2. Profit And Loss items:

Profit and loss items are material if they will have an impact on the current year operating result of 10% or more.

#### 2. MATERIALITY – QUALITATIVE

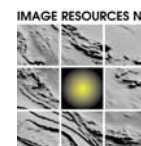
Items are also material if:

- 2.1. they are of a character that enlivens the obligation to disclose under either ASX Listing Rule 3.1 or the continuous disclosure obligations arising in terms of the Corporations Act;
- 2.2. they impact on the reputation of the Company;
- 2.3. they involve a breach of legislation;
- 2.4. they are outside the ordinary course of business;
- 2.5. they could affect the Company's rights to its assets;
- 2.6. if accumulated they would trigger the quantitative tests;
- 2.7. they involve a contingent liability that would have a probable effect of 5% or more on Statement of Financial Position or profit and loss items; or
- 2.8. they will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%.

#### 3. MATERIAL CONTRACTS

Contracts will be considered material if:

- 3.1. they are outside the ordinary course of business;
- 3.2. they contain exceptionally onerous provisions in the opinion of the Board;
- 3.3. they impact on income or distribution in excess of the quantitative tests;
- 3.4. there is a likelihood that either party will default, and the default may trigger any of the quantitative tests;
- 3.5. they are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost of such a quantum, triggering any of the quantitative tests;
- 3.6. they contain or trigger change of control provisions;
- 3.7. they are between or for the benefit of related parties; or
- 3.8. they otherwise trigger the quantitative tests.



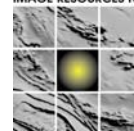
# STATEMENT OF COMPREHENSIVE INCOME

## For the year ended 30 June 2010

	Notes	2010 (\$)	2009 (\$)
<b>Revenue:</b>			
Sales and provision of services		-	-
Other revenue	3	618,021	533,761
<b>Expenses:</b>			
Depreciation expense	11	(45,081)	(42,888)
Exploration and tenement expenses written off	12	(2,132,431)	(2,182,147)
Share based payments	22	(398,650)	(169,250)
Other expenses	3	<u>(931,519)</u>	<u>(851,221)</u>
<b>(Loss) before income tax expense</b>		(2,889,660)	(2,711,745)
Income tax expense	4	<u>-</u>	<u>-</u>
<b>(Loss) from continuing operations</b>		<u>(2,889,660)</u>	<u>(2,711,745)</u>
<b>Other comprehensive income:</b>			
Net gain on revaluation of financial assets		2,429,617	298,262
Income tax relating to other comprehensive income		<u>-</u>	<u>-</u>
<b>Other comprehensive income for the year, net of tax</b>		<u>2,429,617</u>	<u>298,262</u>
<b>Total comprehensive income for the year</b>		<u>2,429,617</u>	<u>298,262</u>
<b>Total (Loss) and Comprehensive income for year attributable to Members of the Company</b>		<u>(460,043)</u>	<u>(2,413,483)</u>
Basic (loss) per share (cents per share)	7	(3.37)	(3.38)
Diluted (loss) per share (cents per share)	7	<u>(3.29)</u>	<u>(3.25)</u>

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



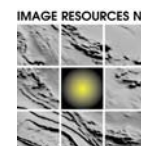


# STATEMENT OF FINANCIAL POSITION

## As at 30 June 2010

	Notes	2010 (\$)	2009 (\$)
<b>Current Assets</b>			
Cash assets	8	4,049,572	6,417,934
Receivables	9	252,363	343,269
Prepayments	10	50,468	21,937
<b>Total Current Assets</b>		<u>4,352,403</u>	<u>6,783,140</u>
<b>Non-Current Assets</b>			
Plant, equipment, motor vehicles	11	78,725	83,189
Mineral interests	12	-	-
Other financial assets	13	4,311,173	1,362,449
<b>Total Non-Current Assets</b>		<u>4,389,898</u>	<u>1,445,638</u>
<b>TOTAL ASSETS</b>		<u>8,742,301</u>	<u>8,228,778</u>
<b>Current Liabilities</b>			
Payables	14	305,591	210,423
Provisions	15	24,396	18,343
<b>Total Current Liabilities</b>		<u>329,987</u>	<u>228,766</u>
<b>TOTAL LIABILITIES</b>		<u>329,987</u>	<u>228,766</u>
<b>NET ASSETS</b>		<u>8,412,314</u>	<u>8,000,012</u>
<b>Equity</b>			
Contributed equity	16	23,098,968	22,625,273
Reserves		6,556,658	3,728,391
Accumulated (losses)		(21,243,312)	(18,353,652)
<b>TOTAL EQUITY</b>		<u>8,412,314</u>	<u>8,000,012</u>

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

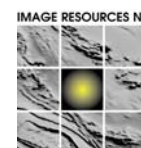


# STATEMENT OF CHANGES IN EQUITY

## For the year ended 30 June 2010

	Share Capital (\$)	Available for Sale Financial Assets Reserve (\$)	Employee Benefit Reserve (\$)	Accumulated Losses (\$)	Total (\$)
<b>Balance at 1.7.2008</b>	19,801,026	108,870	3,152,009	(15,641,907)	7,419,998
Operating (loss) for the year				(2,711,745)	(2,711,745)
Other comprehensive income		298,262			298,262
Shares issued during the period	3,000,309				3,000,309
Share issue costs	(176,062)				(176,062)
Share based payments			169,250		169,250
<b>Balance at 30.6.2009</b>	22,625,273	407,132	3,321,259	(18,353,652)	8,000,012
<b>Balance at 1.7.2009</b>	22,625,273	407,132	3,321,259	(18,353,652)	8,000,012
Operating (loss) for the year				(2,889,660)	(2,889,660)
Other comprehensive income		2,429,617			2,429,617
Shares issued during the period	473,695				473,695
Share based payments			398,650		398,650
<b>Balance at 30.6.2010</b>	23,098,968	2,836,749	3,719,909	(21,243,312)	8,412,314

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

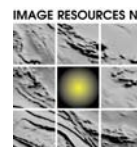


# STATEMENT OF CASH FLOWS

## For the Year Ended 30 June 2010

	Notes	2010 (\$)	2009 (\$)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash payments to suppliers and contractors		(484,322)	(886,914)
Interest received		263,905	357,923
Dividends received		4,093	3,016
<b>Net cash (used in) operating activities</b>	17	<u>(216,324)</u>	<u>(525,975)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of plant and equipment		(40,617)	(26,628)
Proceeds from sale of equipment		-	2,900
Payments for exploration and evaluation		(2,066,870)	(2,155,536)
Purchase of new prospects		(32,955)	(26,611)
Purchase of investments		(783,952)	(105,720)
Proceeds on sale of investments		298,661	-
<b>Net cash (used in) / provided by investing activities</b>		<u>(2,625,733)</u>	<u>(2,311,595)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from new issues of shares and exercise of options		473,695	3,000,309
Share issue expenses		-	(176,062)
<b>Net cash provided by financing activities</b>		<u>473,695</u>	<u>2,824,247</u>
Net increase/(decrease) in cash held		(2,368,362)	(13,323)
Cash at the beginning of the financial period		6,417,934	6,431,257
<b>Cash at the end of the financial period</b>	8	<u><u>4,049,572</u></u>	<u><u>6,417,934</u></u>

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



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2010

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

### NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

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

#### Basis of Preparation

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. The financial statements of the company also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### *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 directors have prepared the financial statements of the Company on a going concern basis.

In the directors' opinion, the Company is able to continue as a going concern and therefore realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report.

#### *Financial Statement presentation*

The group has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the group had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

#### Accounting Policies

##### (a) Revenue

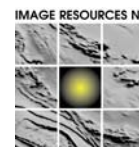
Interest revenue is recognised on a proportional basis taking into account interest rates applicable to the financial asset. All revenue is stated net of the amount of goods and services tax (GST).

##### (b) Employee Benefits

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

##### (c) Exploration and Evaluation Expenditure

All exploration and evaluation expenditure is expensed to Statement of 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 Comprehensive Income and to decrease the carrying values in the Statement of Financial Position. That the carrying value of an asset, as a result of the operation of this policy, is zero does not necessarily reflect the board's view as to the market value of that asset.



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2010

### (d) Acquisition of Assets

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.

### (e) Goods and Services Tax (GST)

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

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

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

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

### (f) Income Tax

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

Current income tax expense charged to the Statement of 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.

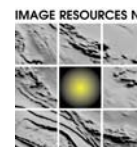
Current and deferred income tax expense (income) is charged or credited directly to equity instead of the Statement of Comprehensive Income when the tax relates to items that are credited or charged directly to equity.

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

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

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

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



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2010

### (g) Cash and Cash Equivalents

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

### (h) Impairment of Assets

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

### (i) Earnings per Share

- (i) *Basic Earnings per Share* – Basic earnings per share is determined by dividing the loss from continuing operations after related income tax expense by the weighted average number of ordinary shares outstanding during the financial period.
- (ii) *Diluted Earnings per Share* – Diluted EPS is calculated as net loss attributable to members, adjusted for:
  - costs of servicing equity (other than dividends);
  - the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
  - other discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares.

### (j) Non-current Assets

Each class of plant, equipment and motor vehicles is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant, equipment and motor vehicles are measured on the cost basis.

The carrying amounts of plant, equipment and motor vehicles are reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

#### Depreciation

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

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

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

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

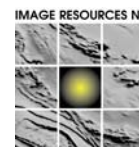
Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Comprehensive Income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

### (k) Financial Instruments

#### Recognition and Initial Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the





## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2010

Company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified “at fair value through Statement of Comprehensive Income”, in which case transaction costs are expensed to Statement of Comprehensive Income immediately.

### **Classification and Subsequent Measurement**

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

*Amortised cost* is calculated as:

the amount at which the financial asset or financial liability is measured at initial recognition;

less principal repayments;

plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and

less any reduction for impairment.

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

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

### *Financial assets at fair value through Statement of Comprehensive Income*

Financial assets are classified at “fair value through Statement of Comprehensive Income” when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in Statement of Comprehensive Income.

### *Loans and receivables*

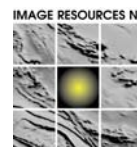
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

### *Held-to-maturity investments*

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

### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments. Such assets are subsequently measured at fair value with increases in carrying value being initially credited to an asset revaluation reserve; subsequent decreases are offset first against the balance for the asset carried in that asset revaluation reserve and any balance of write-downs being included as an expense in the Statement of Comprehensive Income.



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2010

### *Financial liabilities*

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

### **Fair Value**

Fair value is determined based on current bid 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.

### **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 Statement of Comprehensive Income.

### **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 Statement of Comprehensive Income.

### **(l) Provisions**

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

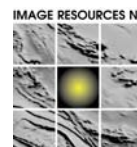
### **(m) Leases**

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

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

### **(n) Interest in Joint Ventures**

Interest in joint venture operations are brought to account by including in the respective classifications, the share of individual assets employed, liabilities and expenses incurred and revenue from the sale of joint venture output. Interest in joint venture operations are brought to account by including assets and liabilities in their respective classifications using the cost method.



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2010

### (o) 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.

### (p) Share-based Payments and Value Attribution to Equity Remuneration/Benefits

Share-based compensation benefits provided to directors are approved in general meeting by members. Share-based benefits provided to non-directors are approved by the Board of Directors and form part of that employee's remuneration package.

In respect of share options granted, the fair value is recognised as an employee benefit expense with a corresponding increase in equity. The theoretical fair value of the options is calculated at the date of grant by an independent risk and assurance consultant taking into account the terms and conditions upon which the options were granted, using a range of open form (basic and binomial) option models. The model has been adjusted for the effects of non-transferability, exercise restrictions and behavioural considerations. Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

Where this Annual Report ascribes a value to non-cash (equity) remuneration, that attribution complies with the mandatory requirement of the Corporations Act that such attribution must be made on a basis that accords with the International Financial Reporting Standards. That requirement does not allow the board to ascribe a value arrived at on another basis where the board is of the view that the fair market value of the relevant equity is not thereby reflected. Accordingly, all figures, reports, declarations, valuations, notes and other statements appearing in this Annual Report which pertain to or are directly or indirectly impacted by any such value attribution must be construed in the context that such value attribution does not necessarily reflect the board's view of the fair market value of the relevant equity remuneration.

The board's declaration that the financial report and notes appearing in the Annual Report are in accordance with the Corporations Act 2001 and:

- (a) comply with Accounting Standards and the Corporations Act 2001; and
- (b) give a true and fair view of the financial position as at 30 June 2010 and performance for the year ended on that date of the Company'

is made on the basis that if one complies with all relevant standards and the law, then it follows that the declaration is correct even though the board does not consider the value ascribed to equity remuneration reflects fair market value.

### (q) Comparative Figures

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

### (r) Segment Reporting

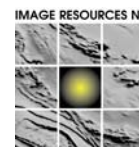
Operating segments are now reported in a manner that is consistent with the internal reporting to the chief operating decision maker ("CODM"), which has been identified by the company as the Managing Director and other members of the Board of directors.

#### *Change in Accounting policy*

The group adopted AASB 8 *Operating Segments* from 1 July 2009. AASB 8 replaces AASB 114 *Segment Reporting*. the new standard requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes.

### Critical Accounting Estimates and Judgements

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



## **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2010**

### *Key Estimates - Taxation*

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

### *Key Judgment – Environmental Issues*

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

### *Key Estimates - Impairment*

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

### **New Accounting Standards for Application in Future Periods**

The following standards, amendments to standards and interpretations have been identified as those which may impact the Company in the period of initial application. They are available for early adoption at 30 June 2010, but have not been applied in preparing this financial report:

- AASB 2009-5 "Further amendments to Australian Accounting Standards arising from the Annual Improvement Process" affect various AASB's resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The Amendments, which become mandatory in respect of the Company's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.

Other Australian Accounting Standards issued but not yet effective are not expected to result in significant accounting policy or disclosure changes.

## **NOTE 2 OPERATING SEGMENTS**

### **Segment Information**

#### **Identification of reportable segments**

The Company has identified that it operates in only one segment based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Company's principal activity is mineral exploration.

#### **Revenue and assets by geographical region**

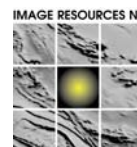
The Company's revenue is received from sources and assets are located wholly within Australia.

#### **Major customers**

Due to the nature of its current operations, the Company does not provide products and services.

#### **Financial information**

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



**NOTES TO AND FORMING PART OF THE  
FINANCIAL STATEMENTS  
For the Year Ended 30 June 2010**

**NOTE 3 REVENUE AND EXPENDITURE**

	<b>2010</b>	<b>2009</b>
	<b>(\$)</b>	<b>(\$)</b>
<b>(Loss) before income tax expense includes:</b>		
<b>REVENUE</b>		
<b>Other Income</b>		
Dividends received	4,093	3,016
Interest received	263,905	357,923
Profit on sale of investments	33,816	-
Research and development grant (net of costs)	98,707	60,622
Expense recoveries	217,500	112,200
	<u>618,021</u>	<u>533,761</u>
<b>EXPENDITURE</b>		
<b>Other Expenses</b>		
Occupancy costs	(158,544)	(74,050)
Filing and ASX Fees	(13,224)	(64,277)
Corporate and management	(222,205)	(209,463)
Other expenses from continuing operations	(537,546)	(503,431)
	<u>(931,519)</u>	<u>(851,221)</u>

**NOTE 4 INCOME TAX**

	<b>2010</b>	<b>2009</b>
	<b>(\$)</b>	<b>(\$)</b>
The components of tax expense comprise:		
Current tax	-	-
Deferred tax	-	-
	<u>-</u>	<u>-</u>

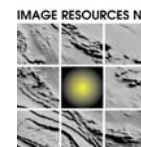
The amount of income tax provided for in the financial accounts differs from the amount prima facie payable on the operating loss. The difference is reconciled as follows:

Loss from continuing operations before income tax	2,889,660	2,711,745
Prima facie tax benefit attributable to loss from continuing operations before income tax at 30% (2009: 30%)	866,898	813,523
Tax effect of Non-allowable items		
• Share based payments	(119,595)	(50,775)
• Other	(6,527)	(6,209)
Deferred tax benefit on tax losses not brought to account	(740,776)	(756,539)
Income tax attributable to the Company	<u>-</u>	<u>-</u>

**Unrecognised temporary differences**

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

Prepayments	(15,140)	(6,581)
Provisions	27,606	6,858
Unrecognised deferred tax assets relating to the above temporary differences	<u>12,466</u>	<u>277</u>



# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2010

## Unbooked deferred tax benefits

The Company has accumulated tax losses of \$14,173,243 (2009: \$12,055,941).

The potential deferred tax benefit of these losses \$4,251,973 will only be realised if:

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

## NOTE 5 KEY MANAGEMENT PERSONNEL REMUNERATION AND HOLDINGS

Key management personnel remuneration, compensation, option and share movements and holdings have been included in the Remuneration Report section of the Directors Report.

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

### Options held by Key Management Personnel

The number of options over ordinary shares in the Company held **during the financial year** by key management personnel and/or their statutorily related entities are set out below:

#### 30 June 2010:

Name	Balance at the start of the year	Granted during the year	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested exercisable at the end of the year
Peter S Thomas	1,650,000	500,000	-	-	2,150,000	2,150,000
George Sakalidis	5,209,164	800,000	(659,164)	-	5,350,000	5,350,000
Roger M Thomson	3,055,440	550,000	(555,440)	-	3,050,000	3,050,000
Rudolf Tieleman	-	300,000	-	-	300,000	300,000

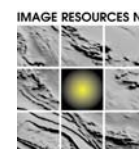
These were the only options granted, vested or sold in which any of the key management personnel had an interest (directly or indirectly) during that year.

#### 30 June 2009:

Name	Balance at the start of the year	Granted during the year	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested exercisable at the end of the year
Peter S Thomas	1,650,000		-	-	1,650,000	1,650,000
George Sakalidis	3,209,164	2,500,000	-	(500,000)	5,209,164	5,209,164
Roger M Thomson	3,055,440		-	-	3,055,440	3,055,440

These were the only options granted, vested or sold in which any of the key management personnel had an interest (directly or indirectly) during that year.





# **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2010**

## **Shares held by Key Management Personnel**

The number of shares in the Company held **during the financial year** by key management personnel and/or their related entities are set out below:

### **30 June 2010:**

Name	Balance at the start of the year	Shares movements	Balance at the end of the year
Peter S Thomas	1,100,306	-	1,100,306
George Sakalidis	1,148,742	1,482,630	2,631,372
Roger M Thomson	1,731,386	412,583	2,143,969
Rudolf Tieleman	396,754	-	396,754

### **30 June 2009:**

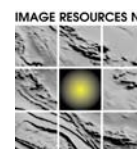
Name	Balance at the start of the year	Shares movements	Balance at the end of the year
Peter S Thomas	958,640	141,666	1,100,306
George Sakalidis	678,734	470,008	1,148,742
Roger M Thomson	1,731,386	-	1,731,386
Rudolf Tieleman (Appointed 22.6.2009)	396,754	-	396,754

## **NOTE 6 AUDITORS REMUNERATION**

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

Auditing and reviewing the financial report  
Other valuation services

2010 (\$)	2009 (\$)
31,050	21,500
-	925
<u>31,050</u>	<u>22,425</u>



**NOTES TO AND FORMING PART OF THE  
FINANCIAL STATEMENTS  
For the Year Ended 30 June 2010**

**NOTE 7 EARNINGS PER SHARE**

	<b>2010 (\$)</b>	<b>2009 (\$)</b>
The following reflects the income and share data used in the calculation of basic and diluted earnings per share		
Total comprehensive (loss)	(2,889,660)	(2,711,745)
Adjustments:		
Nil	-	-
Earnings used in calculating basic and diluted earnings per share	<u>(2,889,660)</u>	<u>(2,711,745)</u>
Weighted average number of ordinary shares used in calculating basic earnings per share	85,821,462	80,137,448
Effect of dilutive securities:		
Share options	<u>2,000,000</u>	<u>3,214,604</u>
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	<u><u>87,821,462</u></u>	<u><u>83,352,052</u></u>

The Company had 12,545,000 (2009: 11,414,604) options over fully paid ordinary shares on issue at balance date. Options are considered to be potential ordinary shares. Only those options which were considered "in-the-money" were considered to be dilutive. These options have been included in the determination of diluted earnings per share.

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

There have been no other conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of this financial report.

**NOTE 8 CASH ASSETS**

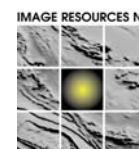
	<b>2010 (\$)</b>	<b>2009 (\$)</b>
Cash at bank	164,257	587,624
Deposits at call	<u>3,885,315</u>	<u>5,830,310</u>
	<u><u>4,049,572</u></u>	<u><u>6,417,934</u></u>

**NOTE 9 CURRENT RECEIVABLES**

	<b>2010 (\$)</b>	<b>2009 (\$)</b>
Other receivables	<u>252,363</u>	<u>343,269</u>

**NOTE 10 OTHER CURRENT ASSETS**

	<b>2010 (\$)</b>	<b>2009 (\$)</b>
Prepayments	<u>50,468</u>	<u>21,937</u>



**NOTES TO AND FORMING PART OF THE  
FINANCIAL STATEMENTS  
For the Year Ended 30 June 2010**

**NOTE 11 PLANT, EQUIPMENT, MOTOR VEHICLES**

	<b>2010</b>	<b>2009</b>
	<b>(\$)</b>	<b>(\$)</b>
Plant, equipment, motor vehicles	306,816	266,199
Less: Accumulated depreciation	(228,091)	(183,010)
	<u>78,725</u>	<u>83,189</u>

Reconciliations of the carrying amounts of plant and equipment at the beginning and end of the current and previous financial years.

**Plant and equipment**

Carrying amount at beginning of year	83,189	102,349
Additions	42,617	26,628
Disposals	(2,000)	(2,900)
Depreciation expense	(45,081)	(42,888)
Total plant and equipment at end of year	<u>78,725</u>	<u>83,189</u>

**NOTE 12 MINERAL INTERESTS**

	<b>2010</b>	<b>2009</b>
	<b>(\$)</b>	<b>(\$)</b>
Exploration Expenditure		
Areas of interest in exploration and evaluation phases		
Opening balance	-	-
Net Expenditure incurred during the year	2,132,431	2,182,147
Tenements disposed of during the year	-	-
Expenditure written off	(2,132,431)	(2,182,147)
Closing balance	<u>-</u>	<u>-</u>

**NOTE 13 OTHER FINANCIAL ASSETS**

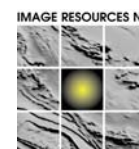
	<b>2010</b>	<b>2009</b>
	<b>(\$)</b>	<b>(\$)</b>
<b>Non-Current</b>		
Available-for-sale financial assets	4,311,173	1,362,449
	<u>4,311,173</u>	<u>1,362,449</u>
<b>Listed Investments at fair value</b>		
Shares in listed corporations	<u>4,311,173</u>	<u>1,362,449</u>

**NOTE 14 CURRENT PAYABLES**

	<b>2010</b>	<b>2009</b>
	<b>(\$)</b>	<b>(\$)</b>
Trade creditors and accruals	<u>305,591</u>	<u>210,423</u>

**NOTE 15 CURRENT PROVISIONS**

	<b>2010</b>	<b>2009</b>
	<b>(\$)</b>	<b>(\$)</b>
Employee leave benefits	<u>24,396</u>	<u>18,343</u>



# **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2010**

## **NOTE 16 ISSUED CAPITAL**

### **Contributed Equity – Ordinary Shares**

	<b>2010</b>		<b>2009</b>	
	<b>No.</b>	<b>\$</b>	<b>No.</b>	<b>\$</b>
At the beginning of reporting period	85,099,354	22,625,273	79,644,246	19,801,026
Issue of shares at \$0.39 pursuant to exercise of options	1,214,605	473,695		
Issue of shares at \$0.55			5,455,108	3,000,309
Share issue costs		-		(176,062)
Closing balance:	86,313,959	23,098,968	85,099,354	22,625,273
<b>Total Contributed Equity</b>		<u>23,098,968</u>		<u>22,625,273</u>

### **Options**

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

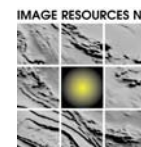
Options exercisable at \$0.37 on or before 21.11.2010	2,000,000	2,000,000
Options exercisable at \$1.80 on or before 16.11.2011	2,500,000	2,500,000
Options exercisable at \$1.50 on or before 19.11.2011	2,500,000	2,500,000
Options exercisable at \$2.38 on or before 26.3.2012	1,000,000	1,000,000
Options exercisable at \$2.12 on or before 20.11.2012	2,200,000	2,200,000
Options exercisable at \$1.1162 on or before 18.12.2014	2,345,000	-
<b>Total Options</b>	<u>12,545,000</u>	<u>11,414,604</u>

### **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 and in respect of a partly paid share, a fraction of a vote equivalent to the proportion which the amount paid up bears to the total issue price.

	<b>2010 (\$)</b>	<b>2009 (\$)</b>
<b>Reserves</b>		
At the beginning of reporting period	3,728,391	3,260,879
Movement in employee benefit reserve	398,650	169,250
Movement in fair value of available-for-sale assets	2,429,617	298,262
<b>Total Reserves</b>	<u>6,556,658</u>	<u>3,728,391</u>



# **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2010**

## **NOTE 17 CASH FLOW INFORMATION**

	<b>2010</b>	<b>2009</b>
	<b>(\$)</b>	<b>(\$)</b>
Reconciliation of operating loss after income tax with funds used in operating activities:		
Operating loss after income tax	(2,889,660)	(2,711,745)
Depreciation and amortisation	45,081	42,888
Exploration expenditure written off	2,132,431	2,182,147
Share based payments	398,650	169,250
(Profit)/loss on sale of investments	(33,816)	-
Changes in operating assets and liabilities:		
(Increase) / Decrease in receivables	192,530	(112,493)
(Increase) / Decrease in prepayments	(28,531)	21,107
Increase / (Decrease) in payables	(39,062)	(117,129)
Increase / (Decrease) in provisions	6,053	-
<b>Cash flow from operations</b>	<b>(216,324)</b>	<b>(525,975)</b>

## **NOTE 18 TENEMENT EXPENDITURES AND LEASING COMMITMENTS**

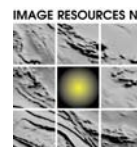
The Company has entered into certain obligations to perform minimum exploration work on tenements held. These obligations vary from time to time in accordance with contracts signed. Tenement rentals and minimum expenditure obligations which may be varied or deferred on application are expected to be met in the normal course of business. The minimum statutory expenditure requirement on granted tenements (in which the Company has an interest) for the next twelve months amounts to \$1,189,520. Of this amount, \$50,000 is expected to be met by JV participants as a result of various joint ventures entered into.

The Company has leased office premises in Ord Street West Perth. The lease is for a four year term expiring on 30 September 2013. The commitment for the year ended 30 June 2011 amounts to \$148,485 (net of GST). A substantial proportion of this commitment will be shared between other listed mineral exploration companies which will utilise a proportion of the leased area.

## **NOTE 19 JOINT VENTURES**

The Company is or has been party to a number of unincorporated exploration joint ventures. Some of those joint ventures involve the Company "farming into" (earning) or "farming out" (diluting) interests in tenements. The following is a list of unincorporated exploration joint ventures under which the Company has earned or is earning an interest:

<b>Name of Project</b>	<b>Interest</b>	<b>Carrying Amount</b>	
Metal Sands JV	70%	-	Image has earned its interest
Chandala JV	Earned 60%	-	Image has earned its interest
Reagan's Ford South JV	Earning 75%	-	Image is earning its interest
Sipa JV	Diluting to 60%	-	Image is diluting its interest
Eraynia JV	Diluting to 70%	-	Image is diluting its interest
		-	



## **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2010**

### **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 the freehold land. There can be no assurance that the Company will secure rights to access those portions of the Tenements encroaching freehold land but, importantly, the grant of freehold extinguished native title so wherever the Tenements encroach freehold the Company is in the position of not having to abide by the Native Title Act albeit aboriginal heritage matters still be of concern.

### **NOTE 21 EVENTS SUBSEQUENT TO REPORTING DATE**

No other material matters have occurred subsequent to the end of the financial year which require reporting on other than the matters referred to in the directors' report or as reported to ASX.

### **NOTE 22 SHARE BASED PAYMENTS**

On 18 December 2009, 2,345,000 share options were granted to key management personnel, employees and contractors to take up ordinary shares at an exercise price of \$1.1162 each. The options are exercisable on or before 18 December 2014, are not listed, hold no voting or dividend rights, are transferable and vested immediately upon issue. Included under share based payments expense in the Statement of Comprehensive Income is \$398,650 which relates to this equity-settled share-based payment transaction (2009: \$169,250).

### **NOTE 23 RELATED PARTY & RELATED ENTITY TRANSACTIONS**

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

Smyth & Thomas, a legal firm of which Mr Peter S Thomas is the principal, provided legal services to the Company during the financial period on terms and conditions which were more favourable to the Company than is extended to the firm's clients generally. The firm was paid \$2,740 (Net of GST) for these legal services.

Leeman Pty Ltd, a George Sakalidis related company, was paid \$7,500 in respect of the hire of specialised equipment made available to the Company.

Total amounts owing to directors and/or director-related parties at 30 June 2010 amounted to \$44,328 (2009: \$31,795).

Image has entered into Serviced Office Agreements with Meteoric Resources NL, Magnetic Resources NL and Emu Nickel NL whereby Image has agreed to provide various administrative services on a monthly basis to those companies commencing from the date each company was listed on the ASX.

Image has also entered into Joint Venture Agreements with Meteoric Resources NL, Magnetic Resources NL and Emu Nickel NL whereby Image has agreed to farm out interests in various of its tenements.

### **NOTE 24 CONTINGENT LIABILITIES**

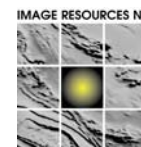
#### **Native Title**

The Company has been notified of a number of native title claims impacting its tenements.

The Company is not in a position to assess the likely effect of any native title claim impacting the Company.

The existence of native title and heritage issues represent, as a general proposition, a serious threat to explorers and miners, not only in terms of delaying the grant of tenements and the progression of exploration development and mining operations, but also in terms of costs arising consequent upon dealing with aboriginal interest groups, claims for native title and the like.





# **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2010**

## **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 and payables.

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

### **Specific Financial Risk Exposure and Management**

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

#### *Interest Rate Risk*

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

#### *Liquidity Risk*

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

#### *Capital Risk*

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

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

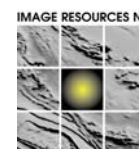
The working capital position of the Company at 30 June 2010 and 30 June 2009 was as follows:

	<b>2010</b>	<b>2009</b>
	<b>(\$)</b>	<b>(\$)</b>
Cash and cash equivalents	4,049,572	6,417,934
Trade and other receivables	252,363	343,269
Trade and other payables	(329,987)	(228,766)
<b>Working capital position</b>	<u>4,268,948</u>	<u>6,532,437</u>

#### *Credit Risk*

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

There is no material amounts of collateral held as security at balance date.



# **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS** **For the Year Ended 30 June 2010**

The credit risk for counterparties included in trade and other receivables at balance date is detailed below.

	<b>2010</b> <b>(\$)</b>	<b>2009</b> <b>(\$)</b>
<b>Receivables</b>		
Trade receivables	202,966	118,877
GST and tax refundable	49,397	224,392
	<u>252,363</u>	<u>343,269</u>

## **(b) Financial Instruments**

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

### **Financial Instrument composition and maturity analysis**

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

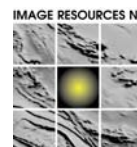
<b>2010</b>	<b>Weighted Average Effective Interest Rate %</b>	<b>Floating Interest Rate (\$)</b>	<b>Non Interest Bearing (\$)</b>	<b>Total (\$)</b>
Financial Assets:				
Cash and cash equivalents		4,047,073	2,499	4,049,572
Other receivables		-	252,363	252,363
Available-for-sale financial assets		-	4,311,173	4,311,173
Total Financial Assets	5.36%	<u>4,047,073</u>	<u>4,566,035</u>	<u>8,613,108</u>
Financial Liabilities:				
Payables		-	329,987	329,987

**2010**  
**\$**

Trade and other payables are expected to be paid as follows:

Less than 6 months	<u>329,987</u>
	<u>329,987</u>

<b>2009</b>	<b>Weighted Average Effective Interest Rate %</b>	<b>Floating Interest Rate (\$)</b>	<b>Non Interest Bearing (\$)</b>	<b>Total (\$)</b>
Financial Assets:				
Cash and cash equivalents		6,817,734	200	6,817,934
Other receivables		-	343,269	343,269
Available-for-sale financial assets		-	1,362,449	1,362,449
Total Financial Assets	3.88%	<u>6,817,734</u>	<u>1,705,918</u>	<u>8,523,652</u>
Financial Liabilities:				
Payables		-	228,766	228,766



**NOTES TO AND FORMING PART OF THE  
FINANCIAL STATEMENTS  
For the Year Ended 30 June 2010**

**2009**  
**\$**

Trade and other payables are expected to be paid as follows:

Less than 6 months

228,766

228,766

**(c) Net Fair Values**

*Fair value estimation*

The fair values of financial assets and liabilities are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms' length transaction.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted bid prices

**(d) 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 current year 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, with all other variables remaining constant would be as follows:

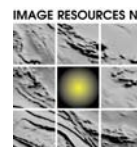
**2010**  
**(\$)**

Change in loss – increase/(decrease):

- Increase in interest rate by 2%	(80,941)
- Decrease in interest rate by 2%	80,941

Change in equity – increase/(decrease):

- Increase in interest rate by 2%	80,941
- Decrease in interest rate by 2%	(80,941)



## DIRECTORS' DECLARATION

The directors of the Company declare that:

1. the accompanying financial report and notes are in accordance with the Corporations Act 2001 and:
  - (a) comply with Accounting Standards and the Corporations Act 2001; and
  - (b) give a true and fair view of the financial position as at 30 June 2010 and performance for the year ended on that date of the Company;
  - (c) the audited remuneration disclosures set out in the Remuneration Report section of the Directors' Report for the year ended 30 June 2010 comply 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.

A handwritten signature in black ink that reads "George Sakalidis". The script is cursive and fluid.

**George Sakalidis**  
**MANAGING DIRECTOR**

**PERTH**

Dated this 28th day of September 2010

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IMAGE RESOURCES NL



## INDEPENDENT AUDITOR'S REPORT

To the members of Image Resources NL

### Report on the Financial Report

We have audited the accompanying financial report of Image Resources NL which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

#### *Directors' Responsibility for the Financial Report*

The directors of Image Resources NL are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (Including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IMAGE RESOURCES NL

### *Independence*

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

### *Auditors Opinion*

In our opinion:

- a. the financial report of Image Resources NL is in accordance with the *Corporations Act 2001*, including:
  - a) giving a true and fair view of Image Resources NL 's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
  - b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- b. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 21 to 24 of the directors' report for the year ended 30 June 2010. The directors of the company 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 conducted in accordance with Australian Auditing Standards.

### *Auditor's Opinion*

In our opinion the Remuneration Report of Image Resources NL for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.



Somes and Cooke



Jennifer Talbot

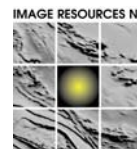
Somes and Cooke  
1304 Hay Street  
West Perth WA 6005

29 September 2010



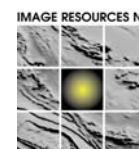
## TENEMENT SCHEDULE

Tenement	Nature of Interest	Project	Equity (%)
2004/0921	Application	SA-Oolden Range	100%
E28/1400	Granted	Talc Lake (Sipa Woodline JV)	60%
E28/1496	Granted	Junction Lake East (Sipa JV)	60%
E28/1656	Application	Ponton	100%
E28/1895	Application	King (Erayinia JV)	100% Diluting to 70%
E28/1926	Granted	King East (Eraynia JV)	100% Diluting to 70%
E28/2071	Application	Talc Lake (Erayinia JV)	100% Diluting to 70%
E28/2072	Application	Junction Lake	100%
E37/0745	Granted	Scorpion Well (MEI JV)	100%
E69/2033	Granted	Serpentine Lakes	100%
E69/2034	Granted	Serpentine Lakes	100%
E69/2035	Granted	Serpentine Lakes	100%
E69/2036	Granted	Forrest Lakes	100%
E69/2434	Application	Wanna South	100%
E69/2826	Application	Forrest Lakes West	100%
E69/2827	Application	Victoria Desert 1	100%
E69/2828	Application	Victoria Desert 2	100%
E70/2636	Granted	Cooljarloo (Metals Sands JV)	70%
E70/2742	Granted	Chandala (Derby Mines JV)	Earned 60%, Earning 80%
E70/2825	Granted	Bidaminna Sth	100%
E70/2844	Granted	Bidaminna Nth	100%
E70/2845	Granted	Bidaminna Nth	100%
E70/2892	Granted	Cadda Springs	100%
E70/2898	Granted	Cooljarloo (Metals Sands JV)	70%
E70/3032	Granted	Gingin	100%
E70/3033	Granted	McKinley	100%
E70/3041	Granted	Regans Ford South (Kings Reef JV)	Earning 75%
E70/3068	Granted	Cataby West	100%
E70/3086	Granted	Gaby's Peak	100%
E70/3100	Granted	Quinns Hill	100%
E70/3192	Granted	Bootine	100%
E70/3292	Granted	Cooljarloo (Matilda Minerals JV)	Earning 70%
E70/3298	Granted	Bidaminna - Park	100%
E70/3328	Granted	Verne Hill (Cooljarloo)	100%
E70/3339	Granted	Jurien North	100%
E70/3359	Granted	Nabaroo	100%
E70/3411	Granted	Regans Ford	100%
E70/3417	Granted	Mogumbar	100%
E70/3418	Application	Bell	100%
E70/3494	Application	Bryalana	100%
E70/3551	Granted	Mandowin	100%
E70/3612	Application	Muchea	100%
E70/3720	Application	Blue Lake	100%
E70/3889	Application	Winooka Hill	100%
E70/3892	Application	Chapman Hill	100%
E70/3893	Application	Wonnerup	100%



## TENEMENT SCHEDULE

Tenement	Nature of Interest	Project	Equity (%)
E70/3894	Application	Harvey	100%
E70/3966	Application	Regans Ford West	100%
E77/1132	Granted	Jilbadgie	100%
P70/1502	Granted	Cooljarloo (Metals Sands JV)	70%
P70/1516	Granted	Cooljarloo (Metals Sands JV)	70%
P70/1520	Application	Cooljarloo	100%
P70/1521	Application	Cooljarloo	100%
P70/1540	Granted	Cadda Springs	100%
P70/1594	Granted	Winooka Hill	100%
P70/1595	Application	Winooka Hill	100%



## OTHER INFORMATION

The following information was applicable as at 17 September 2010.

### Share and Option holdings

Category (Size of Holding)	Fully Paid Ordinary Shares	Options 21.11.2010	Options 16.11.2011	Options 19.11.2011	Options 26.3.2012	Options 20.11.2012	Options 18.12.2014
1 to 1,000	421						
1,001 to 5,000	1,091						3
5,001 to 10,000	583						2
10,001 to 100,000	630			2			4
100,001 and over	90	3	3	2	1	3	4
<b>Total</b>	<b>2,815</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>1</b>	<b>3</b>	<b>13</b>

The number of shareholdings held in less than marketable parcels is 1,163.

There are no listed options.

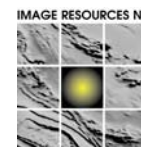
### Substantial shareholders:

The names of the substantial shareholders listed in the Company's register as at 17 September 2010:

Shareholder Name	Number of Shares	% of Issued Share Capital
Denis Ribton	7,559,895	8.76
Pontan Orico Plantations Sdn Bhd	6,539,728	7.58
Cairnglen Investments Pty Ltd	5,618,995	6.51
Citicorp Nominees Pty Ltd	4,786,622	5.55
<b>Total</b>	<b>24,505,240</b>	<b>28.40</b>

### Twenty largest fully paid shareholders:

	Shareholder Name	Number of Shares	% of Issued Share Capital
1.	Pontan Orico Plantations Sdn Bhd	6,539,728	7.58
2.	Denis Ribton	6,512,295	7.54
3.	Cairnglen Investments Pty Ltd	5,618,995	6.51
4.	Citicorp Nominees Pty Ltd	4,786,622	5.55
5.	WIT team Enterprises Ltd	3,984,600	4.62
6.	ABN Amro Clearing Sydney Nominees Pty Ltd <Next Custodian A/c>	2,654,672	3.08
7.	Roger M Thomson	2,143,969	2.48
8.	JP Morgan Nominees Australia Ltd	1,928,500	2.23
9.	Auto Management Pty Ltd	1,311,924	1.52
10.	Leeman Pty Ltd	1,284,188	1.49
11.	Denis and J Ribton <Ribton Super A/c>	1,047,600	1.21
12.	Gilpin Park Pty Ltd	1,024,643	1.19
13.	George Sakalidis	1,017,684	1.18
14.	NEFCO Nominees Pty Ltd	1,009,000	1.17
15.	Devomp Pty Ltd <Alanta Super A/c>	1,001,623	1.16
16.	Peter and M Taylor <The Good Oil Super A/c>	875,000	1.01
17.	Vernon and J Wheatley <Pulo Rd Super A/c>	792,425	0.92
18.	Eric and J Terace <R&J Terace Super A/c>	600,000	0.70
19.	Earle G McIntosh	578,000	0.67
20.	ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/c>	524,054	0.61
	<b>Total</b>	<b>45,235,522</b>	<b>52.42%</b>



## OTHER INFORMATION

### All Option-holders - All options are unquoted:

	Option-holder Name	Options Expiring 21.11.2010	Options Expiring 16.11.2011	Options Expiring 19.11.2011	Options Expiring 26.3.2012	Options Expiring 20.11.2012	Options Expiring 18.12.2014	% Held
1.	George Sakalidis	800,000	950,000	2,000,000		800,000	800,000	42.65
2.	Roger M Thomson	800,000	950,000			750,000	550,000	24.30
3.	Peter S Thomas	400,000	600,000			650,000	500,000	17.14
4.	Employee Share Option Plan Participants				1,000,000		195,000	9.53
5.	Rudolf Tieleman						300,000	2.39
6.	Bulow Pty Ltd <Newton Super A/c>			300,000				2.39
7.	Bethia F Newton			100,000				0.80
8.	Janet S Newton			100,000				0.80
	Total	2,000,000	2,500,000	2,500,000	1,000,000	2,200,000	2,345,000	100.00

There is a total of 86,313,959 fully paid ordinary shares and 12,545,000 option on issue. The fully paid ordinary shares are listed on Australian Securities Exchange Limited.

### Buy-Back Plans

The Company does not have any current on-market buy-back plans.

### 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 and a fraction of a vote for each partly-paid contributing share held. The fraction must be equivalent to the proportion which any amount paid (not credited) is of the total amounts paid (if any) and payable (excluding amounts credited). Any amounts paid in advance of a call are ignored when calculating these fractional voting rights. None of the options have any voting rights.