

IMAGE RESOURCES NL

ABN: 57 063 977 579

ANNUAL REPORT

FINANCIAL YEAR 2004 - 2005

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CORPORATE DIRECTORY

DIRECTORS

PETER THOMAS
Non-Executive Chairman

ROGER THOMSON
Managing Director

GEORGE SAKALIDIS
Executive Director - Exploration

COMPANY SECRETARY
Rudolf Tieleman

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FOR SHAREHOLDER INFORMATION CONTACT

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Computershare Investor Services Limited
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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

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2nd Floor
35 Outram 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 Stock Exchange

COMPANY CODE
IMA (Fully paid shares)
IMAO (Options exercisable at 25 cents by 25 August 2006)

ISSUED CAPITAL
59,751,620 fully paid ordinary shares
14,199,858 options exercisable at 25 cents by 25 August 2006
1,035,000 options exercisable at 25 cents by 4 July 2007
1,850,000 options exercisable at 33.5 cents by 27 November 2008
2,000,000 options exercisable at 39 cents by 26 November 2009

CHAIRMAN'S REVIEW

Dear Shareholder

During this past year, the third since listing in July 2002, Image continued to pursue its core operational objective of maximising its exposure to exploration success by actively expanding its tenement holdings whilst minimising risk through joint ventures with technically and financially competent partners.

Project generation, utilising the Company's in-house database and innovative mapping and exploration techniques as well as acting quickly upon information released for the first time into public domain, has led to the acquisition of a large portfolio of tenements now covering over 15,000 square kilometres. This tenement portfolio includes coverage of regional conceptual plays, some having untested potential whilst the others have varying exploration backgrounds.

At its discretion, the Board has and will continue to self-fund selective exploration with the objective of adding value to projects whilst continuing to enter or pursue joint ventures with partners such as Jubilee Mines, Troy Resources, Western Areas and Westonia Mines.

During the year, Image continued to focus on its nickel and gold projects, particularly Emu Lake and Forrestania, and has expanded its endeavour to encompass mineral sands exploration by the acquisition of the Bidaminna project near Gin Gin.

Image already possesses a strong background in mineral sands exploration through its exploration director, George Sakalidis, whose application of ultra-sensitive cesium vapour ground magnetometry successfully identified the 180 million tonne Dongara heavy mineral resource for Magnetic Minerals Limited which Image founded and listed on the ASX.

Ground magnetic surveys, planned for October 2005, at Bidaminna will be undertaken with the objective of delineating the high-grade zones of the known 18 kilometres of heavy mineral strand lines which have previously been tested by only 6 drill holes. Drilling of these zones will follow with a view to defining a resource.

At time of writing;

- (i) field crews are being mobilised to undertake sampling at the newly-acquired Nepean and Victoria Rocks projects and also over our five new uranium prospects;
- (ii) Image is looking forward to receiving positive results from current drilling by Jubilee Mines NL at Image's Emu Lake nickel project. The drill programme is testing for down-plunge extensions of previous high-grade nickel intersections of up to 6.2% over 2 metres. Image believes the Emu Lake project has the potential to deliver a massive nickel sulphide deposit of the Silver Swan style.

The Board thanks new and existing investors who participated in the recent \$1M raising and welcomes institutional investor Fat Prophets Australia Fund Limited which has taken a 4.6% stake in Image.

PETER THOMAS
CHAIRMAN

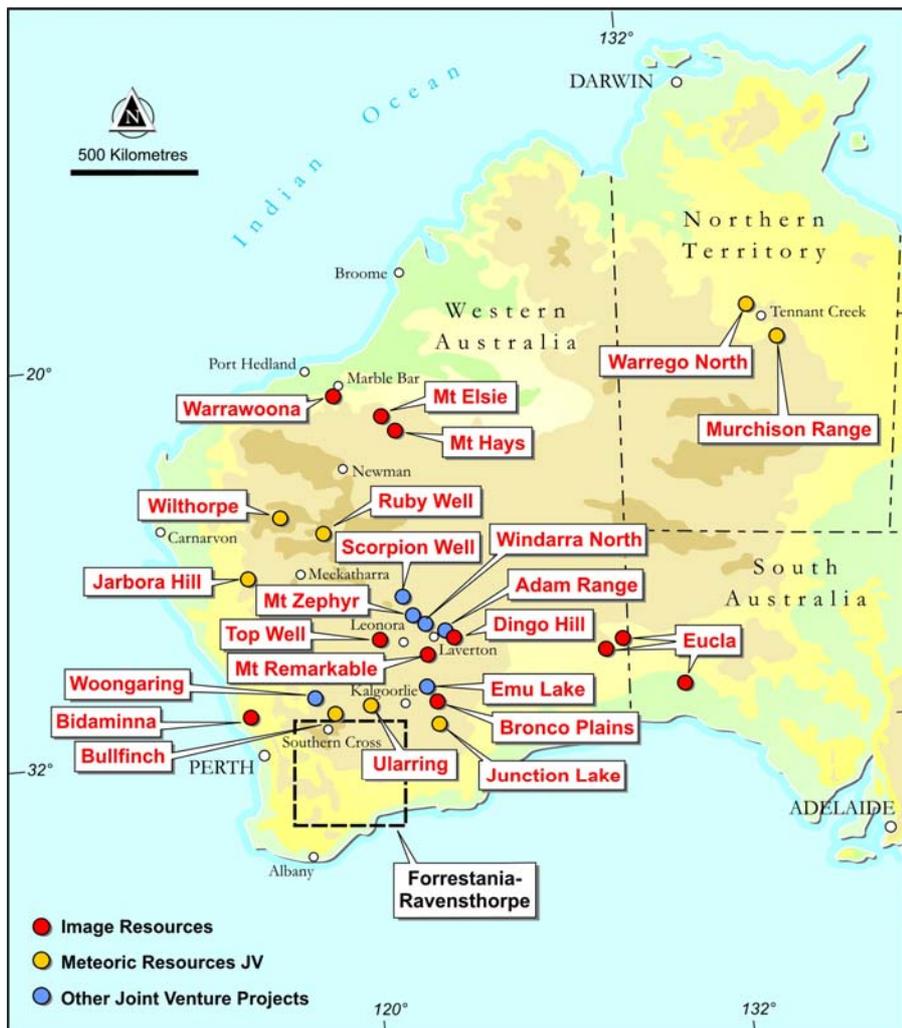
REVIEW OF OPERATIONS

PROJECTS SUMMARY

IMAGE RESOURCES HAS EXPANDED BOTH ITS TENEMENT HOLDINGS AND COMMODITY RANGE TO A TOTAL OF 149 TENEMENTS COVERING IN EXCESS OF 15,170 SQ KM AND ADDING MINERAL SANDS AND URANIUM TO ITS NICKEL AND GOLD INTERESTS. THIS LARGE PORTFOLIO IS FOCUSED IN THE FERTILE YILGARN CRATON OF WESTERN AUSTRALIA BUT ALSO INCLUDES MINERAL-PROSPECTIVE AREAS IN SOUTH AUSTRALIA.

Image has continued to pursue its strategy of identifying and acquiring prospective areas using aeromagnetic data and seeking to add value for shareholders by applying innovative exploration techniques to early stage exploration and by partnering with well funded mid-cap companies. During the year Image acted quickly upon the release of new aeromagnetic data by the state government in the southern Yilgarn region of Western Australia. Interpretation of this data identified numerous targets considered prospective for gold and nickel resulting in a substantial ground acquisition programme. In addition, Image has identified several promising mineral sand opportunities in the North Perth Basin and Eucla Basin and has acquired several uranium prospects in the southern Yilgarn region.

Ongoing joint ventures include Emu Lake (nickel, Jubilee Mines earning 60%); Trojan JV (gold and base metals, Troy Resources earning 60%); Windarra North JV (nickel, Western Areas earning 60%); Jilbadgie JV (nickel, Westonia Mines 65%) and the Meteoric JV (gold and copper-gold, Meteoric Resources earning 100%, Image retaining a 1% gross royalty).



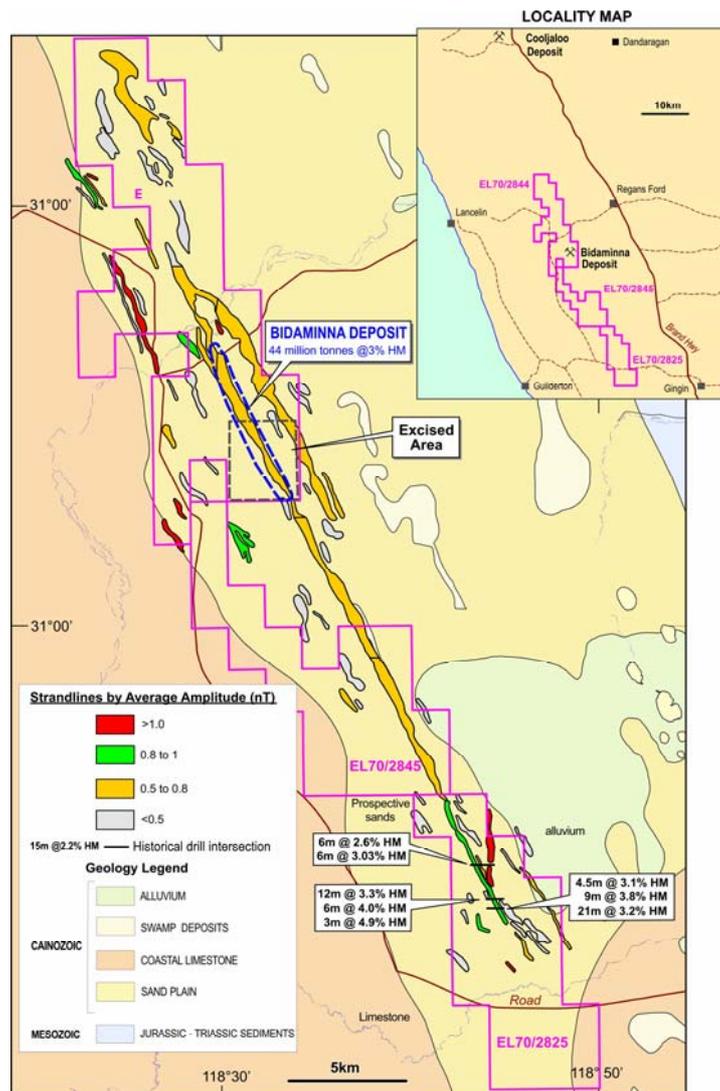
REVIEW OF OPERATIONS

NEW PROJECTS

Bidamina

Image has recently been granted one of three exploration licence applications covering 73 sq km in the North Perth Basin which hosts the world-class Eneabba mine. The licences contain wide-spaced drill intersections (up to 6m of 4.0% heavy minerals) with at least two large, coherent strandlines totalling 18km in length interpreted from previous high resolution aeromagnetic surveys to occur on the Bidamina paleo shoreline. Image has shown that detailed ground magnetics using sensitive equipment can effectively map subsurface heavy mineral concentrations in this region and identify direct drilling targets (former Image subsidiary Magnetic Minerals Ltd was taken over by Ticor Ltd following Magnetic's successful mineral sand resource definition at Dongara).

The existing scout drilling at Bidamina, whilst indicating that potentially economic heavy mineral sand concentrations occur within the tenements, is considered to be too wide-spaced to assess the potential of these paleo shorelines. Following negotiations for access with landowners, Image plans to use its magnetic mapping techniques (developed by director G Sakalidis) to identify potentially higher grade heavy minerals and outline drilling targets. The demonstrated potential of this area and the ability to identify short term drilling targets make this one of Image's priority projects.



Bidamina Prospect - Aeromagnetic Interpreted Strandlines and Historical Drilling Results

REVIEW OF OPERATIONS

Barton

Image is farming in to Mithril Resources' Barton project situated 50km northeast of Iluka's recent zircon-rich mineral sand discoveries at Jacinth and Ambrosia in the Eucla Basin of South Australia. Image can earn a 50% interest in the mineral sand rights by expenditure of \$300,000 within three years and may elect to increase its interest to 70% by the expenditure of an additional \$200,000 in a further two years. The joint venture will commence upon finalising heritage and land access agreements with the Maralinga Council of traditional owners.

The joint venture tenement covers 992 sq km and includes part of the Barton Range Shoreline, an older but similar paleo coastal barrier to that which hosts the Jacinth and Ambrosia discoveries. Wide-spaced government drilling within the tenement has identified heavy mineral concentrations comprising 56% altered ilmenite, 17% zircon, 15% leucoxene and 3% rutile at a depth of 16-22m, demonstrating the presence of potentially economic mineral sands. Image plans to use its magnetic mapping technique to identify drill targets.

Eucla Basin

Following interpretation of open file data, Image has applied for 1974 sq km in three tenements covering possible paleo shorelines in the Eucla Basin of South Australia and Western Australia. Upon grant of the tenements and negotiation of land access to the South Australian tenements, Image plans to explore for zircon-rich heavy minerals similar to the Jacinth discovery (108Mt of 6% heavy minerals with a high-grade zircon content of 55%). Record zircon prices of US\$700/t make these mineral sands attractive exploration targets.

Forrestania-Ravensthorpe Region

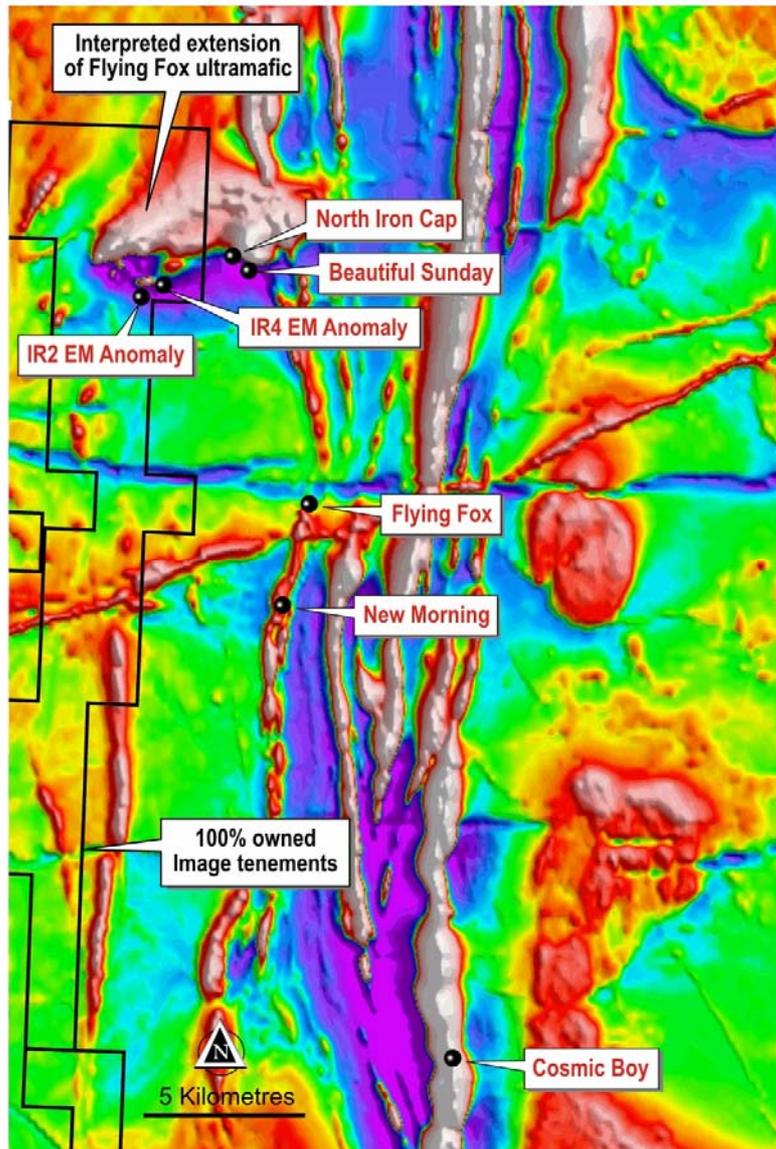
As new aeromagnetic and radiometric data has been released in the under-explored southeastern region of the Yilgarn Craton Image acted quickly to identify and acquire targets considered prospective for gold and nickel. Many of these targets are not evident in the older, lower resolution data based on surveys carried out between 1956 and 1976. Image has now increased its tenement holdings to approximately 45 exploration licences totalling 6550 sq km making it one of the largest tenement holders in the region. Geochemical sampling of priority targets has commenced. The emerging Forrestania-Emily Ann nickel district, the 1Moz Bounty gold mine and the likely presence of more extensive greenstone sequences than previously thought, suggest that this region remains significantly under-explored for nickel and gold.

Included in the recent tenement applications are six exploration licences over strong radiometric anomalies of 5-10 times background and are considered as being amongst the strongest uranium anomalies in the 85,000 sq km surveyed by the government. Initial follow up of the uranium anomalies will comprise ground radiometric surveys to define the uranium targets in more detail prior to sampling.

About 10km northwest of the Flying Fox nickel deposit (current resource 60,000t contained Ni). Image has identified two strong EM conductors on the interpreted extension of the Flying Fox ultramafic sequence within Image's tenements. Drill testing of the shallower target (IR2) intersected semi massive sulphide in BIF with no significant Ni values. A deeper target (IR4) has been defined about 500m to the east of IR2 and has been well defined using B-field ("SQUID") instrumentation and is estimated to occur 300m below surface. In contrast to IR2 the IR4 conductor is interpreted to occur close to an ultramafic body such as that which host Flying Fox. Barren sulphides also occur at Ironcap close to the Beautiful Sunday nickel deposit along strike from Flying Fox.

REVIEW OF OPERATIONS

IR2 and IR4 EM Anomalies, Forrestania

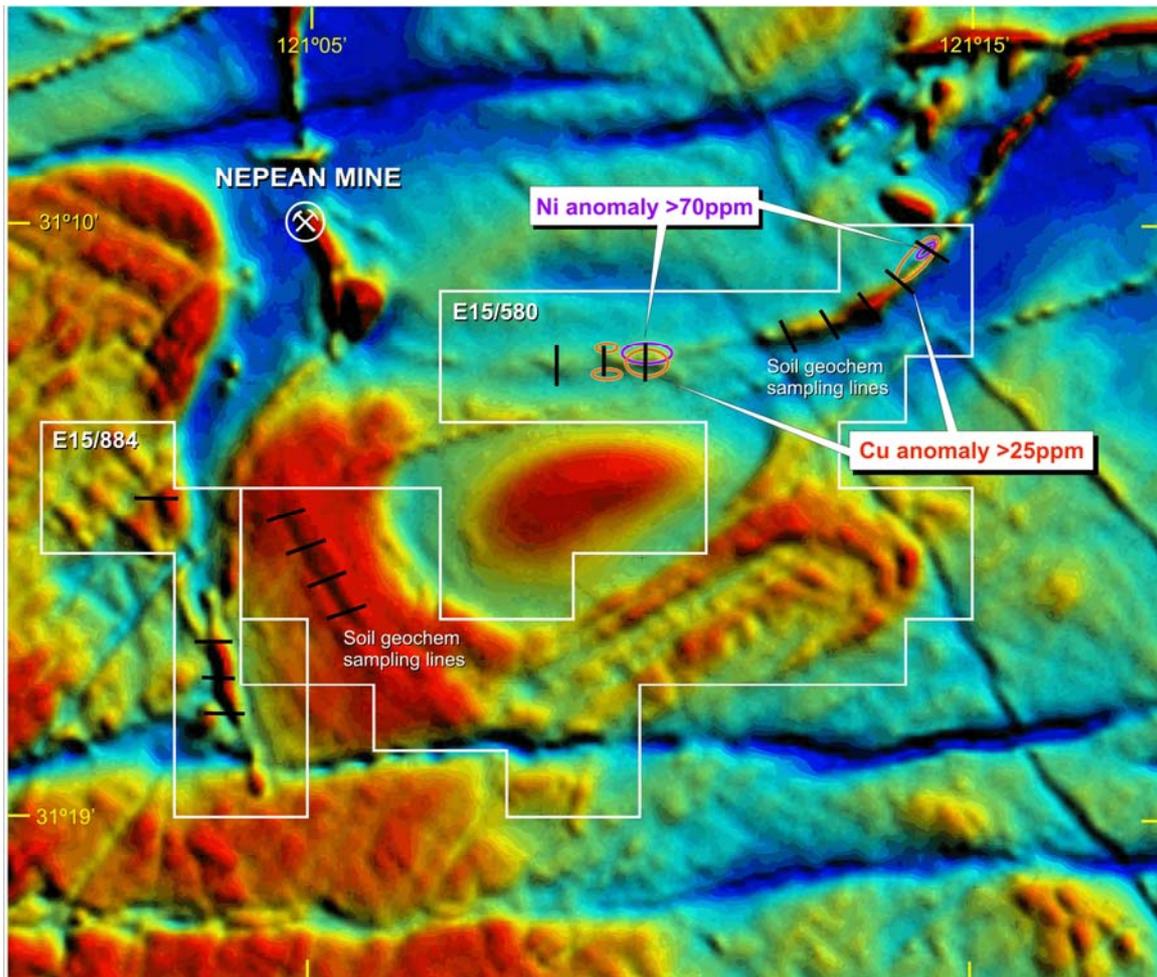


REVIEW OF OPERATIONS

Nepean East

Reconnaissance soil sampling has identified anomalous nickel and copper values associated with an interpreted ultramafic unit about 10km east southeast of the Nepean nickel mine (42,000t of contained nickel) west of Coolgardie, WA. The target areas are interpreted to be extensions of the prospective Nepean ultramafic sequence around a domal structure some 10km in length to the east and southeast of Nepean.

These early stage anomalous results (5-10 x background) are considered to be most encouraging and further sampling of interpreted ultramafics around the margins of the domal structure is proposed.



Nepean East - Aeromagnetics and Geochemical Sampling

Bronco Plains

A geochemical survey has been completed over 45 sq km of the Bronco Plains exploration licence situated 140km east of Kalgoorlie. The sampling targets were identified from interpretation of aeromagnetic data and are considered to be prospective for gold. Wide-spaced sampling (400m centres) of this soil covered area identified several gold-anomalous areas (up to 54ppb Au compared to a background of 5ppm Au). Follow up sampling of these encouraging early results is in progress.

REVIEW OF OPERATIONS

JOINT VENTURES

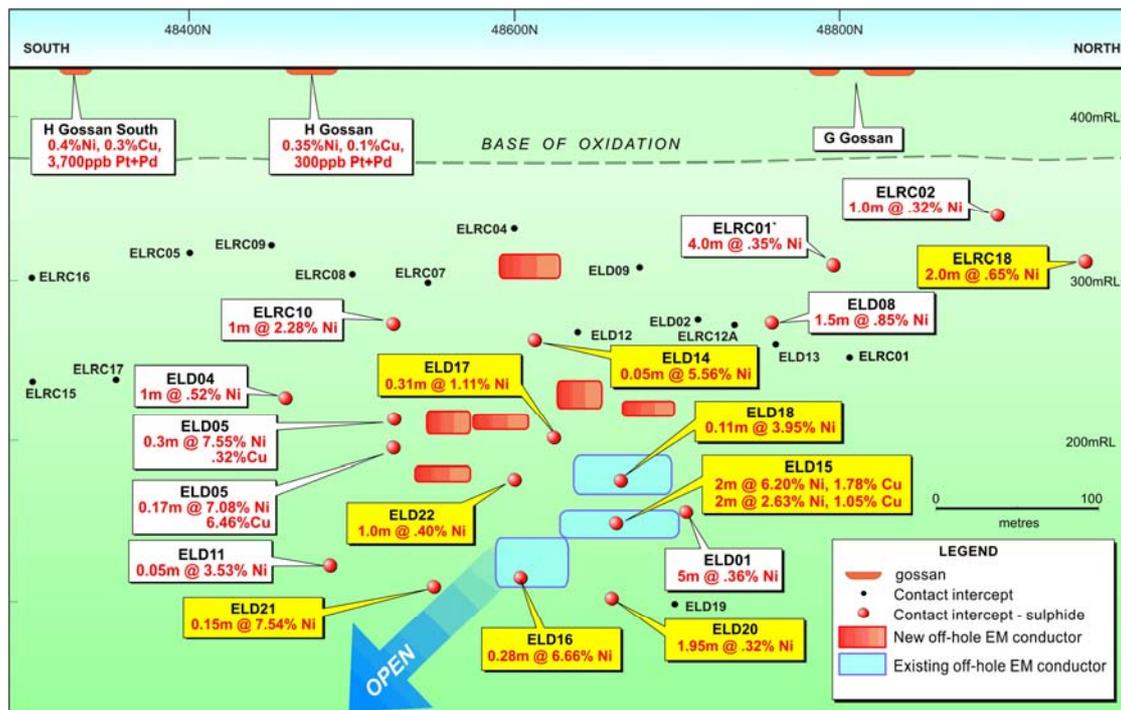
Emu Lake JV

Jubilee Mines is earning a 60% interest in this 54 sq km project, situated 70km northeast of Kalgoorlie, by sole funding exploration and completing a bankable feasibility study by December 2008. Image and the vendor retain a 30% interest and 10% interest respectively, free carried to the completion of a feasibility study.

Drilling by Jubilee and previous explorers has confirmed the presence of massive and stringer nickel sulphides over a 150m strike length of the Gossan Zone at depths ranging from 200m to 350m below surface and open down plunge. Significant intersections to date include:

Hole No	Collar Coordinates		Dip	Azimuth	From	To	Interval	Ni%	Cu%	Pt ppb	Pd ppb
	N	E									
ELD5	48535	50276	-60	230	256.40	256.70	0.3	7.55	0.35	1015	1726
					277.06	277.23	0.17	7.08	6.46	1092	2315
ELRC10	48527	50208	-60	230	192.0	193.0	1.0	2.28	0.20	350	718
ELD11	48500	50330	-60	230	364.05	364.10	0.05	3.55	0.01	205	745
ELD15	48650	50355	-56	229	336.0	338.0	2.0	6.20	1.78	749	1424
					343.5	345.5	2.0	2.63	1.05	237	3953
ELD16	48600	50360	-56	230	377.07	377.35	0.28	6.66	0.24	423	226
ELD18	48667	50330	-55	230	302.57	303.65	1.08	1.52	0.20	166	291
					302.57	302.68	0.11	3.95	0.18	632	723
ELD21	48546	50329	-60	230	366.50	366.65	0.15	7.54	0.11	928	1310

Jubilee has commenced a 4-hole, 2,000m diamond drilling programme targeting the depth and strike extensions of the high grade nickel sulphide intersected at the Gossan Zone. The south-plunging trend of this mineralised ultramafic contact remains open at depth with good potential for a high tenor nickel resource similar to the Silver Swan mine situated 30km to the west.



REVIEW OF OPERATIONS

Trojan JV

The Trojan JV with Troy Resources comprises four project areas totalling 900 sq km at Woongaring, Scorpion Well, Adam Range and Mt Zephyr in Western Australia. Troy can earn a 60% interest by sole funding expenditure of \$2 million before July 2008.

A 7,000m RAB drilling programme has confirmed elevated nickel and copper values (peak value 1m at 1.05% Ni and 190ppm Cu from 10m depth) in two areas about 5km apart. Ground magnetic surveys support the interpretation that the two anomalous areas occur close to ultramafic contacts. Elevated copper values were also recorded associated with grandioritic rocks in the project area and remain to be investigated. Geochemical soil sampling over other interpreted ultramafic rocks has identified an additional two areas of coincident nickel and copper anomalism about 5km and 18km south of the existing anomalies. Ground EM surveys to test for conductive nickel sulphides at the two RAB anomalies are in preparation. Additional geochemical sampling to explore the northern extension of this unexplored greenstone belt situated 140km northwest of Southern Cross is scheduled to commence in the December quarter.

A scout RAB drilling programme at Scorpion Well, about 10km southeast of the 2Moz Centenary gold mine, has intersected favourable rock types below sand cover and confirming Image's aeromagnetic interpretation of this poorly explored area. The drilling, in two east-west lines 2.7km apart, encountered weathered gabbro and mafic rocks in a north-south belt up to 1400m in width. The Centenary gold deposit is located in a magnetic unit within a dolerite-gabbro sequence. Image targeted the Scorpion Well area as containing potentially favourable host rocks within a structural corridor passing through the Darlot and Centenary mines.

Windarra North JV

This 557 sq km venture with Western Areas is situated north and northwest of the Mt Windarra nickel deposit near Laverton, WA. Western Areas may earn a 60% interest by expenditure of \$2 million before July 2008. The Mt Windarra and South Windarra nickel mines produced 7 million tonnes at 1.6% Ni (113,000 tonnes contained Ni) confirming the high nickel prospectivity of the ultramafic rocks in this district. In addition nickel sulphides are reported at the nearby Woodline Well prospect.

Image has identified three target trends which could represent extensions of the prospective Mt Windarra, South Windarra and Woodline Well ultramafic sequences below alluvial cover. Western Areas completed an 8-hole 460m RC drilling programme to test five target areas in the eastern part of the project. Ultramafic rocks were intersected in one hole and subsequently the focus of exploration has moved to the western part of the project area.

Jilbadgie JV

Westonia Mines has earned a 65% interest in one of the two tenements at this 225 sq km project situated 30km south of Southern Cross. Image has interpreted the presence of extensive ultramafic rocks which have had little nickel exploration to date. Westonia identified three distinct nickel-anomalous areas and carried out fixed loop ground EM surveys over each of these targets. Further modelling of these results is in progress.

Meteoric JV

Meteoric Resources has earned 80% of Image's interest in the Warrego North, Murchison Range, Bullfinch, Jarbora Hill, Wilthorpe, Ruby Well, Ularring and Junction Lake projects by spending \$1 million before mid 2006. Meteoric has elected to earn 100% of Image's interest by spending a further \$1 million over an additional three years with Image retaining a 1% gross royalty interest and 4.2 million Meteoric shares. Image holds a 100% interest in these projects except at Wilthorpe and Bullfinch where it holds a 90% interest and at Ruby Well where it holds a 60% interest.

REVIEW OF OPERATIONS

OTHER PROJECTS

Mt Hays

A 6-hole, 684m RC drilling programme was carried out at this 90%-owned project situated 50km east-northeast of Nullagine. The drilling tested below and along strike from previous RAB drilling which tested a 650m-long outcropping zone of quartz veining and stockworks (best RAB intercepts; 1m at 8.1g/t Au from 34m and 2m at 4.0g/t Au from 33m). The RC drilling returned a best intercept of 2m at 52.1g/t Au from 92m indicating a potential for high grade shoots along this mineralised structure. This encouraging result is being followed up.

Lake Percy

RAB and RC drilling by previous joint venture partner Western Areas intersected ultramafic rocks at the Town Hall, Bondi and Quay prospects with elevated nickel values of up to 1m at 0.9% Ni from 40m and 2m at 0.65% Ni from 46m at Bondi and Town Hall respectively. Image carried out ground EM surveys at Bondi and Town Hall to test for conductive nickel sulphides. A weak to moderate conductor was identified at Bondi which is being further investigated.

DIRECTORS' REPORT

Your directors present their report on the Company for the year ended 30 June 2005.

DIRECTORS

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

Peter Thomas
Roger Thomson
George Sakalidis

PRINCIPAL ACTIVITIES

The principal activities of the Company during the year were the acquisition of additional tenements and the exploration of mineral tenements in Western Australia, Northern Territory and South Australia.

RESULTS FROM OPERATIONS

During the year the Company recorded an operating loss of \$4,013,679 (2004: \$1,188,210). This includes the financial impact of significant accelerated write-offs totalling \$3,668,045 in order to comply with the transition to Australian Equivalents to International Financial Reporting Standards ("AIFRS") as from the beginning of this financial reporting period.

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 7.18 cents (2004: 2.22 cents). Diluted Loss per share is not significantly different from Basic Loss per Share. The quantum of this result has been significantly increased by the adoption of AIFRS as from the beginning of this financial reporting period.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The Company experienced a significant change in its state of affairs during the financial period. A Joint Venture Agreement and Royalty Deed had been entered into with Meteoric Resources NL prior to 30 June 2004, whereby Meteoric acquired the right to acquire interests in various tenements by exploring and developing those tenements. Meteoric, with Image's assistance, arranged a successful IPO and was admitted to the ASX on 16 July 2004. Image retains an investment of 4,200,000 fully paid shares in Meteoric, all of which are subject to escrow restrictions until 16 July 2006.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

Since the end of the financial year, the Company has received funds in respect of a placement of 3,058,030 shares issued at \$0.33 each to fund the acceleration of geochemical sampling, electromagnetic and radiometric surveys and drilling programmes at tenements in the Forrestania-Ravensthorpe region.

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 previous paragraph or as reported to ASX.

DIRECTORS' REPORT

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 Western Australian, South Australia and the Northern Territory which are subject to environmental regulations under both Commonwealth and State legislation in relation to its exploration activities.

The Company has 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.

INFORMATION ON DIRECTORS AND COMPANY SECRETARY

Peter Thomas

Chairman

Mr Thomas is a practising Solicitor with more than twenty-five years national and international experience in the resource sector (both oil and minerals) specialising in the provision of general contractual and corporate advice to both miners and explorers. He has been responsible for the structuring, restructuring and reconstruction of a number of companies and has been a director of a number of listed companies. He is also chairman of Meteoric Resources NL, Sandfire Resources NL and the Anthem Software group of companies. He was a director of Magnetic Minerals Limited until it was taken over, delivering substantial value to its shareholders.

Mr Thomas has a direct interest in 50,000 ordinary fully paid shares and 400,000 unquoted options exercisable at \$0.335 each by 27 November 2008. He also holds, through an associated entity, an interest in 422,000 fully paid ordinary shares, 120,000 quoted options exercisable at \$0.25 each by 25 August 2006 and 400,000 unquoted options exercisable at \$0.39 each by 26 November 2009. None of these shares or options is subject to escrow provisions.

Roger Thomson

Managing Director

Mr Thomson is a geologist with more than thirty years experience in mineral exploration, mining geology and management in Australia, Africa, South America and SE Asia. Mr Thomson 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. He successfully managed the programme that led to the discovery of the multi-million ounce Sunrise gold deposit, near Laverton in Western Australia. Mr Thomson is an Associate of the Royal School of Mines, a Member of the Australasian Institute of Mining and Metallurgy and a Member of the Society of Economic Geologists. He is a director of Meteoric Resources NL and unlisted Mariana Resources NL.

Mr Thomson has a direct interest in 1,466,015 quoted options exercisable at \$0.25 each by 25 August 2006, 800,000 unquoted options exercisable at \$0.335 each by 27 November 2008 and 800,000 unquoted options exercisable at \$0.39 each by 26 November 2009. He also holds, through associated entities, an interest in 205,000 fully paid ordinary shares. None of these shares or options is subject to escrow provisions

DIRECTORS' REPORT

George Sakalidis

Exploration Director

Mr Sakalidis is an exploration geophysicist with over 20 years industry experience, during which time his career has included extensive gold, diamond, base metals and mineral sands exploration. He was involved in the compilation of what the Board believes to be one of the largest aeromagnetic databases held by any Australian junior explorer, which is now held by Image. Using this database, 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. Mr Sakalidis was a founding director of Magnetic Minerals Limited and was previously a director of North Star Resources NL. He is also a director of Meteoric Resources NL.

Mr Sakalidis has an interest in 5,568,220 fully paid shares, 14,385 quoted options exercisable at \$0.25 each by 25 August 2006, 650,000 unquoted options exercisable at \$0.335 each by 27 November 2008 and 800,000 unquoted options exercisable at \$0.39 each by 26 November 2009. He also holds, through an associated entity, an interest in 112,000 fully paid ordinary shares. None of these shares or options is subject to escrow provisions.

Rudolf Tieleman

Company Secretary

Mr Tieleman is a chartered accountant with over 21 years experience in public practice. He is a member of the Institute of Chartered Accountants in Australia and has extensive knowledge in matters relating to the operation of business 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 2005, there were 8 meetings of directors. All meetings were attended by all the directors.

DIRECTORS' REPORT

DIRECTORS AND EXECUTIVES REMUNERATION REPORT

The Company's policy for determining the nature and amount of emoluments of board members and senior executives (if any) of the Company is as follows:

The remuneration structure for executive officers, including executive directors, seeks to emphasise payments for results through providing various reward schemes, for example the incorporation of Share Option Incentive Schemes. The objective of the reward schemes is to both re-inforce the short and long term goals of the Company and to provide a common interest between management and shareholders is set out below:

(a) **The names of directors who have held office during the financial year are -**

Peter Thomas
Roger Thomson
George Sakalidis

(b) **Retirement and Superannuation Payments -**

Prescribed benefits were provided by the Company to all executive directors by way of superannuation contributions to complying superannuation funds during the year. These benefits were paid in accordance with the statutory superannuation contribution guarantee requirements.

(c) **Non-executive directors -**

Fees and payments to the only non-executive director, the Chairman, reflects the demands made on him and his responsibilities. His directors fees are reviewed annually by the Board and are determined independently to the fees of executive directors and are based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration. Non-executive directors may receive share based payments which are required to be approved by shareholders in general meeting.

(d) **Directors fees -**

The current base remuneration, effective from 1 July 2005, was last reviewed August 2005. The Chairman's remuneration is inclusive of fees paid whilst chairing the meetings of executives and officers while executive directors who chair a meeting receive no additional yearly fees.

Non-executive directors fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at \$150,000 per the group of non-executive directors.

(e) **Retirement allowances for directors -**

The Company does not have a policy for the payment of retirement allowances to non-executive directors.

(f) **Executive pay -**

The executive pay and reward framework has three components:

Base pay;
Incentive options;
Other remuneration such as superannuation.

The combination of these comprise the executives' total remuneration.

Base Pay -

Structured as a total employment cost package which may be delivered as a mix of cash and prescribed non-financial benefits at the executive's discretion.

The executives have been offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for the senior executives is reviewed annually. At the expiry of the term of employment, the executives' base pays are reviewed to remain competitive with the market.

DIRECTORS' REPORT

There are no guaranteed base pay increases fixed in the senior executives' contracts.

The emoluments of each Director and each executive officer for the financial period are as follows:

Executive and Position	Primary	Post Employment	Equity	Total
	Salary & fees (1)	Super- annuation	Options (2)	
Peter Thomas Non-Executive Chairman	\$40,000	-	\$88,680	\$128,680
Roger Thomson Executive Managing Director	\$88,852	\$16,388	\$177,360	\$282,600
George Sakalidis Executive Director	\$123,482	\$9,800	\$177,360	\$310,642
Rudolf Tieleman Company Secretary	\$40,514	-	-	\$40,514
Total	\$292,848	\$26,188	\$443,400	\$762,436

Note (1)

RM Thomson and G Sakalidis performed services for Meteoric Resources NL which were billed to and paid by Meteoric in accordance with a signed Administration Services Agreement.

Note (2)

Equity remuneration represents share options granted during the year as approved at the general meeting of shareholders held 26 November 2004. These options have been valued at grant date using the Black-Scholes option valuation methodology.

Service agreements -

Remuneration and other terms of employment have been agreed with RM Thomson and G Sakalidis. Major provisions of the agreement relating to remuneration are set out as follows:

	Term of agreements	Base remuneration	Review periods	Increase
RM Thomson	3 years from 4 July 2005	\$109.69 per hour	Annually on 4 July	Discretionary by Board
G Sakalidis	3 years from 4 July 2005	\$100.92 per hour	Annually on 4 July	

EMPLOYEES

The Company had three employees at 30 June 2005 (2004: Three employees).

CORPORATE STRUCTURE

Image Resources NL is a no liability company limited by shares and is incorporated and domiciled in Australia.

DIRECTORS' REPORT

INDEMNIFICATION & 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.

OPTIONS

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

Listed:

(a) 14,199,858 exercisable at \$0.25 per option on or before 25 August 2006;

Unlisted:

(a) 1,035,000 exercisable at \$0.25 per option on or before 4 July 2007. These options were issued pursuant to the Company's Employee Share Option Plan;

(b) 1,850,000 exercisable at \$0.335 per option on or before 27 November 2008;

(c) 2,000,000 exercisable at \$0.39 per option on or before 26 November 2008;

During the year, 200,000 options exercisable at \$0.25 per option on or before 25 August 2006 were issued in respect of the acquisition of various tenements. 2,000,000 options were also issued to the directors as approved at the Company's annual general meeting held on 26 November 2004.

Also during the year, 743,000 quoted options were exercised at \$0.25 each and 150,000 unquoted options were exercised at \$0.335 each.

Since the end of the financial year, 200,000 quoted options have been exercised at \$0.25 each.

RM THOMSON

Managing Director

Perth

30 September 2005

Auditor's Independence Declaration to the Directors of Image Resources NL

In relation to the audit of the financial report of Image Resources NL for the year ended 30 June 2005, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; or
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

K. C. Somes

SOMES and COOKE

Chartered Accountants

CORPORATE GOVERNANCE STATEMENT

GOOD GOVERNANCE AND PRACTICE RULES

The Australian Stock Exchange Corporate Governance Council has determined a total of ten Governance and Good Practice Rules which must be listed and an explanation provided on whether the Company complies with the rule, or a reason why it does not.

PRINCIPAL	COMPLIANCE OR DETAILS OF PLANNING
PRINCIPAL 1: Lay solid foundations for management and oversight	
1.1 Formalise and disclose the functions reserved to the Board and those delegated to management	A committee has been established to prepare document for Board consideration.
PRINCIPAL 2: Structure the Board to add value	
2.1 A majority of the Board should be independent directors	Not complied with for economic reasons.
2.2 The Chairperson should be an independent director	Complied with.
2.3 The roles of Chairperson and Chief Executive Officer should not be exercised by the same individual	Complied with.
2.4 The Board should establish a nomination committee	The Board fulfils the role of Nomination Committee.
PRINCIPAL 3: Promote ethical and responsible decision-making	
3.1 Establish a code of conduct to guide the directors, the Chief Executive Officer (or equivalent), the Chief Financial Officer (or equivalent) and any other key executives as to: 3.1.1 The practices necessary to maintain confidence in the Company's integrity; 3.1.2 The responsibility and accountability of individuals for reporting or investigating reports of unethical practices.	Not complied with. The law embodies sufficient codes of conduct for a company of this size.
3.2 Disclose the policy concerning trading in Company securities by directors, officers and employees.	A strict policy has been adopted and signed by each director.
PRINCIPAL 4: Safeguard integrity in financial reporting	
4.1 Require the Chief Executive Officer (or equivalent) to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.	Completed by Managing Director in conjunction with company secretary and auditor.
4.2 The Board should establish an audit committee.	The role of Audit Committee has been assumed by the full Board.
4.3 Structure the audit committee so that it consists of: Only non-executive directors A majority of independent directors An independent chairperson who is not the chairperson of the Board At least three members	Not complied with – see 4.2 above.
4.4 The audit committee should have a formal operating charter.	Not complied with – see 4.2 above.

CORPORATE GOVERNANCE STATEMENT

PRINCIPAL 5: Make timely and balanced disclosure	
5.1 Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.	No written policy as such, other than in relation to 3.2 above. Minutes of Board meetings frequently address compliance issues. Both the Chairman and the company secretary have detailed knowledge of and long working backgrounds in application of those rules. The executive directors have a good general grasp of these rules and consult the Chairman and company secretary as required. Every member of the Board and company secretary is fully familiar with requirements of continuous disclosure rules and standards expected of them in relation to trading in company securities.
PRINCIPAL 6: Respect the rights of shareholders	
6.1 Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	Fully designed and disclosed by directors' conduct.
6.2 Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the audit and the preparation and contents of the auditor's report.	Complied with.
PRINCIPAL 7: Recognise and manage risk.	
7.1 The Board or appropriate board committee should establish policies on risk oversight and management.	Complied ith.
7.2 The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) should state to the Board in writing that: 7.2.1 The statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board. 7.2.2 The Company's risk management and internal compliance and control system is operating efficiently and effectively in all material aspects.	Complied above)with.
PRINCIPAL 8: Encourage enhanced performance.	
8.1 Disclose the process for performance evaluation of the Board, its' committees and individual directors and key executives.	Complied with.
PRINCIPAL 9: Remunerate fairly and responsibly.	
9.1 Provide disclosure in relation to the Company's remuneration policies to enable investors to understand the cost and benefits of these policies and the link between remuneration paid to directors and key executives and corporate performance.	Complied with.
9.2 The Board should establish a remuneration committee.	Complied with.
9.3 Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors.	Complied with.
9.4 Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.	Complied with.
PRINCIPAL 10: Recognise the legitimate interest of stakeholders.	
10.1 Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.	See 3.1 and 5.1 above.

CORPORATE GOVERNANCE STATEMENT

General:

The Board of Directors of Image Resources NL is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The substance of the best practice recommendations of the ASX Corporate Governance Council, including corporate governance practices and suggested disclosures (which in unabridged form may be accessed from the ASX website) as adopted with variations by the Company, are set out below and have been applied for the entire financial year ended 30 June 2005. Where there has been any variation from the recommendations it is because the Board believes that the Company is not as yet of a size, nor are its financial affairs of such complexity to justify some of those recommendations and as such those practices continue to be the subject of the scrutiny of the full Board.

Board Composition:

The Board is comprised of three Directors, of which the Managing Director and Exploration Director are the Executive Directors.

The skills, experience and expertise relevant to the position of each Director who is in office at the date of the annual report, his attendance at meetings and his term of office are detailed in the Directors' Report. Due to the size of the Company, only the Chairman is an independent Director. This situation will be monitored and changes made as the Board sees fit. The names of the Directors of the Company in office at the date of this statement are:

Name	Position	Committees
Peter Sisely Thomas	Non Executive Chairman	None
Roger Michael Thomson	Managing Director	None
George Sakalidis	Exploration Director	None

When determining whether a Director is independent, the Board has determined that the Director must not be an executive and:

- is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- within the last three last years has not been employed in an executive capacity by the Company or been a Director after ceasing to hold any such employment;
- within the last three years has not been a principal or employee of a material professional adviser or a material consultant to the Company or an employee materially associated with the service provided;
- is not a material supplier or customer of the Company or an officer of or otherwise associated directly or indirectly with a significant supplier or customer;
- has no material contractual relationship with the Company other than as a Director of the Company;
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Directors have the right to seek independent professional advice in the furtherance of their duties as Directors, at the Company's expense, subject to those expenses being reasonable or incurred with the chairman's approval, such approval not to be unreasonably withheld.

CORPORATE GOVERNANCE STATEMENT

The Board and Board Nominations:

The Company does not operate a nomination committee. As such, the full Board (subject to members' voting rights in general meeting) is responsible for selection of new members and has regard to a candidate's experience and competence.

Under the Company's Constitution:

- the maximum number of Directors on the Board is ten;
- a Director (other than the Managing Director) may not retain office for more than three years without submitting for re-election; and
- at the Annual General Meeting each year effectively one third of the Directors in office (other than the Managing Director) retire by rotation and must seek re-election by shareholders.

Securities Trading Policy:

The Company has adopted a formal securities trading policy whereby Directors and employees are restricted from acting on material information until it has been released to the market in accordance with the ASX requirements of continuous disclosure and the market has had sufficient time to absorb that information.

Directors' Remuneration and Policies:

The Company forms a remuneration committee comprising members of the Board who do not have a personal interest in the remuneration and policies being discussed. Due to the number of directors on the Board at this time, any decision is therefore required to be unanimous.

All compensation arrangements for Directors including the Managing Director are determined by disinterested Directors after taking into account the current competitive rates prevailing in the market.

The amount of remuneration for all Directors including the full remuneration packages, comprising all monetary and non-monetary components of the Executive and Non Executive Directors, are detailed in the Directors' Report.

Executives receive base salary, superannuation and in some cases, fringe benefits and share-based incentives. These packages are reviewed on an ongoing basis.

All remuneration paid to present or future executives is accounted for in accordance with the law.

The Board expects that the remuneration structure that is implemented will result in the Company being able to attract and retain the best executives to manage the Company. It will also provide the executives with the necessary incentives to work to grow long-term shareholder value.

The Board can exercise its discretion in relation to approving incentives, bonuses and options.

There are no schemes for retirement benefits other than statutory superannuation for any of the Directors.

External auditors:

The auditors of the Company have open access to the Board of Directors at all times. Somes & Cooke have audited the Company for the last three years. Somes & Cooke attend the Company's annual general meeting.

CORPORATE GOVERNANCE STATEMENT

Audit committee:

The Company does not operate an audit committee separate from the Board, however, there is a recognition that a separate committee may be required in the future in order to comply with good Corporate Governance.

Managing risks:

The Board meets regularly to evaluate, control, review and implement the Company's operations and objectives.

Regular controls established by the Board include:

- detailed monthly financial reporting;
- delegation of authority to the Managing Director to ensure approval of expenditure obligations within the constraints of an approved budget;
- implementation of operating plans, cash flows and budgets by management and Board monitoring of progress against projections; and
- procedures to allow Directors, and management in the furtherance of their duties, to seek independent professional advice via the utilisation of various external technical consultants.

The Board recognises the need to identify areas of significant business risk and to develop and implement strategies to mitigate these risks.

Commitment to stakeholders & ethical standards:

The Board supports high standards of corporate governance and requires its members and the management and staff of the Company to act with integrity and objectivity in relation to:

- compliance with laws and regulations affecting the Company's operations;
- the ASX's Corporate Governance;
- employment practices;
- responsibilities to:
 - the community;
 - the individual;
 - the environment;
- conflict of interests;
- confidentiality;
- ensuring that shareholders and the financial community are at all times fully informed in accordance with the spirit and letter of the ASX's continuous disclosure requirements;
- protection of and proper use of the Company's assets.

Monitoring of the Board's Performance and Communication to Shareholders:

In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the performance of all Directors is regularly reviewed by the Chairman. The Company does not have an evaluation of the Board or Board members performed by an independent consultant.

The Board of Directors aims to ensure that shareholders are informed of information necessary to assess the performance of the Company. Information is communicated to the shareholders, subject to the exceptions to the requirements for continuous disclosure permitted by law, through:

- the Quarterly Reports;
- the Half-Yearly Report;
- the Annual Report;
- adherence to continuous disclosure requirements;
- the Annual General Meeting and other meetings so called to obtain shareholder approval for Board

CORPORATE GOVERNANCE STATEMENT

- action as appropriate; and
- the provision of the Company's website containing all of the above mentioned reports and its constant update and maintenance.

STATEMENT OF FINANCIAL PERFORMANCE

For the Year Ended 30 June 2005

	Notes	2005 (\$)	2004 (\$)
Revenue from ordinary activities	2	225,452	161,462
Revenue/(loss) from non-ordinary activities		1,341	3,901
Borrowing expenses		-	-
Depreciation and amortisation expense	2	(2,074,300)	(203,214)
Exploration costs written-off	2	(1,614,698)	(447,739)
Other expense from ordinary activities	2	<u>(551,474)</u>	<u>(702,620)</u>
Loss from ordinary activities before related income tax expense		4,013,679	1,188,210
Income tax expense	3	-	-
Loss from ordinary activities after related income tax expense		<u>4,013,679</u>	<u>1,188,210</u>
Net loss attributable to members of Image Resources NL		<u>4,013,679</u>	<u>1,188,210</u>
Basic loss per share (cents per share)	6	(7.18)	(2.22)
Diluted loss per share (cents per share)	6	(7.18)	(2.22)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2005

	Notes	2005 (\$)	2004 (\$)
Current Assets			
Cash Assets	7	2,659,488	3,085,231
Receivables	8	129,530	482,347
Prepayments	9	13,956	15,461
Other financial assets	10	5,000	2,111
		<u>2,807,974</u>	<u>3,585,150</u>
Non-Current Assets			
Plant and equipment	11	64,179	52,286
Aeromagnetic database	12	-	2,053,347
Mineral interests	13	-	1,109,324
Other financial assets	10	50,001	1
		<u>114,180</u>	<u>3,214,958</u>
TOTAL ASSETS		<u>2,922,154</u>	<u>6,800,108</u>
Current Liabilities			
Payables	14	102,312	202,587
NET ASSETS		<u>2,819,842</u>	<u>6,597,521</u>
Equity			
Contributed equity	15	9,911,943	9,675,943
Accumulated (losses)		<u>(7,092,101)</u>	<u>(3,078,422)</u>
TOTAL EQUITY		<u>2,819,842</u>	<u>6,597,521</u>

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2005

	Notes	2005 (\$)	2004 (\$)
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipt from customers		470,594	-
Cash payments to suppliers and contractors		(614,184)	(1,083,013)
Interest received		157,956	161,462
Net cash (used in) operating activities	16	14,366	(921,551)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(32,846)	(6,027)
Payments for exploration and evaluation		(658,658)	(326,989)
Purchase of new prospects		(221,996)	(114,244)
Recoupment of exploration costs		288,938	393,132
Purchase of investments		(55,000)	(2,001)
Proceeds on sale of investments		3,453	8,901
Net cash (used in) / provided by investing activities		(676,109)	(47,228)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from new issues of shares		236,000	1,671,083
Share issue expenses		-	(61,501)
Net cash provided by financing activities		236,000	1,609,582
Net (decrease) / increase in cash held		(425,743)	640,803
Cash at the beginning of the financial period		3,085,231	2,444,428
Cash at the end of the financial period	7	2,659,488	3,085,231

The accompanying notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2005

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Where appropriate, figures for the financial year ended 30 June 2004 have been restated to make them comparable with amended classifications adopted for the financial year ended 30 June 2005.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(b) Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous year other than changes implemented pursuant to compliance with AIFRS. The financial effect of this change is a charge to profit and loss of \$3,162,671 being the carrying values of the aeromagnetic database and mineral interests as at 1 July 2004 which have been written-off in full this financial year.

(c) Goods and Services Tax (GST)

Revenues, expenses and assets are recognized 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 which case the GST is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

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 included in the Statement of Cash Flow on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

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

(d) Income Tax

The Company adopts the liability method of tax-effect accounting whereby the income tax expense shown in the profit and loss statement is based on the operating profit before income tax adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of operating profit before income tax and taxable income are brought to account as either a provision for deferred income tax or an asset described as future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2005

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(e) Exploration and Evaluation Expenditure

All exploration and evaluation expenditure is expensed to profit and loss as incurred. The effect of this write-off is to increase the loss incurred from ordinary activities as disclosed in the Statement of Financial Performance by \$1,614,698 and to decrease the carrying values in the Statement of Financial Position to \$Nil.

(f) 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.

(g) Cash

For the purpose of the statement of cash flows, cash includes:

- (i) cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts; and
- (ii) investments in money market instruments with less than 30 days to maturity.

(h) Revenue

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

(i) Employee Entitlements

Wages and Salaries and Annual Leave - Liabilities for wages and salaries and annual leave are recognized, and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date. There is no liability to Long Service Leave entitlements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2005

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Earnings Per Share

- (i) *Basic Earnings Per Share* – Basic earnings per share is determined by dividing the profit from ordinary activities after related income tax expense by the weighted average number of ordinary shares outstanding during the financial year.
- (ii) *Diluted Earnings Per Share* – Diluted EPS is calculated as net profit 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 recognized as expenses; and
 - other discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares.

(k) Non-current Assets

The cost of each item of plant and equipment is written off over its expected economic life, adjusted for any salvage value, if applicable. Estimates of remaining useful lives range between 4 and 5 years.

(l) Recoverable Amount

Non-current assets are not carried at an amount greater than their recoverable amount, and where carrying values exceed this recoverable amount, assets are written down. In determining recoverable amount the expected net cash flows have not been discounted.

(m) Financial Instruments

Financial Assets: Security deposits are recognised at their fair value. Other receivables are carried at nominal amount due less any provision for doubtful debts. An estimate of doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred. Sundry debtors and other receivables are non-interest bearing and have repayment terms between 30 and 90 days.

Financial Liabilities: Liabilities for trade creditors and other accruals are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company. Trade creditors are normally settled on 30 day terms.

(n) Contributed Equity

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

(o) 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2005

NOTE 2 OPERATING LOSS	2005 (\$)	2004 (\$)
Operating loss before income tax includes:		
Revenue from ordinary activities		
Interest received	157,956	161,462
Other revenues	67,496	-
	<u>225,452</u>	<u>161,462</u>
Expenses		
Depreciation and amortisation	<u>2,074,300</u>	<u>203,214</u>
Exploration and related expenses	<u>1,614,698</u>	<u>447,739</u>
Occupancy costs	55,049	51,936
Filing and ASX Fees	34,072	25,146
Corporate and management	152,504	267,742
Other expenses from ordinary activities	<u>309,849</u>	<u>357,796</u>
	<u>551,474</u>	<u>702,620</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2005

NOTE 3 INCOME TAX

	2005 (\$)	2004 (\$)
The amount of income tax provided for in the accounts differs from the amount prima facie payable on the operating loss. The difference is reconciled as follows:		
Loss from ordinary activities before income tax	<u>4,013,679</u>	<u>1,188,210</u>
Prima facie tax benefit attributable to loss from ordinary activities before income tax at 30% (2004: 30%)	1,204,104	356,463
Less: Tax effect of Non-allowable items		
- Amortisation of Database	622,290	55,998
- Other	3,534	663
Tax losses not brought to account as future income tax benefit	<u>(578,280)</u>	<u>(299,802)</u>
Income tax attributable to operating loss	<u><u>-</u></u>	<u><u>-</u></u>

Unbooked future income tax benefits

The Company has accumulated tax losses of \$4,199,996 (2004: \$2,251,445).

The potential future income tax benefit of these losses (\$1,259,999) 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 4 DIRECTORS AND EXECUTIVES REMUNERATION AND RETIREMENT BENEFITS

- (a) The names of directors who have held office during the financial year are -

Peter Thomas
Roger Thomson
George Sakalidis

- (b) **Retirement and Superannuation Payments -**

Prescribed benefits were provided by the Company to all executive directors by way of superannuation contributions to complying superannuation funds during the year. These benefits were paid in accordance with the statutory superannuation contribution guarantee requirements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2005

NOTE 4 DIRECTORS AND EXECUTIVES REMUNERATION AND RETIREMENT BENEFITS (Continued..)

(c) **Non-executive directors -**

Fees and payments to the only non-executive director, the Chairman, reflects the demands made on him and his responsibilities. His directors fees are reviewed annually by the Board and are determined independently to the fees of executive directors and are based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration. Non-executive directors may receive share based payments which are required to be approved by shareholders in general meeting.

(d) **Directors fees -**

The current base remuneration, effective from 1 July 2005, was last reviewed August 2005. The Chairman's remuneration is inclusive of fees paid whilst chairing the meetings of executives and officers while executive directors who chair a meeting receive no additional yearly fees.

Non-executive directors fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at \$150,000 per the group of non-executive directors.

(e) **Retirement allowances for directors -**

The Company does not have a policy for the payment of retirement allowances for non-executive directors.

(f) **Executive pay -**

The executive pay and reward framework has three components:

- Base pay;
- Incentive options;
- Other remuneration such as superannuation.

The combination of these comprise the executives' total remuneration.

Base Pay -

Structured as a total employment cost package which may be delivered as a mix of cash and prescribed non-financial benefits at the executive's discretion.

The executives have been offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for the senior executives are reviewed at the expiry of the term of employment to ensure the executives' pays are competitive with the market.

There are no guaranteed base pay increases fixed in the senior executives' contracts.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2005

NOTE 4 DIRECTORS AND EXECUTIVES REMUNERATION AND RETIREMENT BENEFITS (Continued..)

The emoluments of each director and each executive officer for the financial period are as follows:

Executive and Position	Primary	Post Employment	Equity	Total
	Salary & fees (1)	Super- annuation	Options (2)	
Peter Thomas Non-Executive Chairman	\$40,000	-	\$88,680	\$128,680
Roger Thomson Executive Managing Director	\$88,852	\$16,388	\$177,360	\$282,600
George Sakalidis Executive Director	\$123,482	\$9,800	\$177,360	\$310,642
Rudolf Tieleman Company Secretary	\$40,514	-	-	\$40,514
Total	\$292,848	\$26,188	\$443,400	\$762,436

Note (1)

RM Thomson and G Sakalidis performed services for Meteoric Resources NL which were billed to and paid by Meteoric in accordance with a signed Administration Services Agreement.

Note (2)

Equity remuneration represents share options granted during the year as approved at the general meeting of shareholders held 26 November 2004. These options have been valued at grant date using the Black-Scholes option valuation methodology.

Service agreements -

Remuneration and other terms of employment have been agreed with RM Thomson and G Sakalidis. Major provisions of the agreement relating to remuneration are set out as follows:

	Term of agreements	Base remuneration	Review periods	Increase
RM Thomson	3 years from 4 July 2005	\$109.69 per hour	Annually on 4 July	Discretionary by Board
G Sakalidis	3 years from 4 July 2005	\$100.92 per hour	Annually on 4 July	

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2005

NOTE 4 DIRECTORS AND EXECUTIVES REMUNERATION AND RETIREMENT BENEFITS (Continued..)

Option Holdings -

The number of options over ordinary shares in the Company held during the financial year by each director (or their personally related entities) are set out below:

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	1,400,000	400,000	-	(680,000)	1,120,000	1,120,000
Roger M Thomson	2,800,000	800,000	-	-	3,600,000	3,600,000
George Sakalidis	3,305,925	800,000	(150,000)	(2,336,540)	1,619,385	1,619,385

These are the only options granted, vested, exercised or sold during the year.

Shareholdings -

The number of shares in the Company held during the financial year by each director, including their personally-related entities, are set out below:

Name	Balance at the start of the year	Shares movements	Balance at the end of the year
Peter S Thomas	270,000	162,000	432,000
Roger M Thomson	150,000	-	150,000
George Sakalidis	6,462,570	(574,800)	5,887,770

Related Party Transactions -

Information on related party transactions are disclosed in Note 22.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2005

NOTE 5 AUDITORS REMUNERATION	2005 (\$)	2004 (\$)
Amounts received or due and receivable by the auditors of the Company for:		
Auditing and reviewing the financial report	14,150	14,731
Other valuation services	1,350	-
	15,500	14,731
NOTE 6 EARNINGS PER SHARE	2005 (\$)	2004 (\$)
The following reflects the income and share data used in the calculation of basic and diluted earnings per share		
Net (loss)	(4,013,679)	(1,188,210)
Adjustments:		
Nil	-	-
Earnings used in calculating basic and diluted earnings per share	(4,013,679)	(1,188,210)
Weighted average number of ordinary shares used in calculating basic earnings per share	55,885,381	53,572,332
Effect of dilutive securities:		
Share options	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	55,885,381	53,572,332

The Company had 19,234,858 (2004 - 17,927,858) options over fully paid ordinary shares on issue at balance date. Options are considered to be potential ordinary shares. However, they are not considered to be dilutive in nature as their exercise will not result in a diluted earnings per share, which shows an inferior view of the Company's earnings performance compared to the basic earnings per share stated above. The options have not been included in the determination of diluted earnings per share.

Since the end of the financial year, the company has received funds in respect of a placement of 3,058,030 shares issued at \$0.33 each to fund the acceleration of geochemical sampling, electromagnetic and radiometric surveys and drilling programmes at tenements in the Forrestania-Ravensthorpe region.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2005

NOTE 7 CASH ASSETS	2005 (\$)	2004 (\$)
Cash at bank	74,871	(15,779)
Deposits at call	2,584,617	3,101,010
	<u>2,659,488</u>	<u>3,085,231</u>

NOTE 8 CURRENT RECEIVABLES	2005 (\$)	2004 (\$)
Other receivables	129,530	482,347
	<u>129,530</u>	<u>482,347</u>

NOTE 9 OTHER CURRENT ASSETS	2005 (\$)	2004 (\$)
Prepayments	13,956	15,461
	<u>13,956</u>	<u>15,461</u>

NOTE 10 OTHER FINANCIAL ASSETS	2005	2004
Current	(\$)	(\$)
Securities in listed corporations - at cost	5,000	2,111
	<u>5,000</u>	<u>2,111</u>
Non-Current		
Securities in unlisted corporation - at cost	50,001	1
	<u>50,001</u>	<u>1</u>

Market value of securities

The market value of the listed securities at 30 June 2005 was \$873,000 (2004: \$1,931)

NOTE 11 PLANT AND EQUIPMENT	2005 (\$)	2004 (\$)
Plant and equipment	146,324	113,522
Less: Accumulated depreciation	(82,145)	(61,236)
	<u>64,179</u>	<u>52,286</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	52,286	62,813
Additions	32,947	6,027
Disposals	(100)	-
Depreciation expense	(20,954)	(16,554)
Total plant and equipment at end of year	<u>64,179</u>	<u>52,286</u>

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
For the Year Ended 30 June 2005**

NOTE 12 AEROMAGNETIC DATABASE	2005	2004
	(\$)	(\$)
Aeromagnetic database - at cost	2,800,000	2,800,000
Less: Accumulated depreciation	<u>(2,800,000)</u>	<u>(746,653)</u>
	<u>-</u>	<u>2,053,347</u>
NOTE 13 MINERAL INTERESTS	2005	2004
	(\$)	(\$)
Exploration Expenditure		
Areas of interest in exploration and evaluation phases		
Opening balance	1,109,324	1,520,921
Net Expenditure incurred during the year	505,374	36,142
Tenements disposed of during the year	-	-
Expenditure written off	<u>(1,614,698)</u>	<u>(447,739)</u>
Closing balance	<u>-</u>	<u>1,109,324</u>
NOTE 14 CURRENT PAYABLES	2005	2004
	(\$)	(\$)
Trade creditors and accruals	<u>102,312</u>	<u>202,587</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2005

NOTE 15 ISSUED CAPITAL	2005 (\$)	2004 (\$)
Contributed Equity – Ordinary Shares		
At the beginning of reporting period 55,650,590 (2004: 48,716,257)	9,675,943	8,056,261
Issue of nil shares (2004: 6,250,000) at \$0.24	-	1,500,000
Issue of 743,000 shares at \$0.25 (2004: 684,333)	185,750	171,082
Issue of 150,000 shares at \$0.335 (2004: Nil)	50,250	-
Share issuance costs		(51,400)
Closing balance: 56,543,590 (2004:- 55,650,590) ordinary shares	9,911,943	9,675,943

As at 30 June 2005, the Company had on issue the following options over un-issued ordinary shares in the Company;

- (a) 1,035,000 exercisable at \$0.25 per option on or before 4 July 2007. The options were issued pursuant to the Company's Employee Share Option Plan.
- (b) 14,349,858 exercisable at \$0.25 per option on or before 25 August 2006.
- (c) 1,850,000 exercisable at \$0.335 per option on or before 27 November 2008
- (d) 2,000,000 exercisable at \$0.39 per option on or before 26 November 2009

During the year, 200,000 options exercisable at \$0.25 per option on or before 25 August 2006 were issued in respect of the acquisition of various tenements. 2,000,000 options were also issued to the directors as approved at the Company's annual general meeting held on 26 November 2004.

Also during the year, 743,000 non-employee options were exercised at \$0.25 each and 150,000 non-employee options exercised at \$0.335 each.

Since the end of the financial year, 200,000 non-employee options have been exercised at \$0.25 each.

Terms and condition 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, and amounts paid up on, shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2005

NOTE 16 CASH FLOW INFORMATION	2005 (\$)	2004 (\$)
Reconciliation of operating loss after income tax with funds used in operating activities		
Operating loss after income tax	(4,013,679)	(1,188,210)
Depreciation and amortisation	2,074,300	203,214
Exploration expenditure written off	1,614,698	447,739
(Profit) / loss on sale of investments	(1,341)	(3,901)
Changes in operating assets and liabilities:		
(Increase) / Decrease in receivables	410,425	(441,568)
(Increase) / Decrease in prepayments	1,506	(8,329)
Increase / (Decrease) in payables	(100,275)	69,504
	14,366	(921,551)

NOTE 17 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 mines departments minimum expenditure obligations which may be varied or deferred on application and these expenditures are expected to be met in the normal course of business. The minimum statutory expenditure requirements on the granted tenements for the next twelve months amounts to \$1,210,960. Of this, \$506,680 is expected to be met by JV participants as a result of various joint ventures entered into.

The Company has leased office premises in West Perth. The lease expires 30 September 2005 and is expected to be renewed for a further three year term. The lease commitment for the year ended 30 June 2006 is \$7,437.

NOTE 18 SEGMENTS

The Company operates only in one business, being the exploration for and development of minerals. Geographically, the Company's activities are conducted mainly within Western Australia and South Australia. Exploration expenditure was incurred predominantly on Western Australia tenements as exploration activities had not yet significantly commenced on the South Australian tenements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2005

NOTE 19 JOINT VENTURES

The Company has interests in the following exploration unincorporated joint ventures:

Name of Project	% Interest	Carrying Amount
Mt Elsie	61.4	- Image sole funding to earn additional interest
Glenherring	90	- Image sole funding
Ward Springs	90	- Image sole funding

NOTE 20 SUPERANNUATION COMMITMENTS

Superannuation contributions are made to at least satisfy the statutory Superannuation Contribution Guarantee Act and in satisfaction of any salary sacrifice requests. All contributions were made to accumulation type funds selected by the employee and accordingly actuarial assessments were not required.

NOTE 21 EVENTS SUBSEQUENT TO REPORTING DATE

Since the end of the financial year, the Company has received funds in respect of a placement of 3,058,030 shares issued at \$0.33 each to fund the acceleration of geochemical sampling, electromagnetic and radiometric surveys and drilling programmes at tenements in the Forrestania-Ravensthorpe region.

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 RELATED PARTY TRANSACTIONS

(a) Other transactions with directors and director related entities

Peter S Thomas provided legal services to the Company during the financial period on terms and conditions which were more favourable to the Company than Thomas otherwise provides to clients generally. He was paid \$16,269 (Net of GST) for legal services not connected with the management of the Company. Total amounts owing to directors or their associated entities at 30 June 2005 was \$17,897 (2004: \$40,000).

(b) Meteoric Resources NL was an associated entity as at balance date.

Image subscribed for one share in Meteoric Resources NL on incorporation of that company. That one share was sub-divided into 4,200,000 ordinary shares and upon the successful listing of Meteoric on the ASX, is subject to escrowed holding restrictions until 16 July 2006.

Image has entered into an Administration Services Agreement with Meteoric whereby Image has agreed to provide various administrative services for a two year period at \$5,400 per month commencing 1 July 2004.

Image has also entered into a Joint Venture Agreement with Meteoric whereby Image has agreed to farmout various interests in its tenements. It was agreed that Meteoric pay Image the sum of \$220,000 by way of partial reimbursement of expenses incurred by Image in respect of those tenements. This amount has been paid.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2005

NOTE 23 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 the policy of the West Australian state government in particular 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.

The Company has lodged a guarantee for \$12,000 in respect of tenement rehabilitation commitments with the Department of Industry and Resources which is supported by a specific bank deposit.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2005

NOTE 24 FINANCIAL INSTRUMENTS DISCLOSURE

(a) Interest Rate Risk

The Company's exposure to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result of changes in market rates and the effective weighted average interest rates on classes of financial assets and liability, is as follows:

2005	Floating Interest Rate	Non Interest Bearing	Total
Financial Assets			
Cash Assets	2,658,928	560	2,659,488
Other Receivables	-	129,530	129,530
Total Financial Assets	2,658,928	130,090	2,789,018
Weighted Average Interest Rate			
	5.62%		
Financial Liabilities			
Payables	-	102,312	102,312
2004	Floating Interest Rate	Non Interest Bearing	Total
Financial Assets			
Cash Assets	3,101,010	(15,779)	3,085,231
Other Receivables	-	482,347	482,347
Total Financial Assets	3,101,010	466,568	3,567,578
Weighted Average Interest Rate			
	5.43%		
Financial Liabilities			
Payables	-	202,587	202,587

(b) 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 doubtful debts, as disclosed in the Statement of Financial Position and notes to the financial statements.

The Company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Company.

(c) Net Fair Values

For assets and liabilities, the net fair value approximates their carrying value except for other financial assets as disclosed in Note 10.

No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the Year Ended 30 June 2005

NOTE 25 IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS

Image Resources NL has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents of International Financial Reporting Standards (IFRS). As the Company has a June year-end, attention has been given to considering the preparation of an opening balance sheet in accordance with AASB equivalents to IFRS as at 1 July 2004. This will form the basis of accounting for Australian equivalents of IFRS in the future, and is required when the Company prepares its first fully IFRS compliant financial report for the year ended 30 June 2006. Set out below are the key areas where accounting policies will change and may have an impact on the financial report of the Company. At this stage the Company has not been able to reliably quantify the impacts on the financial report.

Impairment of Assets

Under the AASB 136 *Impairment of Assets*, the recoverability of an asset is determined as the higher of the net selling price and value in use. This will result in a change in the Company's accounting policy, which determines the recoverable amount of an asset on the basis of the discounted cash flows. Under the new policy it is likely that impairment of assets will be recognised sooner and that the amount of write-downs will be greater. Reliable estimation of the future financial effect of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

Income Taxes

Under the AASB 112 *Income Taxes*, the Company will be required to use a balance sheet liability method, which focuses on the tax effects of transactions and other events that affect amounts recognised in the Statement of Financial Position or a tax-based balance sheet. Reliable estimation of the future financial effect of this change in accounting policy is impracticable at this point in time.

Exploration, Evaluation and Development Costs

The Company's existing policy for accounting for exploration and evaluation activity complies with IFRS requirements under AASB6 *Exploration & Evaluation Expenditure*. Therefore no difference is expected to result from the treatment of costs or from impairment testing and the financial effect of this impact has been assessed as nil.

Share Based Payments

Under Australian Standard AASB 2 *Share-based Payment*, the Company will be required to determine the fair value of options issued to employees and recognise an expense in the Statement of Financial Performance. For options on issue on the application of AASB 2, an adjustment for their recognition will be made against opening retained earnings. The Company has issued a total of 4,885,000 options to employees in respect of the period ended 30 June 2005.

As a consequence of this standard being applied, a share based payment expense will occur. This value cannot be reliably estimated at this time however once this value is determined, that amount will be recognised in an employee equity-settled benefit reserve and will affect the opening and closing accumulated losses.

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. the financial statements and notes as set out on pages 25 to 44 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 2005 and performance for the year ended on that date of the Company.
2. the Chief Executive Officer and Chief Finance Officer have each declared 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.

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

George Sakalidis
DIRECTOR

PERTH

Dated this 30th day of September 2005.

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF IMAGE RESOURCES NL

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Image Resources NL ("the Company") for the year ended 30 June 2005 as set out on pages 25 to 45.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgment of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the Company.

Independence

We are independent of the Company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

Audit opinion

In our opinion, the financial report of Image Resources NL is in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of Image Resources NL at 30 June 2005 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.

Somes & Cooke
Chartered Accountants

K. C. Somes - Partner

Perth, Date: 30 September 2005

TENEMENT SCHEDULE

Tenement	Nature of Interest	Project	Equity (%)
E38/1606	Granted	Windarra	35%
E38/1661	Granted	Dingo Hill	100%
E39/0998	Application	Monument Hill	100%
E39/1020	Application	Mt Remarkable	100%
E39/1056	Granted	Windarra	35%
E39/1057	Granted	Windarra	35%
E39/1058	Granted	Windarra	35%
E39/1059	Application	Mt Remarkable	100%
E39/1068	Granted	Windarra	35%
E39/1087	Application	Perseverance Well	IMA 100%, Troy earning to 60% - Troy JV
E45/2447	Granted	Warrawoona	100%
E45/2555	Granted	Glenherring	90%
E45/2685	Application	Mt Elsie	100%
E46/0409	Granted	Mt Hays	100%
E46/0504	Application	Mt Hays	100%
E46/0674	Application	Mt Hays	100%
E46/0677	Application	Mt Hays	100%
E63/0628	Granted	Lake Percy South	100%
E63/0842	Granted	Sandalwood 3	100%
E63/0843	Granted	Sandalwood 4	100%
E63/0940	Application	Sandalwood 1	100%
E63/0941	Granted	Sandalwood 2	100%
E63/0942	Granted	Diggers East	100%
E63/0974	Application	Lackman Rock	100%
E63/0975	Application	Sandlewood 5	100%
E63/0976	Application	Norseman Road	100%
E63/0977	Application	Taylor Rock	100%
E63/0978	Application	Sunday Soak	100%
E63/0979	Application	Lake Tadpole	100%
E63/0980	Application	Cave Hill	100%
E63/0981	Application	Lake Tay 1	100%
E63/0984	Application	Spear Rock	100%
E63/0985	Application	Lake Tay 2	100%
E63/0991	Application	Sandlewood 6	100%
E63/0992	Application	26 Mile Rock	100%
E63/0993	Application	Boydells	100%
E69/2033	Application	Serpentine Lakes	100%
E69/2034	Application	Serpentine Lakes	100%
E69/2035	Application	Serpentine Lakes	100%

TENEMENT SCHEDULE

Tenement	Nature of Interest	Project	Equity (%)
E69/2036	Application	Forrest Lakes	100%
E69/2037	Application	Forrest Lakes	100%
E69/2038	Application	Forrest Lakes	100%
E69/2039	Application	Forrest Lakes	100%
E70/2366	Granted	Eclipse Lake	100%
E70/2620	Granted	Flying Fox Extend 2	100%
E70/2700	Application	Fitzgerald 3	100%
E70/2701	Application	Fitzgerald 1	100%
E70/2702	Application	Fitzgerald 2	100%
E70/2703	Application	Hyden South 1	100%
E70/2710	Application	Hyden South 2	100%
E70/2711	Application	Hyden South 3	100%
E70/2712	Application	Hyden South 4	100%
E70/2790	Application	Koonadgin	100%
E70/2791	Application	Scrivener Rocks	100%
E70/2792	Application	Nungarin	100%
E70/2793	Application	Gibb Rock	100%
E70/2794	Application	Scrivener Rocks	100%
E70/2806	Application	Waderin 1	100%
E70/2807	Application	Waderin 2	100%
E70/2808	Application	Waderin 3	100%
E70/2809	Application	Hines Hill	100%
E70/2810	Application	Lake Brown	100%
E70/2812	Application	Hines Hill	100%
E70/2825	Application	Lake Spade	100%
E70/2827	Application	Lake Pingarnup	100%
E70/2828	Application	Rock Dam Hill	100%
E70/2829	Application	Fitzgerald	100%
E70/2844	Application	Bidaminna Nth	100%
E70/2845	Application	Bidaminna Nth	100%
E70/2847	Application	Durokoppin	100%
E74/0316	Granted	Dordie	100%
E74/0331	Application	Dourdi 2	100%
E74/0344	Application	Dourdi 3	100%
E74/0347	Application	Three Star Lake 1	100%
E74/0348	Application	Peak Charles	100%
E74/0349	Application	Lake Sharpe	100%
E74/0358	Application	Lake Mends	100%
E74/0359	Application	Lake Pyramid	100%

TENEMENT SCHEDULE

Tenement	Nature of Interest	Project	Equity (%)
E74/0360	Application	Neds Corner	100%
E74/0361	Application	Three Star Lake 2	100%
E74/0362	Application	Yerritup	100%
E77/0572	Granted	Jilbadgie	35%
E77/0893	Granted	Bounty East	100%
E77/1059	Granted	Jilbadgie	35%
E77/1132	Application	Jilbadgie	35%
E77/1144	Granted	Woongaring	IMA 100%, Troy earning to 60% - Troy JV
E77/1172	Granted	Woongaring	IMA 100%, Troy earning to 60% - Troy JV
E77/1179	Application	Woongaring	IMA 100%, Troy earning to 60% - Troy JV
E77/1192	Application	Bounty South	100%
E77/1193	Granted	Flying Fox Extend 1	100%
E77/1212	Application	Koolyanobbing	100%
E77/1222	Application	Woongaring	100%
E77/1239	Application	Hyden North 1	100%
E77/1240	Application	Hyden North 2	100%
E77/1241	Application	Hyden North 5	100%
E77/1242	Application	Hyden North 3	100%
E77/1243	Application	Hyden North 4	100%
E77/1260	Application	Woongaring	IMA 100%, Troy earning to 60% - Troy JV
E77/1261	Application	Woongaring	IMA 100%, Troy earning to 60% - Troy JV
E77/1266	Application	Woongaring	100%
E77/1284	Application	Moorine Rocks	100%
E77/1285	Application	Joes Joint	100%
E77/1286	Application	No.7 Tank	100%
E77/1287	Application	Dulagin Rock	100%
E77/1288	Application	Boodarding	100%
E77/1291	Application	Lake Eva	100%
E77/1292	Application	Lake Seabrook	100%
M27/0408	Application	Emu Lake	30%
M27/0409	Application	Emu Lake	30%
M27/0410	Application	Emu Lake	30%
M38/1138	Application	Adam Range	IMA 100%, Troy earning to 60% - Troy JV
M38/1139	Application	Adam Range	IMA 100%, Troy earning to 60% - Troy JV
M45/0776	Application	Mt Elsie 3	61.43%
M45/0777	Application	Mt Elsie 3	61.43%
M45/0935	Application	Mt Elsie 4	100%
M46/0258	Application	Mt Elsie 2	100%
M46/0280	Application	Mt Hays	100%

TENEMENT SCHEDULE

Tenement	Nature of Interest	Project	Equity (%)
M46/0364	Application	Mt Hays	100%
P29/1799	Application	Top Well	100%
P38/3166	Granted	Adam Range	IMA 100%, Troy earning to 60% - Troy JV
P39/4270	Application	Monument Hill	IMA 100%, Troy earning to 60% - Troy JV
P39/4271	Application	Monument Hill	IMA 100%, Troy earning to 60% - Troy JV
P39/4323	Application	Perseverance Well	100%
P45/2303	Granted	Mt Elsie 3	61.43%
P45/2304	Granted	Mt Elsie 3	61.43%
P45/2305	Granted	Mt Elsie 3	61.43%
P45/2504	Application	Warrawoona	100%
P46/1376	Application	Mt Hays	100%
P77/3498	Application	Flying Fox	100%
E28/1328	Granted	Junction Lake	100%

OTHER INFORMATION

The following information was applicable as at 27 September 2005.

Share and Option holding

Category (Size of Holding)	Fully Paid Ordinary Shares	Options 25 August 2006	Options 27 November 2008	Options 26 November 2009	Employee Options 4 July 2007
1 to 1,000	14	0			
1,001 to 5,000	191	6			
5,001 to 10,000	242	48			
10,001 to 100,000	392	73			
100,001 and over	70	29	3	3	3
Total	909	156	3	3	3

The number of shareholdings held in less than marketable parcels is 36.

The number of option-holdings held in less than marketable parcels is 6.

The names of the substantial shareholders listed in the Company's register as at 27 September 2005:

Shareholder Name	Number	%
Frederick D L Ribton	5,832,870	9.77
George Sakalidis	5,393,220	9.03
Barrington Dance	5,383,703	9.02
Invia Custodian Pty Ltd	5,093,338	8.53

Twenty largest fully paid shareholders:

	Shareholder Name	Number of Shares	% of Issued Share Capital
1.	Frederick D L Ribton	5,832,870	9.77
2.	George Sakalidis	5,393,220	9.03
3.	Barrington Dance	5,383,703	9.02
4.	Invia Custodian Pty Ltd (Fred A/c)	5,093,338	8.53
5.	ANZ Nominees Ltd	2,813,000	4.71
6.	Cairnglen Investments Pty Ltd	1,793,330	3.00
7.	Abergold Pty Ltd	1,361,678	2.28
8.	Gilpin Park Pty Ltd	966,670	1.62
9.	Bond Street Custodians Ltd (FLOMBW TO0080)	899,500	1.51
10.	Bond Street Custodians Ltd (MBW I20714)	890,000	1.49
11.	Fobira Pty Ltd	724,668	1.21
12.	Bond Street Custodians Ltd (MBW SF0685)	660,000	1.11
13.	Jove Management Pty Ltd	622,792	1.04
14.	HSBC Custody Nominees (Australia) Ltd	449,000	0.75
15.	Top Nominees Pty Ltd	420,000	0.70
16.	VC and J Wheatley (As Trustee)	400,000	0.67
17.	RV and BJ Howell	398,000	0.67
18.	Bond Street Custodians Ltd (MBW I21676)	350,000	0.59
19.	Bond Street Custodians Ltd (MBW RM1067)	330,000	0.55
20.	Bond Street Custodians Ltd (MBW TH0482)	300,000	0.50
	Total	35,081,769	58.76

OTHER INFORMATION

Twenty largest option-holders - Quoted and Unquoted Options:

Optionholder Name	Number of Options Expiring 25.8.2006	Number of Options Expiring 27.11.2008	Number of Options Expiring 26.11.2009	% Held
1. Roger M Thomson	1,466,015	800,000	800,000	16.94
2. Frederick D L Ribton	1,505,925			8.32
3. George Sakalidis	14,385	650,000	800,000	8.09
4. Brispot Nominees Pty Ltd	1,299,000			7.18
5. Executive Seminars Pty Ltd	635,000			3.51
6. Janloma Pty Ltd	550,000			3.04
7. PS Thomas and SA Goodwin (Trustee)	120,000		400,000	2.87
8. Peter S Thomas		400,000		2.21
9. Bond Street Custodians Ltd (MBW TH0482)	350,000			1.93
10. ER and JF Terrace	350,000			1.93
11. Farken Hill Pty Ltd	300,000			1.66
12. Hazurn Pty Ltd	300,000			1.66
13. Solomon Fiduciary Nominees Pty Ltd	284,850			1.57
14. Auto Management Pty Ltd	270,204			1.49
15. Gilpin Park Pty Ltd	266,668			1.47
16. Ranger Minerals Ltd	266,667			1.47
17. Russell Nominees Pty Ltd	260,000			1.44
18. Raymond L English	250,000			1.38
19. Arthur R Taylor	235,000			1.30
20. Bond Street Custodians Ltd (MBW I20714)	200,000			1.10
Total	<u>3,333,389</u>	<u>1,850,000</u>	<u>2,000,000</u>	<u>39.69</u>

All Employee option-holders (being less than 20 holders)

Unquoted Employee Options expiring 4 July 2007:

Optionholder Name	Number of Options	% Held
1. Rudolf Tieleman	600,000	57.97
2. Barrington Dance	300,000	28.99
3. Alex Romanoff	135,000	13.04
Total	<u>1,035,000</u>	<u>100.00</u>

There is a total of 59,701,620 (2004: 55,632,590) fully paid ordinary shares on issue, all (2004: 55,632,590) of which are listed on Australian Stock Exchange Limited (ASX).

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 share held. None of the options have any voting rights.