Plymouth Minerals Limited

**AND ITS CONTROLLED ENTITIES**
**(ABN 52 147 413 956)**

# HALF YEAR REPORT

## for the financial period ended 31 December 2013

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by Plymouth Minerals Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

# CORPORATE DIRECTORY

**NON-EXECUTIVE CHAIRMAN**
Charles Schaus

**MANAGING DIRECTOR**
Adrian Byass

**NON-EXECUTIVE DIRECTORS**
Humphrey Hale
Stephen Brockhurst

**COMPANY SECRETARY**
Robert Orr

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WEST PERTH WA 6005

**SHARE REGISTER**
Advanced Share Registry Services
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NEDLANDS WA 6009
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**SECURITIES EXCHANGE LISTINGS**
Australian Securities Exchange
(Home Exchange: Perth, Western Australia)
Code: PLH

**BANKERS**
National Australia Bank
1232 Hay Street
WEST PERTH WA 6872

**WEBSITE**
www.plymouthminerals.com

# DIRECTORS' REPORT

Your Directors submit the financial report of Plymouth Minerals Limited (the Company) and controlled entities (the Consolidated Entity) for the half-year ended 31 December 2013.

## 1. DIRECTORS

The names of Directors who held office during or since the end of the half-year:-

| | |
|---|---|
| Mr Charles Schaus | Non-Executive Chairman |
| Mr Adrian Byass | Managing Director |
| Mr Humphrey Hale | Non-Executive Director (appointed 16 January 2014) |
| Mr Stephen Brockhurst | Non-Executive Director (appointed 8 August 2013) |
| Mr Nicholas McMahon | Non-Executive Director (resigned 28 January 2014) |

Directors have held office for the entire period and to the date of this report unless otherwise stated.

## 2. PRINCIPAL ACTIVITIES

During the half-year the principal activities of the Consolidated Entity consisted of exploration and evaluation of the Consolidated Entity's ground holdings.

## 3. RESULT OF OPERATION

The Directors of the Company advise the consolidated loss of the Consolidated Entity after providing for income tax for the half-year to 31 December 2013 is $482,621 (2012: $134,158).

## 4. REVIEW OF OPERATIONS

During the half year period ending 31 December 2013 Plymouth Minerals Limited ("Plymouth", "the Company") was active in its search for mineral projects. This culminated in the acquisition of the Morille tungsten-tin project in Spain. Plymouth secured the acquisition in October and commenced field work in December. Plymouth has an 80% interest in the Morille project and has the ability to acquire full ownership at Plymouths election for additional payment.

Morille provides an excellent advanced exploration opportunity which, if successful, will allow the reinvigoration of a brownfields production site. As part of this advanced state, a considerable amount of useable ROM material is available for metallurgical test work. A large (+10 tonne) sample was selected and crushed prior to shipment to Australia. It is anticipated that the results from this test work will expedite the development of Morille should exploration delineate sufficient material in the immediate areas surrounding the Alegria pits.

Preliminary field work began in December, utilising portable XRF and ground magnetometer geophysical methods to assist in closer targeting of drilling. Subsequent to the half, submissions were made for drilling permits covering the ACMA and Westside areas at Morille. These involve RAB, Reverse Circulation (RC) and Diamond Drilling (DD). A combined programme in excess of up to 6,000m is planned and will be completed over a 3 month period from commencement. This drilling is designed to test near mine continuity around historic pits and underground workings. These old workings were not exhausted through depletion of mineralised material, but rather stopped due to a rapid decline in the global tungsten price in the mid 1980's.

A significant portion of this drilling is specifically targeting areas which were included in the proposed 1986 mine plan as submitted to the Mines Department for mining at Alegria (ACMA Prospect). Alegria ceased production in 1985 and was the largest producing operation of the 20+ mines in the Morille project area.

Additional work targeting tungsten and tin will be conducted at Westside Prospect here mining operations from large tin workings outside the Morille project extend to the tenement boundary. This is highly prospective but at a less advanced stage than Alegria.

Plymouth has a cash position of A$1.94m as at 31 December, with no debt. This is sufficient to advance the project exploration and development work in 2014.

With the changing focus of the Company and the inability of Plymouth to attract interest in a sale or Joint Venture over the Greenland rare earth exploration project (Tenement 2011/04) the Company decided to relinquish its interest.

*Competent Person Statement: The information in this report related to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr A Byass, B.Sc Hons (Geol), B.Econ, FSEG, MAIG an employee of Plymouth Minerals Limited. Mr Byass has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 and 2012 Edition of the Australasian Code for Reporting of Exploration Results, Exploration Targets, Mineral Resources and Ore Reserves. Mr Byass consents to the inclusion in the report of the matters based on this information in the form and context in which it appear.*

### Corporate Activities

On 8 August 2013 Mr Stephen Brockhurst was appointed as Non-executive director of the Company.

In April 2013 the Company acquired a free option to earn an 80% interest in several tenements which it deemed highly prospective for copper, cobalt and gold in Zambia and a 10% interest in a company undertaking small scale copper mining in Zambia. The transaction was conditional and subsequent to successful due diligence by Plymouth. Subsequently, on 15 August 2013 the Company announced that it was not satisfied with the results of its due diligence and accordingly had terminated its Zambia Option.

On 18 August the company issued 5,630,091 options exercisable at $0.25 on or before 30 June 2015 in accordance with section 1.6 of the Entitlements Issue Prospectus.

On 2 October 2013 the Company announced the appointment of Mr Robert Orr to the position of Company Secretary following the resignation of Mr Stephen Brockhurst. Mr Brockhurst will however continue to hold the position of Non-executive Director of the Company.

On 3 October 2013 the Company incorporated a new subsidiary Tonsley Pty Ltd to act as a holding company for the Company's Spanish exploration assets.

On 30 October 2013 the Company's subsidiary Tonsley Pty Ltd acquired a 100% holding in Spanish company, Castilla Mining S.L., from Aurum Mining PLC. Castilla Mining S.L. has an 80% interest in Morille Mining S.L.U. which owns the Morille Tungsten Project, which comprises five Investigation Permits covering multiple historic underground and open pit tungsten and tin mines. For detailed information relating to the acquisition of Castilla Mining S.L., please refer to note 2 of the financial statements.

## 5. DIVIDENDS

The Directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

## 6. AUDITOR'S DECLARATION

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 5 for the half-year ended 31 December 2013.

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

Adrian Byass
Managing Director
Dated this 14 March 2014

PKF MACK & CO

Chartered Accountants & Business Advisers

# AUDITOR'S INDEPENDENCE DECLARATION

# TO THE DIRECTORS OF PLYMOUTH MINERALS LIMITED

In relation to our review of the financial report of Plymouth Minerals Limited for the half year ended 31 December 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

PKF Mack and Co.

PKF MACK & CO

SIMON FERMANIS
PARTNER

14 MARCH 2014
WEST PERTH,
WESTERN AUSTRALIA

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# INDEPENDENT AUDITOR'S REVIEW REPORT

# TO THE MEMBERS OF

# PLYMOUTH MINERALS LIMITED

## Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Plymouth Minerals Limited (the Company) which comprises the condensed consolidated statement of financial position as at 31 December 2013, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at 31 December 2013, or during the half year.

## Directors' Responsibility for the Half-Year Financial Report

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

## Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporation Regulations 2001. As the auditor of Plymouth Minerals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

## Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. In accordance with the Corporations Act 2001, we have given the directors' of the company a written Auditor's Independence Declaration.

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## Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

PKF Mack and Co.

PKF MACK & CO

SIMON FERMANIS
PARTNER

14 MARCH 2014
WEST PERTH,
WESTERN AUSTRALIA

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME for the half year ended 31 December 2013

| | 31-Dec 2013 $ | 31-Dec 2012 $ |
|---|---|---|
| Revenue | 37,048 | 53,890 |
| | | |
| Administrative expenses | (9,516) | (2,834) |
| Compliance and regulatory expenses | (154,971) | (48,604) |
| Consultancy expenses | (18,824) | (4,019) |
| Directors fees | (82,115) | (41,979) |
| Employee benefits expense | (11,376) | (7,215) |
| Impairment of exploration expenditure | (92,742) | (63,211) |
| Impairment of loan | (50,000) | - |
| Insurance expenses | (6,527) | (7,033) |
| Occupancy expenses | (11,711) | - |
| Travel expenses | (81,887) | (13,153) |
| | | |
| **Loss before income tax expense** | (482,621) | (134,158) |
| | | |
| Income tax expense | - | - |
| | | |
| **Loss for the period** | **(482,621)** | **(134,158)** |
| | | |
| **Other comprehensive income** | | |
| *Items that maybe reclassified subsequently to profit and loss* | | |
| Exchange differences arising on translation of foreign operations | (1,018) | - |
| | | |
| **Total comprehensive loss for the period** | **(483,639)** | **(134,158** |
| | | |
| **Loss attributable to:** | | |
| Owners of the Parent Entity | (476,765) | (134,158) |
| Non-controlling interests | (5,856) | - |
| | (482,621) | (134,158) |
| | | |
| **Other comprehensive loss attributable to:** | | |
| Owners of the Parent Entity | (955) | - |
| Non-controlling interests | (63) | - |
| | (1,018) | - |
| | | |
| **Earnings per share** | | |
| Basic and diluted loss per share (cents) calculated on loss for the period | (1.50) | (0.52) |

The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## as at 31 December 2013

| | Note | 31-Dec 2013 $ | 30-Jun 2013 $ |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | | 1,944,002 | 2,658,047 |
| Trade and other receivables | | 26,713 | 59,707 |
| Other current assets | | 39,208 | 37,653 |
| TOTAL CURRENT ASSETS | | 2,009,923 | 2,755,407 |
| **NON-CURRENT ASSETS** | | | |
| Exploration and evaluation expenditure | 4 | 538,229 | - |
| TOTAL NON-CURRENT ASSETS | | 538,229 | - |
| **TOTAL ASSETS** | | **2,548,152** | **2,755,407** |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | | 184,357 | 36,485 |
| Provisions | | 1,725 | - |
| TOTAL CURRENT LIABILITIES | | 186,082 | 36,485 |
| **TOTAL LIABILITIES** | | **186,082** | **36,485** |
| **NET ASSETS** | | **2,362,070** | **2,718,922** |
| **EQUITY** | | | |
| Issued capital | 5 | 3,796,098 | 3,796,098 |
| Option reserve | | 44,655 | 25,433 |
| Foreign currency translation reserve | | (955) | - |
| Accumulated losses | | (1,579,374) | (1,102,609) |
| Equity attributable to owners of the Parent Entity | | 2,260,424 | 2,718,922 |
| Non-controlling interest | | 101,646 | - |
| **TOTAL EQUITY** | | **2,362,070** | **2,718,922** |

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
## for the half year ended 31 December 2013

| | Notes | 31-Dec-13<br>$ | 31-Dec-12<br>$ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Payments to suppliers and employees | | (295,287) | (124,787) |
| Payments for exploration and evaluation | | (99,728) | (63,211) |
| Interest received | | 40,458 | 66,172 |
| **NET CASH USED IN OPERATING ACTIVITIES** | | **(354,557)** | **(121,826)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Acquisition of subsidiary, net of cash acquired | 2 | (378,938) | - |
| **NET CASH USED IN INVESTING ACTIVITIES** | | **(378,938)** | **-** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from issue option shares | | 28,150 | - |
| Payment for costs of issue of option shares | | (8,928) | - |
| **NET CASH FROM FINANCING ACTIVITIES** | | **19,222** | **-** |
| Net increase/(decrease) in cash and cash equivalents | | (714,273) | (121,826) |
| Effect of exchange rate changes on cash | | 228 | - |
| Cash and cash equivalents at the beginning of the reporting period | | 2,658,047 | 2,515,956 |
| **Cash and cash equivalents at the end of the reporting period** | | **1,944,002** | **2,394,130** |

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## for the half year ended 31 December 2013

| | Issued Capital | Option Reserves | Foreign Currency Translation Reserve | Accumulated Losses | Attributable to owners of Parent | Non-controlling interest | Total |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ |
| **Balance at 1 July 2013** | 3,796,098 | 25,433 | - | (1,102,609) | 2,718,922 | - | 2,718,922 |
| Loss for the period | - | - | - | (476,765) | (476,765) | (5,856) | (482,621) |
| *Other Comprehensive Income* | | | | | | | |
| Exchange differences arising on translation of foreign operations | - | - | (955) | - | (955) | (63) | (1,018) |
| Total comprehensive income for the period | - | 25,433 | (955) | (476,765) | (477,720) | (5,919) | (483,639) |
| *Transactions with owners, recorded directly in equity* | | | | | | | |
| Issue of share options | - | 28,150 | - | - | 28,150 | - | 28,150 |
| Costs of raising capital | - | (8,928) | - | - | (8,928) | - | (8,928) |
| Non-controlling interests arising on the acquisition of Castilla Mining S.L.U | - | - | - | - | - | 107,565 | 107,565 |
| Total transactions with owners | | 19,222 | - | - | 19,222 | 107,565 | 126,787 |
| **Balance at 31 December 2013** | 3,796,098 | 44,655 | (955) | (1,579,374) | 2,260,424 | 101,646 | 2,362,070 |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## for the half year ended 31 December 2013 (continued)

| | Issued Capital | Option Reserves | Foreign Currency Translation Reserve | Accumulated Losses | Attributable to owners of Parent | Non-controlling interest | Total |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ |
| **Balance at 1 July 2012** | 3,206,725 | - | - | (583,841) | 2,622,884 | - | 2,622,884 |
| Loss for the period | - | - | - | (134,158) | (134,158) | - | (134,158) |
| Total comprehensive income for the period | - | - | - | (134,158) | (134,158) | - | (134,158) |
| **Balance at 31 December 2012** | 3,206,725 | - | - | (717,999) | 2,488,726 | - | 2,488,726 |

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

## CONDENSED NOTES TO THE FINANCIAL STATEMENTS
## for the half year ended 31 December 2013

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### Statement of Compliance

Plymouth Minerals Limited (the Company) is a public company, limited by shares, domiciled and incorporated in Australia and listed on the Australian Securities Exchange. The half-year consolidated financial report of the Company for the six months ended 31 December 2013, comprise the Company and its subsidiaries (the “Consolidated Entity” or “Group”).

The half-year consolidated financial report is a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting* as appropriate for for-profit orientated entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The half-year consolidated financial report does not include full disclosures of the type normally included in an annual financial report. Accordingly, it is recommended that this interim financial report be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by Plymouth Minerals Limited and its controlled entities during the interim reporting period in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001*.

These consolidated half-year financial statements were authorised for issue in accordance with a resolution of the directors on 13 March 2014.

#### Basis of Preparation

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company’s 2013 annual financial report for the financial year ended 30 June 2013. Those accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Consolidated Entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period.

Any significant impact on the accounting policies of the Consolidated Entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Account Standards and Interpretations did not have any significant impact on the financial performance or position of the Consolidated Entity.

# NOTES TO THE CONDENSED CONSOLIDATED STATEMENTS
# for the half year ended 31 December 2013 (cont)

## New standards and interpretations not yet adopted

The following Australian Accounting Standards have been issued or amended and are applicable to the Interim financial statements of the Group but are not yet effective. This assumes the following have not been adopted in preparation of the financial statements at the reporting date.

| AASB No. | Title | Application date of standard | Issue date |
|---|---|---|---|
| AASB 9 | Financial Instruments | 01-01-15 | 01-12-10 |
| AASB 2012-3 | Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities | 01-01-14 | 01-06-12 |
| AASB 2013-3 | Amendments to AASB 136 – Recoverable amount disclosures for non-financial assets | 01-01-14 | 01-06-13 |
| AASB 2013-4 | Amendments to Australian Accounting Standards – notation of derivatives and continuation of hedge accounting | 01-01-14 | 01-07-13 |
| AASB 2013-5 | Amendments to Australian Accounting Standards – Investment entities | 01-01-14 | 01-08-13 |
| AASB 2013-6 | Amendments to AASB 136 arising from Reduced Disclosure Requirements | 01-01-14 | 01-09-13 |
| AASB 2013-8 | Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities - Control and Structured Entities [AASB 10, AASB 12 & AASB 1049] | 01-01-14 | 01-10-13 |
| Interpretation 21 | Levies | 01-01-14 | 01-05-13 |

**Going Concern Basis**

The financial statements have been prepared on the going concern basis. As at 31 December 2013 the Consolidated Entity had net assets of $2,362,070 (30 June 2013: $2,718,922) and continues to incur expenditure on its exploration tenements drawing on its cash balances. As at 31 December 2013 the Consolidated Entity had $1,944,002 (30 June 2013: $2,658,047) in cash and cash equivalents.

The ultimate recoupment of costs carried forward for exploration and evaluation is dependent on the successful development and commercial exploitation or sale of the respective areas of interest. Ultimate exploitation of the assets will depend on raising necessary funding in the future. As at 31 December 2013 there has been no adjustment in the financial report relating to the recoverability and classification of the asset carrying amounts, or the amounts and classification of liabilities that might be necessary, should the Consolidated Entity be unable to raise capital as and when required, and the exploitation of the areas of interest not be successful, or the Consolidated Entity not continue as a going concern.

**Significant accounting estimates, judgments and assumptions**

The preparation of financial statements requires management to make judgments and estimates relating to the carrying amounts of certain assets and liabilities. Actual results may differ from the estimates made. Estimates and assumptions are reviewed on an ongoing basis.

The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next accounting period are:

# NOTES TO THE CONDENSED CONSOLIDATED STATEMENTS
# for the half year ended 31 December 2013 (cont)

*(i)* *Share based payment transactions*

The Consolidated Entity measures the cost of equity settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of share options is determined by an external valuer using an appropriate valuation model.

*(ii)* *Income tax expenses*

Judgement is required in assessing whether deferred tax assets and liabilities are recognised on the statement of financial position. Deferred tax assets, including those arising from temporary differences, are recognised only when it is considered more likely than not that they will be recovered, which is dependent on the generation of future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised.

*(iii)* *Impairment of exploration and evaluation assets*

The ultimate recoupment of the value of exploration and evaluation assets is dependent on the successful development and commercial exploitation, or alternatively, sale, of the exploration and evaluation assets.

Impairment tests are carried out on a regular basis to identify whether the asset carrying values exceed their recoverable amounts. There is significant estimation and judgement in determining the inputs and assumptions used in determining the recoverable amounts.

The key areas of judgement and estimation include:

- Recent exploration and evaluation results and resource estimates;
- Environmental issues that may impact on the underlying tenements;
- Fundamental economic factors that have an impact on the operations and carrying values of assets and liabilities.

## 2. ACQUISITION OF CASTILLA MINING S.L.U.

On 30 October 2013 the Company's wholly owned subsidiary Tonsley Pty Ltd acquired a 100% interest in Spanish company, Castilla Mining S.L., from Aurum Mining PLC. Castilla Mining S.L. has an 80% interest in Morille Mining S.L.U. which owns the Morille Tungsten Project, which is comprised of five Investigation Permits covering multiple historic underground and open pit tungsten and tin mines.

The remaining 20% interest in Morille Mining S.L.U will be held by Aurum Mining PLC. This interest is a free carry until decision to mine stage at which time Aurum can elect to contribute pro rata in the funding and development, or dilute to a 0.5% Net Smelter Royalty.

The Company has the right to buy Aurum Mining P.L.C's 20% interest for £2,500,000 in cash at any time prior to the 'Decision to Mine' point.

# NOTES TO THE CONDENSED CONSOLIDATED STATEMENTS
## for the half year ended 31 December 2013 (cont)

The acquisition consideration transferred to Aurum Mining S.L.U for the acquisition of Castilla Mining S.L.U included a:

- Deposit of €25,000 upon signing and securing an exclusive 30 day due diligence period (paid on 14 October 2013).
- Cash payment of €225,000 upon the election to proceed (paid on 22 October 2013).
- Deferred payment of Company securities issued to the value of €50,000. The valuation of the shares will be based on the 14 day Volume Weighted Average price (VWAP) of the Company's share price. These shares will be issued prior to 30 October 2014 and will be subject to a 3 month escrow period.

| **Acquisition Consideration** | **$** |
|---|---|
| <u>Cash</u> | |
| Acquisition consideration - €250,000 | 378,940 |
| <u>Share capital</u> | |
| Deferred acquisition consideration - €50,000 | 72,395 |
| TOTAL ACQUISITION CONSIDERATION | 451,335 |

Acquisition-related costs amounting to $30,983 have been excluded from the consideration transferred and have been recognised as an expense in profit or loss in the half year.

| **Identifiable assets acquired and liabilities assumed at acquisition date** | **$** |
|---|---|
| <u>Current Assets</u> | |
| Cash on hand | 2 |
| Trade receivables (i) | 6,581 |
| <u>Non-current Assets</u> | |
| Exploration Assets (ii) | 531,243 |
| IDENTIFIABLE NET ASSETS ACQUIRED | 537,826 |

(i) Trade receivables acquired with a fair value of $6,581 relates to Spanish VAT which is to be refunded to Morille Mining S.L.U from the relevant taxation authoritiies.

(ii) Exploration assets acquired with a fair value of $531,243 relates to the value of the five Investigation Permits owned by Morille Mining S.L.U.

**Non-controlling interests**

The non-controlling interest (20%) in Morille Mining S.L.U. held by Aurum Mining P.L.C Limited recognised at the acquisition date was measured by reference to the fair value of the non-controlling interest and amounted to $107,565.

| **Goodwill on Acquisition** | **$** |
|---|---|
| Acquisition consideration | 451,335 |
| Plus: Non-controlling interests (at fair value) | 107,565 |
| Less: Identifiable Net Assets Acquired | (537,826) |
| GOODWILL ARISING ON ACQUISITION | 21,074 |

## NOTES TO THE CONDENSED CONSOLIDATED STATEMENTS
## for the half year ended 31 December 2013 (cont)

The goodwill arising on acquisition was subsequently impairment tested at the end of the half year with the fair value of the asset being written down to NIL.

| **Net cash outflow arising on acquisition** | **$** |
|---|---|
| Consideration paid in cash (less deferred payment) | 378,940 |
| Less: cash and cash equivalent balances acquired | (2) |
| NET CASH OUTFLOW | 378,938 |

**Impact of the acquisition on the results of the Consolidated Entity**

The Consolidated Entity's loss for the half year included an amount of $70,984 which is attributable to Castilla Mining S.L.U.

Had the acquisition of Castilla Mining S.L.U Limited been effected at 1 July 2013, the loss to the Consolidated Entity from continuing operations for the six months ended 31 December 2013 would have been $530,802.

The directors of the Consolidated Entity consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on a half-yearly basis and to provide a reference point for comparison in future half-years.

## 3. GOODWILL

| | 31 Dec 2013 $ | 30 Jun 2013 $ |
|---|---|---|
| Balance at the beginning of the period | - | - |
| Additional amounts recognised from business combinations occurring during the period (i) | 21,074 | - |
| Impairment losses for the period | (21,074) | - |
| Balance at the end of the period | - | - |

(i) Refers to the acquisition of Castilla Mining S.L.U, details of which are include in Note 2 to the Financial statements.

## NOTES TO THE CONDENSED CONSOLIDATED STATEMENTS
## for the half year ended 31 December 2013 (cont)

### 4. EXPLORATION EXPENDITURE

| | 31 Dec 2013 $ | 30 Jun 2013 $ |
|---|---|---|
| Balance at the beginning of the period | - | - |
| Cash payments to acquire exploration rights | - | 20,000 |
| Exploration assets acquired via acquisition of Castilla Mining S.L.U | 531,243 | - |
| Exploration expenditure capitalised during the period | 99,728 | 14,620 |
| Impairment of exploration expenditure | (92,742) | (34,620 ) |
| Balance at the end of the period | 538,229 | - |

During the financial period the company relinquished its Timmiarmiut REE Project located in Greenland, in order to focus on the Company's newly acquired Morille Tungsten Project.

The value of the Consolidated Entity's exploration expenditure is dependent upon:

– The continuance of the rights to tenure of the areas of interest;
– The results of future exploration; and
– The recoupment of costs through successful development and exploitation of the areas of interest or alternatively by their sale.

### 5. ISSUED CAPITAL

| | 31-Dec 2013 $ | 30-Jun 2013 $ |
|---|---|---|
| (a) Issued and fully paid shares | | |
| Fully paid ordinary shares | 4,069,400 | 4,069,400 |
| Less: capital issue costs net of tax | (273,302) | (273,302) |
| | 3,796,098 | 3,796,098 |

| | Number of shares | $ |
|---|---|---|
| (b) Movements in issued and fully paid shares | | |
| Balance at the beginning of the period | 32,150,000 | 3,796,098 |
| Shares issued | - | - |
| Less: capital issue costs | - | - |
| Balance at the end of the period | 32,150,000 | 3,796,098 |

# NOTES TO THE CONDENSED CONSOLIDATED STATEMENTS
# for the half year ended 31 December 2013 (cont)

| | Number of options |
|---|---|
| (c) Movements in options exercisable at 25 cents expiry 30 June 2015 | |
| Balance at the beginning of the period | 5,086,576 |
| Options issued on 28 August 2013 | 5,630,091 |
| Balance at the end of the period exercisable at 25 cents expiry 30 June 2015 | 10,716,667 |

6,000,000 options exercisable at $0.30 each by 31 March 2014

## 6. COMMITMENTS

The Consolidated Entity does not have any material financial commitments and furthermore is not committed to any minimum exploration expenditure in order to maintain rights of tenure of its Morille Project.

## 7. CONTINGENT LIABILITIES

There has been no change to contingent liabilities since the last annual reporting date.

## 8. DIVIDENDS

No dividends have been declared or paid during the half-year ended 31 December 2013.

## 9. KEY MANAGEMENT PERSONNEL

Remuneration arrangements of key management personnel are disclosed in the annual financial report.

## 10. EVENTS SUBSEQUENT TO REPORTING DATE

On 16 January 2014 Mr Humphrey Hale was appointed to the position of Non-executive director of the Company.

On 28 January 2014 Mr Nicholas McMahon resigned from his position as Non-executive director of the Company.

No matter or circumstance has arisen subsequent to 31 December 2013 that has significantly affected, or may significantly affect, the state of affairs or operations of the reporting Consolidated Entity in future financial periods.

## DIRECTOR'S DECLARATION

The Directors of the Company declare that:-

1. The financial statements and notes, as set out on pages 8 to 19 are in accordance with the Corporations Act 2001, including:

   (a) complying with Accounting Standard AASB 134: Interim Financial Reporting, and Corporations Regulations 2001; and

   (b) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date.

2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

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Adrian Byass
Managing Director

Dated this day 14 March 2014