

Cove Resources Limited

(Subject to a Deed of Company Arrangement)

ABN 94 131 445 335

Interim Report - 31 December 2014

The Deed Administrator of Cove Resources Limited (Subject to Deed of Company Arrangement) has delegated the authority to prepare and execute this interim report to Mr Winton Willesee in his capacity as the Executive Chairman of the Company. In this regard, the interim report has been prepared by Mr Willesee and the Deed Administrator is not responsible for its contents. The Deed Administrator, his servants, agents and employees do not make any representation or warranty (express or implied) as to the accuracy, reasonableness or completeness of the information contained in this document and do not accept responsibility or liability for the accuracy of any information included, or any failure to include information in this document.

Cove Resources Limited
(Subject to a Deed of Company Arrangement)
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Cove Resources Limited
(Subject to a Deed of Company Arrangement)
Corporate directory
For the half-year ended 31 December 2014

Directors	Winton Willesee (Executive Chairman) Greg Miles (Non-executive Director) Erlyn Dale (Non-executive director and company secretary)
Company secretaries	Erlyn Dale
Registered office	Suite 25, 145 Stirling Highway Nedlands, Western Australia 6009 Phone: (08) 9389 3110 Phone: (08) 9389 3199
Principal place of business	Suite 25, 145 Stirling Highway Nedlands, Western Australia 6009
Share register	Computershare Investor Services Pty Ltd Level 2, 45 St Georges Terrace, Perth, Western Australia 6000
Auditor	Ernst & Young 11 Mounts Bay Road Perth, Western Australia 6000
Stock exchange listing	Cove Resources Limited shares are listed on the Australian Securities Exchange (ASX code: CVE)

Cove Resources Limited
(Subject to a Deed of Company Arrangement)
Directors' report
For the half-year ended 31 December 2014

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Cove Resources Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2014.

Directors

The following persons were directors of Cove Resources Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Winton Willesee (Executive Chairman)*
Greg Miles (Non-executive Director)
Erlyn Dale (Non-executive Director) - appointed 23 February 2015
Garry Hemming (Managing Director) - resigned 12 September 2014

*Non-Executive Chairman during the period and Executive Chairman at the date of this report.

Principal activities

During the financial half-year the principal exploration activities of the consolidated entity were significantly curtailed pursuant to the Administration. The Company's securities had previously been voluntarily suspended from trading on the official list of ASX on 22 July 2013 and the Company had appointed Mr Bryan Hughes of Pitcher Partners as Administrator of the Company pursuant to section 436A of the Corporations Act 2001 on 17 January 2014. Key activities during the period were to take necessary steps to facilitate the effectuation of the deed of company arrangement and a requotation of its securities on the ASX.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$189,042 (31 December 2013: \$388,958).

On 17 January 2014, Bryan Hughes was appointed Administrator of the Company pursuant to section 436A of the Corporations Act 2001 by resolution of the directors of the Company.

On 20 December 2013 (prior to the appointment of the Administrator), the Company entered into a reconstruction deed with Cygnet Capital Pty Ltd ('Proponent') for the reconstruction and recapitalisation of the Company ('Reconstruction Deed').

Following his appointment, the Administrator called for proposals to recapitalise the Company with a view to seeking reinstatement to trading of the Company's securities on ASX. The Administrator ultimately accepted the proposal put forward by the Proponent in the Reconstruction Deed with some minor variations ('Reconstruction Proposal').

On 24 February 2014, the Company obtained the approval of its creditors to enter into a Deed of Company Arrangement ('DOCA') to facilitate acceptance of the Reconstruction Proposal.

On 5 March 2014 the Administrator provided an update to the market and announced that following meetings of creditors of the Company and its subsidiary, Blenheim Resources Pty Ltd ('Blenheim') held on 24 February 2014 and 26 February 2014 respectively, creditors resolved that the Company and Blenheim execute deeds of company arrangement to facilitate the proposal from the Proponent for the recapitalisation and restructure of the Company. The transaction was subject to the completion of certain conditions precedent, including shareholder approval and ASX approval and once completed, would see funds injected into the Company to provide for a return to creditors and enable the Company to be reinstated to official quotation on the ASX.

During the half-year period, the Company had raised \$270,000 through issuance of convertible notes. Part of the proceeds have been transferred to the administrator to continue to oversee the care and maintenance of the Group's assets required to be retained to facilitate the recapitalisation and restructure of the Company. The remaining will be used by the Directors to engage various services providers necessary for the execution of the Reconstruction Proposal.

All options outstanding as at 30 June 2014 expired during the period without any being exercised.

Cove Resources Limited
(Subject to a Deed of Company Arrangement)
Directors' report
For the half-year ended 31 December 2014

Events after the reporting period

On 12 March 2015, the Administrator provided an update to the market on the Reconstruction Proposal, as well as advising on recent changes to Directors and Company Secretary appointments and resignations. The Administrator advised that Cygnet Capital Pty Ltd ('Proponent') requested changes to the capital raising structure of the Reconstruction Proposal and at a meeting of creditors held on 11 March 2015, creditors agreed to vary the DOCA for the Company to facilitate these changes. Since initial creditor approval, the Proponent has been working towards meeting the obligations required to complete the Reconstruction Proposal. While it was originally anticipated that the recapitalisation and restructure would be sooner, barring any further delays, the Proponent currently anticipates that the Reconstruction Proposal will be complete and the Company will be in a position to be reinstated to official quotation on the ASX in the second quarter of 2015.

The revised Reconstruction Proposal from the Proponent can be summarised as follows:

- (a) all liabilities, contingent liabilities, obligations, warranties and long term commitments of the Company capable of being released by a deed of company arrangement will be released and compromised by the DOCA;
- (b) the Company will undertake the following capital raisings and issues of securities:
 - i. an issue of 125,000,000 Shares to White Swan Nominees Pty Ltd (and/or its nominees) pursuant to the conversion of its Class A Convertible Notes;
 - ii. an issue of 155,000,000 Shares to Exempt Investors pursuant to the conversion of their Class B Convertible Notes to raise \$310,000;
 - iii. an issue of up to 600,000,000 Shares at an issue price of 0.0025 cents each to raise up to \$1,500,000, together with up to 300,000,000 free attaching Bonus Options on the basis of 1 Bonus Option for every 2 Shares issued exercisable at \$0.005 each expiring on 30 June 2019;
 - iv. an issue of 250,000,000 New Options exercisable at \$0.005 each to Cygnet Capital Pty Ltd (and/or its nominees) expiring on 30 June 2019;
 - v. an issue of 11,369,000 Shares to Mr Mark Whittle (and/or his nominees); an issue of 36,000,000 Shares and 18,000,000 New Options exercisable at \$0.005 each to brokers and capital providers (and/or their nominees) expiring on 30 June 2019;
 - vi. an issue of 36,000,000 Shares and 18,000,000 New Options exercisable at \$0.005 each to brokers and capital providers (and/or their nominees) expiring on 30 June 2019;
 - vii. an issue of 14,000,000 Shares and 7,000,000 New Options exercisable at \$0.005 each to Leydin Freyer Corporate Pty Ltd (and/or its nominees) expiring on 30 June 2019;
 - viii. an issue of 20,000,000 Shares and 10,000,000 New Options exercisable at \$0.005 each to Mr Winton Willesee (and/or his nominees) expiring on 30 June 2019;
 - ix. an issue of 4,000,000 Shares and 2,000,000 New Options exercisable \$0.005 each to Mr Greg Miles (and/or his nominees) expiring on 30 June 2019;
- (c) of the funds referred to above, \$180,000 will be made available to the creditors of the Company to be allocated to unsecured creditors (inclusive of priority employee claims and the Administrator's costs); and
- (d) following completion of all of the matters set out above, the DOCA will be fully effectuated, the Deed Administrator will retire and the Company will be fully released and discharged from all creditor claims capable of being released by a DOCA and the Company will seek reinstatement of its Shares to trading on ASX.

A meeting notice was sent out to the Shareholders on 2 April 2015. The Resolutions proposed in the Notice will enable the terms of the DOCA to be completed. If the Resolutions are passed and the proposed restructuring and recapitalisation is completed, the Company will seek reinstatement of its Shares to trading on ASX.

Cove Resources Limited
(Subject to a Deed of Company Arrangement)
Directors' report
For the half-year 31 December 2014

Events after the reporting period (continued)

If any of the relevant Resolutions are not passed by the Shareholders, the Company will remain subject to the DOCA, the trading suspension imposed by the ASX will remain in force and the Administrator will need to consider other alternatives, which is likely to include placing the Company into liquidation (in which event no return to Shareholders is anticipated).

As part of the Recapitalisation Proposal, the Company has restructured its Board with Garry Hemming ceasing to be a Director, and Erlyn Dale joining Winton Willesee and Greg Miles on the Board in February 2015.

No other matter or circumstance has arisen since 31 December 2014 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Winton Willesee
Chairman

14 April 2015

Auditor's Independence Declaration to the Directors of Cove Resources Limited (Subject to a Deed of Company Arrangement)

In relation to our review of the interim financial report of Cove Resources Limited (Subject to a Deed of Company Arrangement) for the half-year ended 31 December 2014, 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.



Ernst & Young



V L Hoang
Partner
14 April 2015

Cove Resources Limited
(Subject to a Deed of Company Arrangement)
Statements of profit or loss and other comprehensive income
For the half-year ended 31 December 2014

		Consolidated	
	Note	31 December 2014	31 December 2013
		\$	\$
Revenue	4	165	39,092
Expenses			
Accounting and audit fees		(36,000)	(8,000)
Directors fees		-	(166,591)
Employee benefits expense		-	(11,423)
Professional fees		(80,763)	(54,137)
ASX listing fees		(12,500)	(13,862)
Insurance costs		(2,700)	(19,884)
Tenement management fees		(39,675)	-
Interest		(17,569)	(15,000)
Other administration expenses		-	(138,793)
Loss before income tax expense		(189,042)	(388,958)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Cove Resources Limited		(189,042)	(388,958)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive loss for the half-year attributable to the owners of Cove Resources Limited		<u>(189,042)</u>	<u>(388,958)</u>
		Cents	Cents
Basic loss per share		(0.29)	(0.65)
Diluted loss per share		(0.29)	(0.65)

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

Cove Resources Limited
(Subject to a Deed of Company Arrangement)
Statement of financial position
As at 31 December 2014

		Consolidated	
		31 December	30 June
		2014	2014
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		17,201	20,576
Receivables and other assets	9	171,344	6,768
Total current assets		<u>188,545</u>	<u>27,344</u>
Non-current assets			
Exploration and evaluation		-	-
Total non-current assets		<u>-</u>	<u>-</u>
Total assets		<u>188,545</u>	<u>27,344</u>
Liabilities			
Current liabilities			
Trade and other payables	7	1,500,415	1,437,741
Borrowings	8	620,391	332,822
Total current liabilities		<u>2,120,806</u>	<u>1,770,563</u>
Total liabilities		<u>2,120,806</u>	<u>1,770,563</u>
Net liabilities		<u>(1,932,261)</u>	<u>(1,743,219)</u>
Equity			
Issued capital		9,257,358	9,257,358
Reserves		1,180,810	1,180,810
Accumulated losses		<u>(12,370,429)</u>	<u>(12,181,387)</u>
Total deficiency in equity		<u>(1,932,261)</u>	<u>(1,743,219)</u>

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

Cove Resources Limited
(Subject to a Deed of Company Arrangement)
Statement of changes in equity
For the half-year ended 31 December 2014

Consolidated	Issued Capital \$	Accumulated Losses \$	Option Reserve \$	Total deficiency \$
Balance at 1 July 2013	9,257,358	(11,588,097)	1,180,810	(1,149,929)
Loss after income tax expense for the half-year	-	(388,958)	-	(388,958)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	(388,958)	-	(388,958)
Balance at 31 December 2013	<u>9,257,358</u>	<u>(11,977,055)</u>	<u>1,180,810</u>	<u>(1,538,887)</u>
Consolidated	Issued Capital \$	Accumulated Losses \$	Option Reserve \$	Total deficiency \$
Balance at 1 July 2014	9,257,358	(12,181,387)	1,180,810	(1,743,219)
Loss after income tax expense for the half-year	-	(189,042)	-	(189,042)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	(189,042)	-	(189,042)
Balance at 31 December 2014	<u>9,257,358</u>	<u>(12,370,429)</u>	<u>1,180,810</u>	<u>(1,932,261)</u>

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

Cove Resources Limited
(Subject to a Deed of Company Arrangement)
Statement of cash flows
For the half-year ended 31 December 2014

	Consolidated	
	31 December	31 December
	2014	2013
	\$	\$
Cash flows from operating activities		
Receipts from customers	-	38,454
Payments to suppliers and employees	(121,464)	(54,630)
	(121,464)	(16,176)
Interest received	165	638
Net cash used in operating activities	(121,299)	(15,538)
Cash flows from investing activities		
Net cash from investing activities	-	-
Cash flows from financing activities		
Proceeds from borrowings	117,924	-
Net cash from financing activities	117,924	-
Net decrease in cash and cash equivalents	(3,375)	(15,538)
Cash and cash equivalents at the beginning of the financial half-year	20,576	28,376
Cash and cash equivalents at the end of the financial half-year	17,201	12,838

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

Cove Resources Limited
(Subject to a Deed of Company Arrangement)
Notes to the financial statements
For the half-year ended 31 December 2014

Note 1. General information

The financial statements cover Cove Resources Limited as a consolidated entity consisting of Cove Resources Limited and its subsidiaries during the half-year. The financial statements are presented in Australian dollars, which is Cove Resources Limited's functional and presentation currency.

Cove Resources Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 25,
145 Stirling Highway
Nedlands, Western Australia 6009

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements. On 17 January 2014 the consolidated entity appointed Mr Bryan Hughes of Pitcher Partners as Administrator of the Company pursuant to section 436A of the Corporations Act 2001. Further details are included in note 2 Going concern section and note 6 Events after the reporting period

The financial statements were authorised for issue, in accordance with a resolution of directors, on 14 April 2015.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2014 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities.

The interim condensed general purpose financial statements do not include all the notes and disclosures of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

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. The accounting policies adopted in the preparation of the half-year report are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2014, except for the adoption of new and amended standards and interpretation noted below. The adoption of these standards and interpretations does not materially affect the financial statements for the half-year ended 31 December 2014.

- AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities
- AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets
- AASB 1031 Materiality
- AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments

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

Cove Resources Limited
(Subject to a Deed of Company Arrangement)
Notes to the financial statements
For the half-year ended 31 December 2014

Note 2. Significant accounting policies (continued)

Inherent Uncertainty - Going concern

The financial report has been prepared on the going concern basis as it is the Directors' intention to continue the business for the foreseeable future. There is a material inherent uncertainty regarding whether the Company will continue as a going concern due to the following:

- As at 31 December 2014 the consolidated entity had net current liabilities of \$1,932,261, net liabilities of \$1,932,261 and generated a net loss after tax of \$189,042 for the half-year period then ended. The company has been voluntarily suspended from trading on the official list of ASX on since 22 July 2013.
- On 17 January 2014 the consolidated entity appointed Mr Bryan Hughes of Pitcher Partners as Administrator of the Company pursuant to section 436A of the Corporations Act 2001. On 20 December 2013 (prior to the appointment of the Administrator), the Company entered into a reconstruction deed (Reconstruction Deed) with Cygnet Capital Pty Ltd (Proponent) for the reconstruction and recapitalisation of the Company.

Following his appointment, the Administrator called for proposals to recapitalise the Company with a view to seeking reinstatement to trading of its securities on ASX. The Administrator ultimately accepted the Reconstruction Deed put forward by the Proponent with some minor variations (Reconstruction Proposal).

On 24 February 2014, the Company obtained the approval of its creditors to enter into a Deed of Company Arrangement (DOCA) to facilitate acceptance of the Reconstruction Proposal. On 11 March 2015 the Company obtained approval of its creditors to vary the DOCA to facilitate acceptance of some further variations to the Reconstruction Proposal.

A summary of the revised Reconstruction Proposal from the Proponent is included under note 6 Events after the reporting period. Details of the proposed resolutions required for the execution of the Reconstruction Proposal are included in the Notice of Meeting sent to the Company's shareholders on 2 April 2015. Following the completion of all of the matters detailed in note 6 including the transferring of \$180,000 to the Creditor Trust set up under the DOCA, the DOCA will be fully effectuated. Consequently, the Deed Administrator will retire and the Company will be fully released and discharged from all creditor claims capable of being released by a DOCA. The Company will seek reinstatement of its Shares to trading on ASX for further capital raisings and therefore continue as a going concern. ASX requires that the Company has available at least \$1,000,000 in cash, net of liabilities, immediately prior to Reinstatement. Insufficient interest in the capital raising would result in the Group not being able to re-list in the ASX.

This basis of preparation of the financial report assumes that the Company will be able to:

- obtain necessary approval from the Shareholders in relation to its proposed resolutions as outlined in the Notice of Meeting sent to the Company's shareholders on 2 April 2015;
- raise sufficient funds to meet its payment obligations under the DOCA and minimum cash requirements and other listing requirements stipulated by the ASX;
- complete the restructuring and associated capital raising in accordance with the Restructuring Proposal to recapitalise; and
- raise further capital in the future to continue its exploration activities.

The Directors cannot be certain of the success or of the timing of the intended fund raising activities, however it is planned that these will commence subsequent to the completion and lodgement of the Financial Reports of the Consolidated Entity for the periods ended 30 June 2013, 31 December 2013, 30 June 2014 and 31 December 2014. In the event that the Company is not recapitalised, the Company will not continue as a going concern.

The financial report does not include:

- the impact due to the Company's ability to obtain the required funding; or
 - adjustments relating to the recoverability and classification of recorded asset amounts; or
 - the amounts and classification of liabilities that might be necessary
- should the Company and consolidated entity not continue as a going concern.

Cove Resources Limited
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Notes to the financial statements
For the half-year ended 31 December 2014

Note 3. Operating segments

Identification of reportable operating segments

Identification and measurement of segments - AASB 8 requires the 'management approach' to the identification measurement and disclosure of operating segments. The 'management approach' requires that operating segments be identified on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker (being the Board of the Directors), for the purpose of allocating resources and assessing performance. This could also include the identification of operating segments which sell primarily or exclusively to other internal operating segments. The Consolidated Entity operates in one segment being mineral exploration in Australia.

Note 4. Revenue

	Consolidated	
	31 December 2014	31 December 2013
	\$	\$
Interest	165	638
Other revenue	-	38,454
Revenue	<u>165</u>	<u>39,092</u>

Note 5. Equity

There were no shares or options issued during the period. 12,000,000 options outstanding as at 30 June 2014 expired during the period without any being exercised.

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 6. Events after the reporting period

On 12 March 2015, the Administrator provided an update to the market on the Reconstruction Proposal, as well as advising on recent changes to Directors and Company Secretary appointments and resignations. The Administrator advised that the Proponent recently requested changes to the capital raising structure of the Reconstruction Proposal and at a meeting of creditors held on 11 March 2015, creditors agreed to vary the Deed of Company Arrangement ('DOCA') for the Company to facilitate these changes. Since initial creditor approval, the Proponent has been working towards meeting the obligations required to complete the Reconstruction Proposal. While it was originally anticipated that the recapitalisation and restructure would be sooner, barring any further delays, the Proponent currently anticipates that the Reconstruction Proposal will be complete and the Company will be in a position to be reinstated to official quotation on the ASX in the second quarter of 2015.

The revised Reconstruction Proposal from the Proponent can be summarised as follows:

- (a) all liabilities, contingent liabilities, obligations, warranties and long term commitments of the Company capable of being released by a deed of company arrangement will be released and compromised by the DOCA;
- (b) the Company will undertake the following capital raisings and issues of securities:
 - (i) an issue of 125,000,000 Shares to White Swan Nominees Pty Ltd (and/or its nominees) pursuant to the conversion of its Class A Convertible Notes;

Cove Resources Limited
(Subject to a Deed of Company Arrangement)
Notes to the financial statements
For the half-year ended 31 December 2014

Note 6. Events after the reporting period (continued)

- (ii) an issue of 155,000,000 Shares to Exempt Investors pursuant to the conversion of their Class B Convertible Notes to raise \$310,000;
 - (iii) an issue of up to 600,000,000 Shares at an issue price of 0.0025 cents each to raise up to \$1,500,000, together with up to 300,000,000 free attaching Bonus Options on the basis of 1 Bonus Option for every 2 Shares issued exercisable at \$0.005 each expiring on 30 June 2019;
 - (iv) an issue of 250,000,000 New Options exercisable at \$0.005 each to Cygnet Capital Pty Ltd (and/or its nominees) expiring on 30 June 2019;
 - (v) an issue of 11,369,000 Shares to Mr Mark Whittle (and/or his nominees)
 - (vi) an issue of 36,000,000 Shares and 18,000,000 New Options exercisable at \$0.005 each to brokers and capital providers (and/or their nominees) expiring on 30 June 2019;
 - (vii) an issue of 14,000,000 Shares and 7,000,000 New Options exercisable at \$0.005 each to Leydin Freyer Corporate Pty Ltd (and/or its nominees) expiring on 30 June 2019;
 - (viii) an issue of 20,000,000 Shares and 10,000,000 New Options exercisable at \$0.005 each to Mr Winton Willesee (and/or his nominees) expiring on 30 June 2019;
 - (ix) an issue of 4,000,000 Shares and 2,000,000 New Options exercisable \$0.005 each to Mr Greg Miles (and/or his nominees) expiring on 30 June 2019;
- (c) of the funds referred to above, \$180,000 will be made available to the creditors of the Company to be allocated to unsecured creditors (inclusive of priority employee claims and the Administrator's costs); and
- (d) following completion of all of the matters set out above, the DOCA will be fully effectuated, the Deed Administrator will retire and the Company will be fully released and discharged from all creditor claims capable of being released by a DOCA and the Company will seek reinstatement of its Shares to trading on ASX.

A meeting notice was sent out to the Shareholders on 2 April 2015. The Resolutions proposed in the Notice will enable the terms of the DOCA to be completed. If the Resolutions are passed and the proposed restructuring and recapitalisation is completed, the Company will seek reinstatement of its Shares to trading on ASX.

If any of relevant Resolutions are not passed by the Shareholders, the Company will remain subject to the DOCA, the trading suspension imposed by the ASX will remain in force and the Administrator will need to consider other alternatives, which is likely to include placing the Company into liquidation (in which event no return to Shareholders is anticipated).

As part of the Recapitalisation Proposal, the Company has restructured its Board with Garry Hemming ceasing to be a Director, and Erlyn Dale joining Winton Willesee and Greg Miles on the Board in February 2015.

No other matter or circumstance has arisen since 31 December 2014 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Cove Resources Limited
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Notes to the financial statements
For the half-year ended 31 December 2014

Note 7. Current liabilities - trade and other payables

	Consolidated	
	31 Dec 2014	30 June 2014
	\$	\$
Trade payables and other payable - subject to the DOCA	1,290,592	1,290,592
Trade payable and other payable – not subject to the DOCA	127,110	64,436
Payable to the administrator	82,713	82,713
	<u>1,500,415</u>	<u>1,437,741</u>

As noted throughout this report, the Company appointed an Administrator on 17 January 2014. All trade and other payables subject to DOCA and payable to the Administrator have been recorded at their amortised cost until such time where the creditors have agreed to settlement of amounts owing. Under the Reconstruction Proposal, an Agreed amount of \$180,000 will be available to settle creditors' claims under the DOCA and the Administrator's fees upon the completion of required restructuring and capital raising activities as described under note 6 Events after the reporting date.

There have not been any material changes in the nature of related party payables, which mainly relate to outstanding remuneration with Directors, refer to Note 12 As part of the DOCA entered into in 2014, the Directors agree to forego the outstanding amount upon the execution of the DOCA expected to be in May 2015.

Note 8. Current liabilities - borrowings

	Consolidated	
	31 Dec 2014	30 June 2014
	\$	\$
Convertible notes payable – Class A	310,391	292,822
Convertible notes payable – Class B	310,000	40,000
Total	<u>620,391</u>	<u>332,822</u>

In 2013, the Company entered into a convertible note agreement with White Swan Nominees Pty Ltd, pursuant to which the Company issued five Class A Convertible Notes in exchange for a total of \$250,000 (i.e. \$50,000 per note). The convertible notes have an 18 month facility, with an interest rate of 12% and are secured against all of the Company's present and future acquired property. At the holders' discretion, the notes can be converted to the Company's ordinary shares at a conversion price per share equal to 80% of the five-day VWAP of shares on the ASX prior to the date on which written notice of the election to convert is given. Under the proposed Reconstruction Proposal, the notes will be settled via an issue of 125,000,000 Shares to White Swan Nominees Pty Ltd (and/or its nominees) as described under note 6 Events after the reporting date.

During the financial half-year, pursuant to the Reconstruction Proposal, the Group issued \$270,000 worth of convertible notes to investors in addition to the \$40,000 issued in 2014. The note is interest-free and can be converted to shares at the Group's discretion at a conversion share price of \$0.002 per share when the Company obtains shareholder approval for the issue of the shares and Company completes all of the conditions precedent for requotation on ASX as per Note 6. In the event that shareholder approval for the issue of the Conversion Shares is not obtained within six months from the date of advance, in the absence of any alternative agreement the noteholder may require the amount advanced to be repaid to the noteholders. Money advanced under the notes have been treated as a loan to the Group until such time that the Company obtains shareholder approval for the issue of the shares.

Cove Resources Limited
(Subject to a Deed of Company Arrangement)
Notes to the financial statements
For the half-year ended 31 December 2014

Note 9 Receivable and other assets

	Consolidated	
	31 Dec 2014	30 June 2014
	\$	\$
Prepayment	12,500	-
Deposits held by related parties (*)	158,844	6,768
Total	171,344	6,768

(*) This represents the money deposited into and held in trust by Azalea Consulting Pty Ltd for the benefit of the Group. In accordance with the invitation to invest in the Group's convertible notes, as outlined in the proposed Reconstruction Plan, subscription monies are paid into this trust account. Part of the proceeds has been transferred to the administrator to continue to oversee the care and maintenance of the Group's assets required to be retained to facilitate the recapitalisation and restructure of the Company. The remaining will be used by the Directors to engage various service providers necessary for the execution of the proposed Reconstruction Plan.

Note 10 Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 11 Contingencies and commitments

There have not been any material changes in the contingencies and commitments since 30 June 2014.

Note 12. Related party transactions

Parent entity

Cove Resources Limited is the parent entity.

Transactions with related parties

Payments made and owed to related parties during the half-year include \$40,000 to Mr Winton Willesee (Executive Chairman) and \$4,000 to Greg Miles in relation to consulting fees.

Payable to related parties

An amount of \$79,792 (30 June 2014: \$79,792) was owed to Roscorio Pty Ltd, a related party of Garry Hemming for expense reimbursements. A further \$40,000 was owed to Mr Winton Willesee (Executive Chairman) and \$4,000 to Mr Greg Miles in relation to consulting fees during the period. There were no other trade payables or accruals owed to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date. Refer to note 9 for the trust account arrangement with Azalea Consulting Pty Ltd. Mr. Winton is a Director of Azalea Consulting Pty Ltd.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Appointment of Administrators

For the period from 17 January 2014 onwards the Company has been subject to the control and management of the Administrator (Mr Bryan Hughes from Pitcher Partners). The expense reimbursements owed to the Administrator at 31 December 2014 was \$82,713. (30 June 2014: 82,713).

Cove Resources Limited
(Subject to a Deed of Company Arrangement)
Directors' declaration
For the half-year ended 31 December 2014

In the directors' opinion:

the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the financial half-year ended on that date; and

subject to the achievement of the matters described in note 2, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Winton Willesee
Chairman

14 April 2015

To the members of Cove Resources Limited (Subject to a Deed of Company Arrangement)

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Cove Resources Limited (Subject to a Deed of Company Arrangement), which comprises the statement of financial position as at 31 December 2014, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the half-year ended on that date, 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 the half-year end or from time to time 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 Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Cove Resources Limited (Subject to a Deed of Company Arrangement) and the entities it controlled during the half-year, 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*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

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 Cove Resources Limited (Subject to a Deed of Company Arrangement) 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 2014 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*.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 2 in the financial report which describes the principal conditions that raise doubt about the consolidated entity's ability to continue as a going concern. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.



Ernst & Young



V L Hoang
Partner
Perth
14 April 2015