

ELSMORE RESOURCES LIMITED ABN 35 145 701 033 AND CONTROLLED ENTITY

FINANCIAL REPORT

FOR THE HALF YEAR PERIOD ENDED 31 DECEMBER 2014

ELSMORE RESOURCES LIMITED ABN 35 145 701 033 AND CONTROLLED ENTITY

Contents

Directors' Report	1
Directors' Declaration	3
Statement of Profit or Loss and Other Comprehensive Income	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flow	7
Notes to the Financial Statements	8 - 16
Independent Auditor's Report	17 - 18
Auditor's Independence Declaration	19

ELSMORE RESOURCES LIMITED ABN 35 145 701 033 AND CONTROLLED ENTITY
Directors' Report

Your directors' present this report on Elsmore Resources Limited ('the Company') and its consolidated entity (known collectively as 'the Group') for the half-year ended 31 December 2014.

Directors

The names of the directors in office at any time during or since the end of the year are:

John Gaffney, Chairman (Non Executive Director)

Joseph Chung (Executive Director)

Richard Langley Stewart Hill (Non Executive Director, appointed 20 November 2014)

Phillip Bruce Kimber (Non Executive Director, appointed 7 May 2014 and resigned 20 November 2014)

The directors were in office for the entire period unless otherwise stated.

Company Secretary is John Gaffney.

Principal Activities

The Company is an Australian-based mineral explorer, focused on the exploration of tin and sapphires and consolidation of existing and new tenement applications.

Review of Operations

The Group's net loss after income tax for the half-year was \$513,904 (31 December 2013: loss of \$2,306,924).

No dividend will be declared in respect of this half year.

After Balance Sheet Date Events

Details of events occurring after balance date are set out in Note 14.

Going Concern

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

The directors believe the Company will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:

- the shareholders are willing to provide financial support to the Company when considered necessary;
- the ability to curtail administration and operational cash outflows as required;
- the directors will make contractual arrangements to commence mining operations;
- the Company is exploring its options to raise additional capital as required.

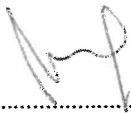
ELSMORE RESOURCES LIMITED ABN 35 145 701 033 AND CONTROLLED ENTITY
Directors' Report

Auditor's Independence Declaration

The Directors have received the Auditor's Independence Declaration, a copy of which is included in this report.

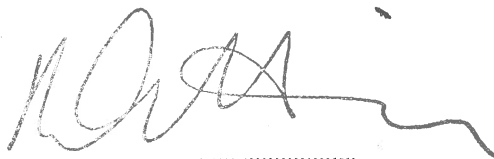
Signed in accordance with a resolution of the Board of Directors:

Director:.....



Joseph Chung

Director:.....



Richard Hill

Dated: 27 April 2015

ELSMORE RESOURCES LIMITED ABN 35 145 701 033
AND CONTROLLED ENTITY
Directors' Declaration

In accordance with a resolution of the directors of Elsmore Resources Limited, the directors of the company declare that:

1. the financial statements and notes, as set out on page 4-16 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standard AASB 134: *Interim Financial Reporting*; and
 - (b) 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.
2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Director:

Joseph Chung

Director:

Richard Hill

Dated: 27 April 2015

**ELSMORE RESOURCES LIMITED ABN 35 145 701 033
AND CONTROLLED ENTITY**

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2014

	Note	Consolidated 31.12.2014 \$	Consolidated 31.12.2013 \$
Revenue - other income	4	-	5,000
Administrative expenses	5	(436,408)	(120,699)
Occupancy expenses		(11,096)	(23,200)
Finance costs		(66,400)	(9,025)
Impairment of goodwill on acquisition		-	(300,000)
Provision for doubtful debts		-	(1,859,000)
Profit (loss) before income tax		(513,904)	(2,306,924)
Income tax (credit) attributable to operating profit (loss)		-	-
Loss after income tax		(513,904)	(2,306,924)
Other comprehensive income		-	-
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period attributable to the owners of parent entity		(513,904)	(2,306,924)
Earning per share			
From continuing operations			
Basic earnings/(loss) cents per share		(0.0053)	(0.0242)
Diluted earnings (loss) cents per share		(0.0053)	(0.0242)

The accompanying notes form part of these financial statements.

ELSMORE RESOURCES LIMITED ABN 35 145 701 033
AND CONTROLLED ENTITY
Consolidated Statement of Financial Position As At 31 December 2014

	Note	Consolidated 31.12.2014 \$	Consolidated 30.6.2014 \$
Current Assets			
Cash and cash equivalents	6	19,205	10,586
Trade and other receivables	7	85,478	52,752
Total Current Assets		<u>104,683</u>	<u>63,338</u>
Non-Current Assets			
Property, plant and equipment		826,595	870,786
Other assets	8	936,058	933,533
Total Non-Current Assets		<u>1,762,653</u>	<u>1,804,319</u>
Total Assets		<u>1,867,336</u>	<u>1,867,657</u>
Current Liabilities			
Trade and other payables	9	388,138	1,004,104
Financial liabilities		-	1,396
Total Current Liabilities		<u>388,138</u>	<u>1,005,500</u>
Non-Current Liabilities			
Deferred tax liabilities		264,600	264,600
Trade and other payable	9	1,130,945	-
Total Non-Current Liabilities		<u>1,395,545</u>	<u>264,600</u>
Total Liabilities		<u>1,783,683</u>	<u>1,270,100</u>
Net Assets (Liabilities)		<u>83,653</u>	<u>597,557</u>
Equity			
Issued capital	10	5,945,868	5,945,868
Accumulated losses		(5,862,215)	(5,348,311)
Total Equity (Deficiency)		<u>83,653</u>	<u>597,557</u>

The accompanying notes form part of these financial statements.

ELSMORE RESOURCES LIMITED ABN 35 145 701 033

AND CONTROLLED ENTITY

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2014

Consolidated	Ordinary Shares \$	Retained Earnings \$	Total \$
Balance at 1 July 2014	5,945,868	(5,348,311)	597,557
Loss for the period		(513,904)	(513,904)
Shares issued during the period	-		-
Balance at 31 December 2014	5,945,868	(5,862,215)	83,653

Parent	Ordinary Shares \$	Retained Earnings \$	Total \$
Balance at 1 July 2013	3,079,116	(2,208,025)	871,091
Loss for the period		(2,306,924)	(2,306,924)
Shares issued during the period	2,581,000		2,581,000
Baiance at 31 December 2013	5,660,116	(4,514,949)	1,145,167

The accompanying notes form part of these financial statements.

ELSMORE RESOURCES LIMITED ABN 35 145 701 033
AND CONTROLLED ENTITY
Consolidated Statement of Cash Flows
For the half-year ended 31 December 2014

	Consolidated 31.12.2014 \$	Consolidated 31.12.2013 \$
Cash Flows From Operating Activities		
Finance costs	(604)	(9,024)
Payments to suppliers and employees	(332,012)	(50,768)
Interest received	-	5,000
Net cash provided by (used in) operating activities (note 4)	<u>(332,616)</u>	<u>(54,792)</u>
Cash Flows From Investing Activities		
Payments for purchase of investments	-	(350,000)
Payments for property, plant and equipment	-	(198,583)
Funds deposited for performance bonds	<u>(2,525)</u>	<u>(20,000)</u>
Net cash provided by (used in) investing activities	<u>(2,525)</u>	<u>(256,719)</u>
Cash Flows From Financing Activities		
Proceeds from share issue	-	2,581,000
Amount misappropriated by a former director, Ashley Howard	-	(2,209,000)
Proceeds of borrowings	<u>345,156</u>	<u>247,830</u>
Net cash provided by (used in) financing activities	<u>345,156</u>	<u>619,830</u>
Net (decrease) increase in cash and cash equivalents held	10,015	(13,545)
Cash and cash equivalents at the beginning of half-year	9,190	(1,078)
Cash and cash equivalents at the end of the half-year; net of overdraft	<u>19,205</u>	<u>(14,623)</u>

The accompanying notes form part of these financial statements.

ELSMORE RESOURCES LIMITED ABN 35 145 701 033
AND CONTROLLED ENTITY
Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2014

Note 1: Corporate Information

The financial report of Elsmore Resources Limited ("the Company") and its controlled entity ("the Group" or "consolidated entity") for the half-year ended 31 December 2014 was authorised for issue in accordance with a resolution of the directors on 31 March 2015.

The Company is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange.

The address of the registered office is Suite 141, 243 Pyrmont Street, Pyrmont NSW 2009.

Note 2: Basis Of Preparation

(a) Basis of preparation

This interim financial report for the half-year ended 31 December 2014 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half year financial report should be read in conjunction with the most recent annual financial report for the year ended 30 June 2014.

It is also recommended that the half year financial report be considered together with any public announcements made by Elsmore Resources Limited during the half year ended 31 December 2014 in accordance with the continuous disclosure obligations arising under the ASX Listing Rules.

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

From 1 July 2014 the consolidated entity has adopted all Australian Accounting Standards and Interpretations effective for annual periods beginning on or before 1 July 2014. The adoption of new and amended standards and interpretations had no impact on the financial position or performance of the consolidated entity.

The consolidated entity has not elected to early adopt any new standards or amendments that are issued but not yet effective.

ELSMORE RESOURCES LIMITED ABN 35 145 701 033
AND CONTROLLED ENTITY
Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2014

(b) Going Concern

The financial statements have been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Directors consider this to be appropriate for the following reasons:

- (i) the ability to vary the consolidated entity's cost structure and in turn the levels of cash outflow dependent on the timing of its exploration activities; and
- (ii) the ability to obtain funding through equity issues as required.

The Company is currently conducting a program at its Project using existing funds from previous equity capital raisings. The Directors recognise that the Company will need to raise additional finance at the appropriate time to fund planned discretionary exploration activities, most notably the mining lease. The Directors are currently assessing a range of options to meet this funding requirement.

The Directors recognise the above factors create uncertainty as to the Company's ability to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. However, by taking into account the points noted above, the Directors are confident the Company has adequate resources to continue in operational existence for the foreseeable future.

Should the Company not achieve the matters set out above, there is uncertainty whether the Company would continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include adjustments relating to the recoverability or classification of the recorded assets amounts nor to the amounts or classification of liabilities that might be necessary should the Company not be able to continue as a going concern.

Note 3: Segment Information

The directors have considered the requirement of AASB 8 Operating Segments and the internal reports that are reviewed by the Board in allocating resources and have concluded that at this time there are no separately identifiable segments.

ELSMORE RESOURCES LIMITED ABN 35 145 701 033
AND CONTROLLED ENTITY
Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2014

	Consolidated 31.12.2014 \$	Consolidated 31.12.2013 \$
Note 4: Revenue		
Other income - interest	-	5,000
	-	5,000

Note 5: Loss

Profit (loss) from ordinary activities before
income tax has been determined after:

Charging as Expenses:

Depreciation of non-current assets	44,191	1,755
Legal fees	244,485	168,543
	288,676	170,298
	Consolidated 31.12.2014 \$	Consolidated 30.06.2014 \$

Note 6: Cash and Cash Equivalents

Bank account	11,543	2,924
Cash on hand	7,662	7,662
	19,205	10,586

Note 7: Trade and other receivables

Other receivables	75,146	28,682
GST receivables	10,332	24,070
	85,478	52,752

Other receivables include \$40,000 security for costs in connection with a legal proceedings for the recovery of IPO proceeds.

Other receivables also include an amount of \$31,746 due from Mr Kerridge representing payments made by the Company on his behalf.

ELSMORE RESOURCES LIMITED ABN 35 145 701 033
AND CONTROLLED ENTITY
Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2014

	Consolidated 31.12.2014 \$	Consolidated 30.06.2014 \$
Note 8: Other assets		
Performance bonds & licence application	72,525	40,000
Tenements acquired		
- third parties	445,752	110,000
- related parties	289,313	189,313
Other exploration assets	123,885	123,885
Formation cost	4,583	4,583
	<u>936,058</u>	<u>467,781</u>

Note 9: Trade and other payables

CURRENT

Unsecured liabilities		
Trade payable	283,138	179,102
Sundry payable	-	-
Amount due to related parties	105,000	255,000
Amount due to director, Joseph Chung	1,130,945	570,002
	<u>1,519,083</u>	<u>1,004,104</u>
Less: Amount due to director, Joseph Chung reclassified as non-current (Note 14)	<u>(1,130,945)</u>	<u>-</u>
	<u>388,138</u>	<u>1,004,104</u>

NON-CURRENT

Amount due to director, Joseph Chung	<u>1,130,945</u>	<u>-</u>
--------------------------------------	------------------	----------

Joseph Chung undertook not to demand the Company for repayment of the amount injected for the Company's working capital requirement and has entered into a Deed of Variation with the Company after year ended 31 December 2014.

Conditions for repayment of the amount due to him are set out in Note 14 e.

ELSMORE RESOURCES LIMITED ABN 35 145 701 033
AND CONTROLLED ENTITY
Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2014

Note 10: Issued capital

	Consolidated 31.12.2014 \$	Consolidated 30.06.2014 \$
(a) Issued and paid up capital:		
Fully paid ordinary shares	<u>5,945,868</u>	<u>5,945,868</u>
(b) Movements in issued capital during the period were as follows:		
	Number	\$
Issued and paid up capital: 31 December 2014	96,745,630	5,945,868
Ordinary shares		
Opening balance at 1 July 2014	<u>96,745,630</u>	<u>5,945,868</u>
Total shares on issue at 31 December 2014	<u>96,745,630</u>	<u>5,945,868</u>

Issued capital as at 31 December 2014 amounted to \$5,945,868 (96,745,630 ordinary shares). There were no movements in the issued capital of the Company in the current half-year.

Note 11: Dividends

No dividends were paid or declared payable during or since the half-year.

Note 12: Contingent Liabilities

The Company has received a claim from Warwick Kerridge for consulting work over the past 2 years. The Company disputes any amount to Mr Kerridge and intends to pursue the recoverability of amounts (\$31,746) due by Mr Kerridge included in Other Receivables (\$75,146) as set out in Note 7.

ELSMORE RESOURCES LIMITED ABN 35 145 701 033
AND CONTROLLED ENTITY
Notes to the consolidated financial statements
For the year ended 31 December 2014

Note 13: Fair value measurement

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follow, and based on the lowest level input that is significant to the fair value measurements as a whole:

Level 1 – Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities.

Level 2 – Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly observable).

Level 3 – Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable).

The following table represents a comparison between the carrying amounts and fair values of assets and liabilities:

		As at 31 December 2014		As at 30 June 2014	
	Level	Carrying amount	Fair value	Carrying amount	Fair value
		\$	\$	\$	\$
Assets					
Cash & cash equivalents	1	19,205	19,205	10,586	10,586
Trade & other receivables	1	85,478	85,478	52,752	52,752
Other assets	1	936,058	936,058	933,533	933,533
Liabilities					
Trade & other payables	1	1,519,083	1,519,083	1,004,104	1,004,104

The assets and liabilities of the Company are recognised in the consolidated statements of financial position in accordance with the accounting policies set out in Note 1 of the Annual Report.

The Company considers that the carrying amount of assets and liabilities recognised in the consolidated financial statements approximate to their fair value.

Note 14: Events after the End of the Interim Period

Other than as set out below and disclosed in the Company's 2014 Annual Report dated 29th January 2015, the directors are not aware of any significant events since the end of the reporting period.

a. IPO Litigation

Further to previous announcements, the Company advises that enforcement action continues in relation to the judgment for \$1,859,035.00 plus interest obtained on 12 May 2014 against Mr Ashley Howard, Periwinkle Investments Pty Ltd and HF Global Corporate Financial Solutions Pty Ltd.

The Company advises that numerous attempts were made to reach agreement on an acceptable payment plan with Mr Howard and HF Global Corporate Financial Solutions Pty Ltd but that as a result of separate proceedings against him, Mr Howard was formally declared bankrupt on 11 September 2014. The Company will continue to liaise with the appointed Trustees to ensure that the judgment against Mr Howard in favour of the Company is appropriately accounted for. Further, the Company will assist the Trustees to ensure that, so far as is possible, Mr Howard's incomes and assets are identified and brought to account for distribution to Mr Howard's various creditors.

Investors will recall from previous announcements that the Company was also pursuing an application for summary judgment against Mr Harry Fung. That application was heard on 14 July 2014 and judgment dismissing the application was delivered on 18 July 2014.

Following this, Mr Fung was successful in an Application for Security for Costs. In that judgment, which was handed down by the Honourable Justice Black on 8 September 2014, the Company was ordered to provide \$80,000.00 as security for Mr Fung's costs in two equal tranches as follows:

1. \$40,000.00 is to be provided by Monday 6 October 2014; and
2. \$40,000.00 is to be provided no later than 21 days prior to the date allocated for the commencement of the final hearing.

The Company was unable to provide the first tranche of Security for Costs by 6 October 2014. As a consequence, Mr Fung filed a Notice of Motion on 13 November 2014 seeking the dismissal of the Company's claim against him.

On 28 November 2014, however, the Honourable Justice Robb ordered that Mr Fung's Notice of Motion be stood over until 16 December 2014 so as to allow the Company more time to provide the first tranche of security for Mr Fung's costs.

The Company confirms that it has now provided the first tranche of security for costs and that this matter is next listed for directions on 11 May 2014 in the Supreme Court of NSW.

The Directors note that if the Court eventually finds in favour of the Company against Mr Fung, the two bank guarantees provided by the Company as security for Mr Fung's costs will most likely be returned to the Company in full.

b. Issue of unauthorised shares by Mr Ashley Howard

As outlined in the Company's announcement dated 31 July 2014, Mr Ashley Howard (the former Chairperson of the Company) purported to direct the Company's share registry to issue 19,385,230 additional fully paid shares in the Company between 21 January 2014 and 20 February 2014 without proper authorisation.

ELSMORE RESOURCES LIMITED ABN 35 145 701 033 AND CONTROLLED ENTITY
Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2014

To date, the Company has not received any payment or other form of consideration from any of the holders of these unauthorised shares. Further, the issue of these shares exceeded the maximum number of shares that the Company was entitled to issue without obtaining Board and shareholder approval.

Following an in-depth investigation, the Company has confirmed the identity of the majority of the holders of the unauthorised shares and the number of shares held by each.

After discussions with certain holders of the unauthorised shares, it was agreed that the unauthorised shares should be cancelled by way of a selective capital reduction pursuant to the relevant provisions of Part 2J.1 of the *Corporations Act 2001* (Cth). As no consideration was received by the Company for the unauthorised shares, the Company proposes to effect the selective capital reduction for no consideration.

In the opinion of the Directors, the proposed selective capital reduction is fair and reasonable to the Company's shareholders as a whole as:

- (i) Mr Howard did not at any time have authority to order the Company's share registry to issue the unauthorised shares and did not seek Board or shareholder approval for the relevant share allotments;
- (ii) no consideration for the 19,385,230 unauthorised shares was ever received by the Company from the holders of the unauthorised shares and it is therefore inappropriate that they remain unpaid and on issue; and
- (iii) the Company's share capital has been substantially diluted, namely, by the addition of the 19,385,230 unauthorised shares.

In addition, the Directors consider that the proposed selective capital reduction will not materially prejudice the Company's ability to pay its creditors as the unauthorised shares will be cancelled for no consideration. The Directors also note that the cancellation of the unauthorised shares and the resulting correction of the Company's share register are essential steps in the Company's plan to return to trading as soon as possible.

Finally, in accordance with Section 256C(2) of the *Corporations Act 2001* (Cth), the Directors note that the proposed selective capital reduction was subject to:

- (i) a special resolution being passed at a Class Meeting of the holders of the unauthorised shares; and
- (ii) a special resolution being passed at a General Meeting by the Company's ordinary shareholders, not including the holders of the unauthorised shares.

The Company is pleased to advise that at both the Class Meeting and the General Meeting (which were held on 23 January 2015 at 9:00am and 10:00am respectively, each of the required special resolutions were passed. As a consequence, the Company filed a notice with ASIC to cancel 19,385,230 shares, the effective date of which will be 9 February 2015.

c. Claim against Elsmore Resources Ltd and Mr Joseph Chung by Mr Domenico Minniti

As announced on 21 July 2014, proceedings were commenced against the Company on 1 July 2014 in the Federal Court of Australia, styled 'Domenico Minniti v Elsmore Resources Limited & Tong Hong Chung' with proceedings number WAD191/2014.

The claim alleges various contraventions of the *Corporations Act 2001* (Cth), the *Australian Securities and Investments Commissions Act 2001* (Cth), and the *Competition and Consumer Act 2010* (Cth) said to arise from the reversal of a transfer of shares in the Company to Mr Minniti in or around November 2013.

Damages in respect of the alleged contraventions are claimed at large, but include a particularised claim for \$1,212,345.

The Company has reviewed the claim and confirms that it will defend the proceeding. The Company served a Defence on 1 September 2014 and has cross-claimed against the Applicant, Domenico Minniti,

ELSMORE RESOURCES LIMITED ABN 35 145 701 033 AND CONTROLLED ENTITY
Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2014

in respect of the relevant share transfers. In its cross-claim, the Company is primarily seeking declaratory relief and costs.

A directions hearing for this matter was held on 20 November 2014 and a further directions hearing is scheduled for 5 February 2015 at 10:45am.

d. Amendment to Asset Sale Agreement with Torian Resources Ltd

As announced on 19 August 2014, the Company agreed to vary the terms of the Asset Sale Agreement ("the Agreement") between it and Torian Resources Ltd ("Torian") for the sale of the Mining Leases ("MLs") at Copeton, NSW and Emerald, QLD.

The parties agreed to vary the terms of the Agreement due to ongoing delays in the transfer of the MLs to the Company.

The variation will enable Torian to sell the MLs at Copeton, NSW to a third party, while the 1,428,760 shares issued to Torian on 13 January 2014 will be retained as consideration for the purchase by the Company of the MLs in Emerald, QLD.

e. Deed of Variation with Joseph Chung

The Company and its subsidiary, Auramatrix have entered into a Deed of Variation on 2 April 2015 with Joseph Chung in respect of amounts due to him (\$1,130,955 at balance date) in respect of working capital support and interest of 15% p.a. over the past 2 years. The Deed provides for

- (i) Subject to Clause (iii) below, the debt to be deferred for repayment until 30 days after the Company achieves re-quotation of its shares on ASX.
- (ii) An election by Mr Chung at any time to convert part or all of its debt to equity at a price equivalent to 80% of any fund raising carried out by the Company prior to re-quotation.
- (iii) Mr Chung has also agreed to provide funding for the payment of legal fees (approximately \$250,000 at balance date, included in Trade Creditors) to the Company's Solicitors in relation to litigation costs already incurred as well as the payment of other creditors as agreed with the Company from time to time. This obligation will cease in the event the Company receives a substantial equity injection (new capital in excess of \$250,000).
- (iv) The Company has agreed to a floating Charge over its assets to secure the funding by Mr Chung.

Both matters recited in items (ii) and (iv) above are subject to shareholder approval and the Company is required to take all steps necessary to secure shareholder approval.

Note 15: Company information

The principal place of business of the Company is:

Suite 141, 243 Pyrmont Street,
Pyrmont NSW 2009

**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF
ELSMORE RESOURCES LIMITED A.B.N. 35 145 701 033
AND CONTROLLED ENTITIES**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year consolidated financial report of Elsmore Resources Limited and controlled entities (the consolidated entity) which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the half-year ended on that date, the accounting policies and other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-year Financial Report

The Directors of Elsmore Resources Limited (the company) are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

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 an Interim 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 Elsmore Resources Limited and controlled entities, 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 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.

Matters Relating to the Electronic Presentation of the Audited Financial Report

This review report relates to the financial report of the consolidated entity for the half-year ended 31 December 2014 included on the website of Elsmore Resources Limited. The directors of the company are responsible for the integrity of the website and we have not been engaged to report on its integrity. This review report refers only to the half-year financial report identified above and it does not provide an opinion on any other information which may have been hyperlinked to or from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on the company's website.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the Corporations Act, provided to the directors of Elsmore Resources Limited and controlled entities would be in the same terms if provided to the directors as at the date of this auditor's review report.

Conclusions

Emphasis of matter continuing as a going concern

Without qualifying our opinion, we draw attention to Note 2: Going concern in the financial report. The group incurred a net loss of \$513,904 during the period ended 31 December 2014 and as of that date the group had current assets of \$104,683 and current liabilities of \$388,138. These conditions indicate the existence of a material uncertainty which may cast doubt on the groups ability to continue as a going concern.

Based on our review, which is not an audit, we have not become aware of any matter other than as noted above that makes us believe that the half-year financial report of Elsmore Resources Limited and controlled entities 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 of its performance for the half-year ended on that date; and
- complying with AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

K.S. Black & Co
Chartered Accountants



Sam Danieli
Partner

Sydney, 27 April 2015

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF ELSMORE RESOURCES LIMITED**

I declare that, to the best of my knowledge and belief during the half-year ended 31 December, 2014 there have been:

- (a) No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (b) No contraventions of any applicable code of professional conduct in relation to the review.

**K.S. Black & Co
Chartered Accountants**



**Sam Danieli
Partner**

Sydney, 27 April 2015