

Phillips River Mining Limited
ABN 61 004 287 790

Half-Year Financial Report
for the half year ended
31 December 2013

Corporate Directory

Directors

Paul Chapman	Non-Executive Chairman
Les Davis	Non-Executive Director
Chris Banasik	Non-Executive Director
David Griffiths	Non-Executive Director
Peter Johnston	Non-Executive Director
Brian Kennedy	Non-Executive Director

Company Secretary

Peter Armstrong

Principal Office

Suite 4, Level 3, South Shore Centre
85 South Perth Esplanade
South Perth WA 6151
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Fax: +61 8 6313 3888
Email: info@phillipsriver.com.au

Registered Office

Suite 4, Level 3, South Shore Centre
85 South Perth Esplanade
South Perth WA 6151

Solicitors

Allion Legal
Level 2, 50 Kings Park Road
West Perth WA 6005

Share Register

Advanced Share Registry Services Ltd
150 Stirling Highway
Nedlands WA 6009

Auditors

Deloitte Touche Tohmatsu
Level 14, Woodside Plaza
240 St Georges Terrace
Perth WA 6000

Internet Address

www.phillipsriver.com.au

ASX Code: PRH

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Directors' Report

The Directors present their report on the consolidated entity consisting of Phillips River Mining Limited ("Phillips River" or "the Company") and the entities it controlled at the end of, or during the period ended 31 December 2013 ("the Group").

Directors

The names of the Company's Directors in office during the period and until the date of this report are detailed below. The Directors were in office for the entire period unless otherwise stated.

Paul Chapman	Non-Executive Chairman	Appointed 3 July 2012
Les Davis	Non-Executive Director	Appointed 3 July 2012
Chris Banasik	Non-Executive Director	Appointed 3 July 2012
David Griffiths	Non-Executive Director	Appointed 3 July 2012
Peter Johnston	Non-Executive Director	Appointed 3 July 2012
Brian Kennedy	Non-Executive Director	Appointed 3 July 2012

Review of Operations

During the period, the Company focused on the merger implementation agreement ("Merger Agreement") to acquire all of the issued shares of Afranex Gold Ltd. ("Afranex"), an unlisted public company which had entered into conditional agreements with a number of vendors to acquire a strategic portfolio of highly prospective gold exploration projects within the world-class Tintina Gold Belt, in south west Alaska, USA.

The deadline for completion of the Merger Agreement was 31 January 2014. During the period, the Company worked to meet all conditions prior to this date, most notably the requirement for the Company to raise a minimum of \$4,000,000 at \$0.20 per share. Given challenging market conditions, this equity raising was not achieved by the deadline date.

During the period the Company had no exploration expenditure and cancelled 154,809 options which had lapsed.

Financial Result

The profit of the Group for the half-year ended 31 December 2013, after providing for income tax amounted to \$2,446 (31 December 2012: loss of \$5,841,342).

At the end of the period the Group had \$48,055 in cash (30 June 2013: \$7,601) and nil cash deposits (30 June 2013: \$427,228).

Significant Changes in the State of Affairs

Other than noted in the Review of Operations, Events Subsequent to Reporting Date and Going Concern notes (refer Note 2.3 of the Financial Statements), there are no other material future developments of the Company to be disclosed.

Events Subsequent to Reporting Date

The Merger Agreement with Afranex included the requirement to raise \$4,000,000 of capital by 31 January 2014. However, due to market conditions this raising was not achieved and the Merger Agreement was terminated by mutual agreement between the parties on 31 January 2014.

Directors' Report

On 12 March 2014, Silver Lake Resources Limited signed an agreement to sell all of its shares in the Company to Kiwanda Group LLC ("Kiwanda"). Kiwanda is a US incorporated mining investment company with interests in a number of coal and phosphate rock projects in South America. Completion of the sale is expected to occur on 19 March 2014.

The Directors understand that following Completion, Kiwanda's intention is to transfer some or all of its South American mining interests (including the phosphate rock projects in Chile), for due consideration, into the Consolidated Entity. This will then place the Company in a position to raise additional capital (subject to compliance with the Corporations Act and Chapters 1 & 2 of the ASX Listing Rules) to fund the further development of those projects for the benefit of the Company and its shareholders.

Auditor's Independence

Section 307C of the Corporations Act 2001 requires Phillips River's auditors, Deloitte Touche Tohmatsu, to provide the Directors of Phillips River with an Independence Declaration in relation to the audit of the financial report for the half-year ended 31 December 2013. This Independence Declaration is included on page 6 of the Directors' Report and forms a part of the Directors' Report.

Signed in accordance with a resolution of the directors made pursuant to s.306(3) of the *Corporations Act 2001*.

On behalf of the Directors



.....
Paul Chapman
Non-Executive Chairman
14 March 2014

Auditor's Independence declaration

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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The Board of Directors
Phillips River Mining Limited
Suite 4, Level 3, South Shore Centre
85 South Perth Esplanade
SOUTH PERTH WA 6151

14 March 2014

Dear Board Members

Phillips River Mining Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Phillips River Mining Limited.

As lead partner for the review of the financial statements of Phillips River Mining Limited for the half year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Chris Nicoloff
Partner
Chartered Accountants

Review Report



Deloitte Touche Tohmatsu
ABN 74 480 121 060

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Independent Auditor's Review Report to the Members of Phillips River Mining Limited

We have reviewed the accompanying half-year financial report of Phillips River Mining Limited, 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, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 9 to 16.

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 control 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 Phillips River Mining Limited'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 *Corporations Regulations 2001*. As the auditor of Phillips River Mining 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.

Auditor's Independence Declaration

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 2001*, which has been given to the directors of Phillips River Mining Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

Review Report

Deloitte

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 Phillips River Mining 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*.

Material Uncertainty Regarding Continuation as a Going Concern

Without modifying our conclusion, we draw attention to Note 2 in the financial report which indicates that the consolidated entity had cash outflows from operating activities of \$1,774 for the half-year ended 31 December 2013 and had cash and cash equivalents of \$48,055 at reporting date. These conditions, along with other matters as set forth in Note 2, 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.



DELOITTE TOUCHE TOHMATSU



Chris Nicoloff
Partner
Chartered Accountants
Perth, 14 March 2014

Directors' Declaration

The directors declare that:

- a) 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; and
- b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

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

On behalf of the Directors



Paul Chapman
Non-Executive Chairman
14 March 2014

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2013

	Note	31 Dec 13 \$	31 Dec 12 \$
Continuing Operations			
Other income	4	75,583	-
Employee benefits expense		-	(135,617)
Change in fair value of Silver Lake shares		-	(732,118)
Other expenses		(82,856)	(1,206,418)
Finance income		9,719	9,622
Finance expenses		-	(8,018)
Profit/(Loss) before income tax expense		2,446	(2,072,549)
Income tax expense		-	(3,768,793)
Profit/(Loss) for the period		2,446	(5,841,342)
Other comprehensive income, net of income tax		-	-
Total comprehensive income for the period		2,446	(5,841,342)
Profit/(Loss) attributable to:			
Owners of the Company		2,446	(5,841,342)
Total comprehensive income attributable to:			
Owners of the Company		2,446	(5,841,342)
Profit/(Loss) per share			
From continuing and discontinued operations			
Basic (cents per share)		0.08	(7.47)
Diluted (cents per share)		0.08	(7.47)
From continuing operations			
Basic (cents per share)		0.08	(7.47)
Diluted (cents per share)		0.08	(7.47)

The accompanying notes are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position

As at 31 December 2013

	Note	31 Dec 13 \$	30 June 13 \$
Assets			
Current assets			
Cash and cash equivalents		48,055	7,601
Trade and other receivables		3,042	3,250
Prepayments & other assets		-	427,228
Total current assets		51,097	438,079
Total assets		51,097	438,079
Liabilities			
Current liabilities			
Trade and other payables		20,686	25,114
Interest-bearing loans and borrowings	5	-	385,000
Total current liabilities		20,686	410,114
Total liabilities		20,686	410,114
Net assets		30,411	27,965
Equity			
Issued capital	6	58,593,923	58,593,923
Reserves		1,206,080	1,206,080
Accumulated losses		(59,769,592)	(59,772,038)
Total equity		30,411	27,965

The accompanying notes are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2013

	Issued capital \$	Asset revaluation reserve \$	Options reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2013	58,593,923	-	1,206,080	(59,772,038)	27,965
Profit for the period	-	-	-	2,446	2,446
Other comprehensive income, net of income tax	-	-	-	-	-
Total comprehensive income for the period	-	-	-	2,446	2,446
Balance at 31 Dec 2013	58,593,923	-	1,206,080	(59,769,592)	30,411
Balance at 1 July 2012	56,840,749	1,068,044	1,206,080	(40,579,147)	18,535,726
Loss for the period	-	-	-	(5,841,342)	(5,841,342)
Other comprehensive income, net of income tax	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(5,841,342)	(5,841,342)
Transfer to accumulated losses	-	(1,068,044)	-	1,068,044	-
Dividend paid	-	-	-	(14,380,882)	(14,380,882)
Shares issued	1,753,174	-	-	-	1,753,174
Balance at 31 Dec 2012	58,593,923	-	1,206,080	(59,733,327)	66,676

The accompanying notes are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

For the half-year ended 31 December 2013

	31 Dec 13	31 Dec 12
	\$	\$
Cash flows from operating activities		
Cash payments to suppliers and employees	(11,493)	(1,541,697)
Interest received	9,719	9,622
Interest paid	-	(8,018)
Net cash used in operating activities	(1,774)	(1,540,093)
Cash flows from investing activities		
Proceeds on release of security bond	427,228	-
Increase in rent security bond	-	(4,681)
Payments for exploration and evaluation expenditure	-	(20,000)
Net cash generated from/(used) in investing activities	427,228	(24,681)
Cash flows from financing activities		
Net proceeds from the issue of shares	-	1,753,174
Repayment of hire purchase liabilities	-	(103,957)
Repayment of insurance premium funding	-	(33,344)
Repayment of borrowings	(385,000)	-
Net cash generated from/(used in) financing activities	(385,000)	1,615,873
Net increase in cash and cash equivalents	40,454	17,348
Cash and cash equivalents at 1 July	7,601	33,751
Cash and cash equivalents at 31 December	48,055	51,099

The accompanying notes are an integral part of these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

1. Reporting entity

Phillips River Mining Limited (the 'Company') is a company domiciled in Australia. The Company's registered office address is Suite 4, Level 3, South Shore Centre, 85 South Perth Esplanade, South Perth, WA. The condensed consolidated financial statements of the Company as at and for the half-year ended 31 December 2013 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities').

2. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated financial statements, and have been applied consistently by Group entities.

2.1 Statement of compliance

These half-year financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year financial statements do not include notes of the type normally included in an annual report and should be read in conjunction with the most recent annual financial statements as at 30 June 2013.

The financial statements were authorised for issue by the Directors on 14 March 2014.

2.2 Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in 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, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

A number of new and revised accounting standard requirements became mandatory for the first time for the half year period ended 31 December 2013.

- AASB 10: *Consolidated Financial Statements*;
- AASB 127: *Separate Financial Statements* (August 2011);
- AASB: 11 *Joint Arrangements*;
- AASB 128: *Investments in Associates and Joint Ventures* (August 2011);
- AASB 12: *Disclosure of Interests in Other Entities*;
- AASB 2011-7: *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*; and
- AASB 2012-10: *Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments*.
- AASB 13 *Fair Value Measurement*; and
- AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*

These Standards became mandatorily applicable from 1 January 2013 and became applicable to the Group for the first time in the current half-year reporting period 1 July 2013 to 31 December 2013. The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current reporting period.

The adoption of all new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has had no effect on the amounts reported for the current or prior periods. The new and revised Standards and Interpretations have not had a material impact and not resulted in changes in the Group's presentation of, or disclosure in, its half-year financial statements.

Notes to the Condensed Consolidated Financial Statements

2.3 Going concern

The half year financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

For the period ended 31 December 2013 the Consolidated Entity recorded a profit of \$2,446 (31 December 2012: loss of \$5,841,342) and had net cash outflows from operating activities of \$1,774 (31 December 2012: \$1,540,093). As at 14 March 2014, the Consolidated Entity has \$41,025 in cash and payables of \$22,306. The Company's activity has reduced significantly since the disposal of the Great Southern project assets in previous periods.

The Directors have prepared a cash flow forecast for the period ending 31 March 2015. Based on the cash balance at the date of this report, the cash flow forecast indicates that the Consolidated Entity will only have sufficient cash resources (based on incurring only nominal cash outflows relating to corporate administrative costs) to continue to pay its debts to 30 June 2014. Therefore to continue as a going concern the Consolidated Entity requires the raising of additional equity prior to 30 June 2014.

On 12 March 2014, Silver Lake Resources Limited signed an agreement to sell all of its shares in the Company to Kiwanda Group LLC ("Kiwanda"). Kiwanda is a US incorporated mining investment company with interests in a number of coal and phosphate rock projects in South America. Completion of the sale is expected to occur on 19 March 2014.

The Directors understand that following Completion, Kiwanda's intention is to transfer some or all of its South American mining interests (including the phosphate rock projects in Chile), for due consideration, into the Consolidated Entity. This will then place the Company in a position to raise additional capital (subject to compliance with the Corporations Act and Chapters 1 & 2 of the ASX Listing Rules) to fund the further development of those projects for the benefit of the Company and its shareholders.

The ability of the Consolidated Entity to continue operating as a going concern is principally dependent upon the ability of the Consolidated Entity to secure the new project and the recapitalisation of the Company via a capital raising prior to 30 June 2014. In the event that the Consolidated Entity is unable to achieve the above, the Company will need to raise at least \$100,000 by 30 June 2014 to fund its continuing operations.

Should the Consolidated Entity not be successful in achieving the matters above, there is a material uncertainty whether the Consolidated Entity will be able to continue as a going concern and realise its assets and extinguish its liabilities in the normal course of business.

The half year financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the Consolidated Entity not continue as a going concern.

3. Segment information

AASB 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

The Company's results and financial position are reported to the chief operating decision maker on a single segment basis being mineral exploration in Western Australia.

4. Other income

	31 Dec 2013	31 Dec 2012
	\$	\$
Debt forgiveness from Silver Lake Resources Limited	65,000	-
FBT refund	10,332	-
Other	251	-
	75,583	-

Notes to the Condensed Consolidated Financial Statements

5. Interest-bearing loans and borrowings

	31 Dec 2013	30 June 2013
	\$	\$
Current		
Loan from Silver Lake Resources Limited	-	385,000
	-	385,000

The loan from Silver Lake Resources Limited relates to the funds drawn down under the Convertible Note facility and was repaid during the period.

6. Issued capital

	31 Dec 2013		30 June 2013	
	Number	\$	Number	\$
Issued and paid up capital	3,205,339	58,593,923	3,205,339	58,593,923

Fully paid ordinary shares carry one vote per share and carry a right to dividends.

As at 31 December the Company had the following outstanding options:

Options	31 Dec 2013		30 June 2013	
	Number	Expiry	Number	Expiry
Unissued ordinary shares exercisable at \$16.00	45,000	30 Nov 14	45,000	30 Nov 14
Unissued ordinary shares exercisable at \$15.88	5,000	18 Dec 14	5,000	18 Dec 14
Unissued ordinary shares exercisable at \$12.98	-	-	22,500	29 Dec 13
Unissued ordinary shares exercisable at \$15.00	-	-	20,000	30 Dec 13
Unissued ordinary shares exercisable at \$15.00	-	-	97,309	30 Dec 13
Unissued ordinary shares exercisable at \$30.00	10,000	27 Feb 14	10,000	27 Feb 14
Unissued ordinary shares exercisable at \$20.00	-	-	10,000	28 Aug 13
Unissued ordinary shares exercisable at \$20.00	-	-	5,000	28 Aug 13
On issue at end of financial year	<u>60,000</u>		<u>214,809</u>	

7. Financial risk management and financial instruments

The Group's financial risk management objectives and policies are consistent with that disclosed in the condensed consolidated financial report as at and for the year ended 30 June 2013. The Group's financial instruments consist of those which are measured at amortised cost including trade and other receivables, and trade and other payables. The carrying amounts of these financial assets and liabilities approximate fair value. The Consolidated Entity does not hold any financial instruments which are measured at fair value.

8. Related party transactions

The Group's related party arrangements are consistent with those disclosed in the condensed consolidated financial report as at and for the year ended 30 June 2013.

9. Contingent assets or liabilities

The Directors are of the opinion that there are no contingent assets or liabilities which may have a material effect on the Group's financial position.

10. Events subsequent to reporting date

Refer to Events Subsequent to Reporting Date as disclosed in the Directors' Report.