WESTERN DESERT

RESOURCES

ACN 122 301 848

ROPER RED Fe

TOTALLY TERRITORY

Half Year Report
For the Half Year Ended 31 December 2013

Current Reporting Period:	Half Year Ended 31 December 2013
Previous Corresponding Period:	Half Year Ended 31 December 2012

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TOTALLY TERRITORY

Corporate Directory

Office Holders:
Richard Hugh Allert, AO *(Chairman)*
Norman Wayne Gardner *(Managing Director)*
Graham John Bubner *(Executive Director/Company Secretary(appointed 3/12/13))*
Phillip Clive Lockyer *(Non Executive Director)*
Scott Douglas Perrin *(Non Executive Director)*
Bruce Lawrence Mathieson (*Non Executive Director*) *(appointed 2/12/13)*
Michael Kevin Ashton *(Non Executive Director) (resigned 6/11/13))*

Registered Office:
Tenancy 2, Terminal One Building, 396 Stuart Highway,
Winnellie, NT, 0820

Tel: 08 8995 6900
Fax: 08 8918 8033
Email: *info@westerndesertresources.com.au*
Web: www.westerndesertresources.com.au

Share Registrar:
Computershare Investor Services Pty Ltd
Level 5, 115 Grenfell Street,
ADELAIDE SA 5000
(GPO Box 1903 ADELAIDE SA 5001)
Tel: 1300 85 05 05

Auditor:
Deloitte Touche Tohmatsu
11 Waymouth Street,
Adelaide, S.A. 5000

Solicitors to the Company:
Watsons Lawyers,
Ground Floor,
60 Hindmarsh Square,
Adelaide, S.A. 5000

Director's Report

The directors of Western Desert Resources Limited ("WDR") present the interim financial report of WDR and its subsidiaries for the half-year ended 31 December 2013. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors:

The names of the directors of the Company during or since the end of the half year are:

Richard Hugh Allert, AO
Non-executive Director and Chairman

Norman Wayne Gardner
Managing Director

Graham John Bubner
Executive Director/Company Secretary (appointed 3/12/13)

Michael Kevin Ashton
Non-executive Director *(resigned 6/11/13)*

Phillip Clive Lockyer
Non-executive Director

Scott Douglas Perrin
Non-executive Director

Bruce Lawrence Mathieson
Non-executive Director (appointed 2/12/13)

The above named directors held office during and since the end of the half year.

Company Secretary:

Graham John Bubner

Operating Results

The net result of operations for the half-year was a loss of $4,722,650 (2012: Loss of $3,153,007).

Review of Operations for the 6 months ended 31 December 2013

The Consolidated Entity's principal focus is the development of the iron ore project at Roper Bar in Northern Territory.

The 6 month period to 31st December 2013 saw important milestones being achieved with our flagship project, the Roper Bar Iron Ore project. Whilst the company has continued to release project progress reports to the market a summary of the key achievements over the past 6 months are:

Director's Report (cont'd)

Roper Bar Iron Ore Project

- In late November, the mobile crushing plant was commissioned and began crushing a blend of ore. The average lump to fines ratio in the oxide ore was 60:40 as expected and management are working to improve this ratio.
- The completion of construction works on WDR's mine site, haul road, stockyard and loading facility, together with the commencement of shipping operations represented a landmark event in the Company's history as it transitioned to its new capacity as an Iron Ore Miner.
- Mining operations commenced in September 2013 and are expected to ramp up with the appointment of Thiess as mining services contractor in January 2014.
- First exported shipment achieved 60.5% Fe lump.
- Grade control drilling and mining revealed better than predicted tonnes and grade. December quarter tonnes mined demonstrated significant uplift in volumes compared to original resource model and grade control model data.
- Agreement signed to appoint Noble Resources International Pte Ltd as Off-take partner to purchase all iron ore for up to 5 years.
- Road haulage takes place via a privately owned and operated 165km sealed haul road to the Bing Bong loading facility, where ore is stockpiled in one of six cells for loading via conveyor into barges, which then deliver the ore to ships anchored in the Gulf of Carpentaria.
- Commissioning of other site infrastructure was completed during the quarter, including the mining camp (Sawfish Camp) and the Bureau Veritas on-site laboratory.
- Summary production information for Western Desert Resources wholly owned Roper Bar iron ore operation in the Northern Territory is provided in Tables 1 and 2.

Table 1: Production

	Dec Quarter 2013 (wmt)	Sep Quarter 2013 (wmt)	Variance (Q-Q) %
Ore Mined	338,111	10,000	97%
Ore Crushed	121,325	0	100%
Ore Hauled	62,226	0	100%
Ore Shipped*	24,134	0	100%
Waste and Low Grade Mined	2,776,819	511,667	82%

*Represents tonnes loaded on the ship as at 31 December 2013.

Director's Report (cont'd)

Table 2: Stockpile Inventory

	Dec Quarter 2013 (wmt)	Sep Quarter 2013 (wmt)	Variance (Q-Q) %
ROM[1] Precrusher	173,742	0	100%
ROM[1] Crushed	59,099	0	100%
Low Grade	512,055	0	100%
Bing Bong Loadout	38,092	0	100%

Note 1: ROM = Run-of-Mine

Mining activities began ramping up during the December quarter with the extraction of near surface oxide ore and waste stripping at both the Danehill (previously F-East) and Zabeel (previously E-East) pits. A total of 338,111 wet metric tonnes (wmt) of direct shipping ore and blendable direct shipping ore were mined. By the end of the quarter the tender and due diligence process was well advanced for the award of WDR's mining, load, haul and dump services contract, which was subsequently awarded to Thiess Pty Ltd on 13rd January 2014.

In late November, the mobile crushing plant was commissioned and began crushing a blend of ore. The average lump to fines ratio in the oxide ore was 60:40 as expected and management are confident of improving this ratio.

Further grade control drilling at the Roper Bar Iron Ore mine has continued to reveal higher Fe grades and increased thicknesses of DSO grade material than predicted from pre-mining block models.

Thicker and higher DSO grade was previously reported for the Danehill Pit (within Area F East) during the September quarter. During the December quarter, results from grade control drilling at the Zabeel Pit (within Area E East) demonstrate similar positive results indicating a 9% relative increase in DSO grade from the initial mining area.

In addition to the above grade control drilling results, WDR are pleased to advise an uplift in tonnages mined to date compared with original resource model and grade control model data.

Road haulage takes place via a privately owned and operated 165km sealed haul road to the Bing Bong loading facility, where ore is stockpiled in one of six cells for loading via conveyor into barges, which then deliver the ore to ships anchored in the Gulf of Carpentaria. Construction and commissioning of the loadout facility and haul road was completed during the quarter and product hauled totalled 62,226t.

Commissioning of other site infrastructure was completed during the quarter, including the mining camp (Sawfish Camp) and the Bureau Veritas on-site laboratory.

Director's Report (cont'd)

Non-Roper Bar Projects:

Mountain Creek Iron Ore Project

- The Mountain Creek Project is a large area of exploration tenure immediately adjacent to the Roper Bar Iron Ore Project. It consists of EL27143 and EL25688, which are now both 100% owned by WDR.
- WDR has completed a program of 3958m RC and 35.1m core drilling into the outcropping Sherwin Iron Formation on EL25688. Assay results are not all available, however preliminary best intersections include TIRC101 (9-10m) @ 59.5% Fe and TIRC115 (0-1m) @ 59.0% Fe. Drilling has focussed on extending the existing mineralisation at the Pumbaa target, as well as testing new prospects. A resource estimation will follow once all data validation and interpretation is completed.

Spring Hill gold

- The Spring Hill Project is a joint venture held with Thor Mining PLC ("Thor"), on the site of an historical gold mine in the Pine Creek Goldfield, 150 kilometres south of Darwin. The tenement package comprises an 1100 hectare Mining Lease (ML23812) surrounded by the 36 square kilometres Exploration Licence (EL22957). There is a Memorandum of Understanding (MOU) for the toll treatment of gold ore with Crocodile Gold Australian Operations Pty Ltd. WDR currently holds 49% equity in the project.
- Thor announced during the December quarter:
  - Excellent results from a 25 hole RC program, including assays more than 10g/t gold (Au) which boosts the shallow gold potential of the project:
  - Discovery of mineralisation outside the existing resource boundaries between the Hong Kong and West Lodes, which includes some bonanza grades
- Refer to Thor announcements (ASX: THR) during the December Quarter for details.

Corporate Activity

- Completion of Placement on 15th July 2013 of 31,639,686 new shares to sophisticated and institutional investors raising $17.4 million (before costs) which was used in the development of the Roper Bar iron ore project.
- $30 million new equity raising announced 20th September 2013.
- Share Purchase Plan raises $19.43M from existing shareholders.
- Settlement of Macquarie Bank Limited project finance facility for A$80m.
- Iron Ore AUD Hedging Program completed for approximately two thirds of first year's scheduled production, executed at an average price over the term of approximately AUD$120 per tonne for 62% Fe on a Northern Territory CFR basis.
- Mr Bruce Mathieson appointed to the Board of Directors
- Mr Graham Bubner appointed Company Secretary

Director's Report (cont'd)

- Mr Mark Seatree appointed Chief Financial Officer, commencing 3 March 2014
- Relocation of principal place of business and registered office to Darwin

Auditor's Independence Declaration

The auditor's independence declaration under Section 307C of the Corporations Act 2001 is set out on page 9 for the half-year ended 31 December 2013.

The report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306 (3) of the Corporations Act 2001.

On behalf of the Directors

Richard Hugh Allert, AO

Chairman

Adelaide
Dated this 11th day of March, 2014

Deloitte.

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Independent Auditor's Review Report to the members of Western Desert Resources Limited

We have reviewed the accompanying half-year financial report of Western Desert Resources Limited, which comprises the condensed statement of financial position as at 31 December 2013, and the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed 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 12 to 35.

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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Western Desert Resources 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 Western Desert Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review 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 Western Desert Resources 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*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Stephen Harvey
Partner
Chartered Accountants
Adelaide, 11 March, 2014

Deloitte.

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The Board of Directors
Western Desert Resources Limited
Level 1, 26 Grenhill Road
WAYVILLE SA 5034

11 March 2014

Dear Board Members,

Western Desert Resources 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 Western Desert Resources Limited.

As lead audit partner for the review of the financial statements of Western Desert Resources 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

DELOITTE TOUCHE TOHMATSU

Stephen Harvey
Partner
Chartered Accountants

Director's 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

R H Allert
Chairman

Adelaide

Dated this 11th day of March, 2014

WESTERN DESERT RESOURCES LIMITED ACN 122 301 848

Condensed consolidated statement of profit and loss and other comprehensive income

For the half year ended 31 December 2013

	Note	31-Dec 2013 $	31-Dec 2012 $
Continuing operations:			
Sale of Goods		2,630,488	-
Total Revenue from operations		**2,630,488**	**-**
Other Income	3	44,870	1,303,501
Cost of Sales	4	(2,032,674)	-
Administration expenses	4	(9,751,579)	(2,822,822)
Exploration expense written off	6	-	(1,055,964)
Investment value (impaired)		-	(555,536)
Depreciation and Amortisation Expense		(2,442,722)	(20,564)
Loss before finance cost and income tax benefit		**(11,551,617)**	**(3,151,385)**
Finance cost		(1,228,259)	(1,622)
Loss before income tax benefit	**4**	**(12,779,876)**	**(3,153,007)**
Income tax (expense)/benefit	5	8,057,226	-
Loss for the period attributable to members		**(4,722,650)**	**(3,153,007)**
Other Comprehensive income/(loss), net of income tax			
Items that may be classified subsequently to profit or loss:			
Fair value gain/(loss) on hedging instruments entered into for cash flow hedges (net of tax)		(27,978,230)	-
Total Comprehensive income/(loss) for the Period, net of income tax, attributable to members		**(32,700,880)**	**(3,153,007)**
Earnings per share:			
Basic and diluted loss per share (cents)		(1.13)	(1.03)

Notes to the condensed consolidated financial statements are included on pages 18 to 35.

WESTERN DESERT RESOURCES LIMITED ACN 122 301 848

Condensed consolidated statement of Financial position

As at 31 December 2013

	Note	31-Dec 2013	30-Jun 2013
Current assets:		**$**	$
Cash and cash equivalents		20,160,979	9,021,368
Trade and other receivables		617,145	466,809
Inventory		15,026,769	-
Other current assets		2,356,588	1,578,877
Total current assets		38,161,481	11,067,054
Non - current assets:			
Plant, equipment and infrastructure		15,109,546	12,587,086
Exploration expenditure	6	31,522,571	31,370,278
Development and construction expenditure	6	-	128,255,334
Mine Properties	7	258,204,566	-
Deferred tax asset	5	63,343,231	-
Deposits for performance bonds		289,607	2,730,157
Other financial assets		344,430	344,430
Total non - current assets		368,813,951	175,287,285
Total assets		406,975,432	186,354,339
Current liabilities:			
Trade and other payables		41,408,808	24,337,570
Deferred Revenue		5,762,137	-
Interest bearing loans & borrowings	8	70,650,000	30,000,000
Finance lease liability	8	1,658,938	
Derivative financial liabilities	13	46,458,603	-
Provisions		629,627	554,372
Total current liabilities		166,568,113	54,891,942
Non - current liabilities:			
Deferred tax liability	5	41,286,400	-
Interest bearing loans & borrowings	8	10,000,000	-
Finance lease liability	8	9,857,233	-
Provisions		5,885,818	4,805,519
Total non - current liabilities		67,029,451	4,805,519
Total liabilities		233,597,563	59,697,461
Net assets		**173,377,869**	**126,656,878**

WESTERN DESERT RESOURCES LIMITED ACN 122 301 848
Condensed Consolidated statement of Financial position
As at 31 December 2013

	Note	31-Dec 2013	30-Jun 2013
Equity:			
Issued capital	9	227,696,853	148,274,983
Reserves		(25,651,366)	2,326,863
Accumulated losses		(28,667,618)	(23,944,968)
Total equity		**173,377,869**	**126,656,878**

Notes to the condensed consolidated financial statements are included on pages 18 to 35.

WESTERN DESERT RESOURCES LIMITED ACN 122 301 848

Consolidated statement of changes in equity

For the half year ended 31 December 2013

	Share Capital	Share Option Reserve	Cash Flow Hedge Reserve	Accumulated Losses	Total
	$	$	$	$	$
Balance at 1 July 2012	64,459,621	2,774,904	-	(17,776,177)	49,458,348
Loss attributable to the members of parent entity	-	-	-	(3,153,007)	(3,153,007)
Total Comprehensive Income for the Period	-	-	-	(3,153,007)	(3,153,007)
Shares issued during the period	86,846,354	-	-	-	86,846,354
Transfers on exercise of options	452,005	(452,005)	-	-	-
Transfers on lapse of options	9,585	(9,585)	-	-	-
Cost of capital raising	(3,579,790)	-	-	-	(3,579,790)
Balance at 31 December 2012	**148,187,775**	**2,313,314**	**-**	**(20,929,184)**	**129,571,905**
Balance at 1 July 2013	148,274,983	2,326,863	-	(23,944,968)	126,656,878
Loss attributable to the members of parent entity	-	-	-	(4,722,650)	(4,722,650)
Other comprehensive income	-	-	(27,978,229)	-	(27,060,063)
Total Comprehensive Income for the Period	-	-	(27,978,229)	(4,722,750)	(31,782,713)
Shares issued during the period	79,305,566	-	-	-	79,305,566
Cost of capital raising	(1,892,633)	-	-	-	(1,892,633)
Tax effect of capital raising costs	2,008,937	-	-	-	2,008,937
Balance at 31 December 2013	**227,696,853**	**2,326,863**	**(27,978,229)**	**(28,667,618)**	**173,377,869**

Notes to the condensed consolidated financial statements are included on pages 18 to 35.

WESTERN DESERT RESOURCES LIMITED ACN 122 301 848

Condensed consolidated statement of cash flows

For the half year ended 31 December 2013

	Note	31-Dec 2013	31-Dec 2012
		$	$
Cash flows from operating activities:			
Receipts from customers (incl. GST)		8,263,993	-
Payments to suppliers and employees (incl. GST)		(20,853,983)	(5,473,773)
Other income		-	6,539
Interest paid		(2,308,395)	(1,754)
Net cash provided by / (used in) operating activities		**(14,898,385)**	**(5,468,988)**
Cash flows from investing activities:			
Interest received		23,166	671,906
Payments for exploration expenditure		(152,291)	(6,286,706)
Payments for development and construction (mine properties)		(104,189,591)	(35,492,065)
Payments for plant, equipment & infrastructure		(4,255,832)	(5,236,277)
(Deposits for)/returns of security performance bonds		2,440,550	(2,513,227)
Net cash provided by / (used in) investing activities		**(106,133,998)**	**(48,856,369)**
Cash flows from financing activities:			
Proceeds from loans		62,650,000	-
Proceeds from share issues		79,325,566	86,846,354
Payments for capital raising costs		(1,912,633)	(3,579,790)
Payment of Finance leases		(359,859)	(21,636)
Payments for capitalised borrowing costs		(7,531,080)	-
Net cash provided by financing activities		**132,171,994**	**83,244,928**
Net (decrease)/ increase in cash held		11,139,611	28,919,571
Cash at beginning of period		9,021,368	10,197,907
Cash at end of the period		**20,160,979**	**39,117,478**

Notes to the condensed consolidated financial statements are included on pages 18 to 35.

NOTE 1 REPORTING ENTITY

Western Desert Resources Limited (the company) is a listed public company, incorporated and domiciled in Australia.

The consolidated interim financial report of the company for the six months ended 31 December 2013 comprises the company and its wholly owned subsidiaries (together referred to as the Consolidated Entity).

The principal activities of the Consolidated Entity involve exploration for iron ore, gold, base metals, and other economic mineral deposits, and the development of Mining Operations at the Roper Bar project, Northern Territory.

Western Desert Resources Limited's registered office and its principal place of business are as follows:

Tenancy 2, Terminal One Building, 396 Stuart highway,
Winnellie, NT, 0820

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The half-year financial report is a general purpose condensed financial report prepared in accordance with the requirements of 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 report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report for the year ended 30 June 2013 and any public announcements made by Western Desert Resources Limited during the interim reporting period in accordance with continuous disclosure requirements of the Corporations Act 2001.

These consolidated half year financial statements were approved by the Board of Directors on 11 March 2014

Basis of preparation

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's annual financial report for the financial year ended 30 June 2013, except for the impact of standards and interpretations described below:

AASB 10

The directors made an assessment at the date of the initial application of AASB 10 (i.e. 1 July 2013) as to whether the entity has control over its subsidiaries in accordance with the new definition of control and the related guidance set out in AASB 10. The directors concluded that the application of AASB 10 has not resulted in any change to the entities required to be consolidated by the entity.

AASB 13

The group has applied AASB 13 for the first time in the current year.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The group has made additional disclosures in the financial statements but the application of AASB 13 has not had any material impact on the amounts recognised in the financial statements. The condensed consolidated financial statements have been prepared on the basis of historical cost. Cost is based on the fair value of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies are consistent with Australian Accounting Standards and International Financial Reporting Standards.

Changes in accounting standards

The Consolidated Entity 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 are effective for the half-year reporting period.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Consolidated Entity's accounting policies and has no effect on the amounts reported for the current or prior periods.

Going Concern

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

For the half year ended 31 December 2013 the Consolidated Entity incurred a net loss of $4,722,650 (2012: $3,153,007) and recorded a net cash outflow from operating and investing activities of $121,032,383 (2012: 54,325,357). As at 31 December 2013 the Consolidated Entity had cash on hand of $20,160,979 (2012: $39,117,478), net current liabilities of $128,406,632 (2012: net current liabilities of $43,824,888) and net assets of $173,377,869 (2012: $126,656,878).

During the half year ended 31 December 2013 and the period to the date of this report, the Directors undertook a number of measures to ensure the Consolidated Entity continues as a going concern, including:

- Completing various equity raisings totalling 138.8m shares, raising $79m (before costs)
- Obtaining a Bridging Loan facility of $93m, which was drawn down to $80.65m as at 31 December 2013.

This cash inflow was utilised in the development of the Roper Bar Mine Project which commenced production in December 2013.

WDR is expected to generate significant positive operating cash inflows in the forthcoming year as the project has transitioned from the development to the production phase of operations. Notwithstanding positive operating cash inflows, the ramp up of export operations has not been in line with original expectations and necessitated additional working capital funding in the short term. As a consequence, the company has committed to undertake a fully underwritten renounceable rights issue of $60m as announced to the market on 11 March 2014.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The Directors believe the combined impact of the proceeds from this issue, together with forecast positive operating cash inflows during the upcoming dry season will ensure the company is able to meet its current liabilities as and when they fall due.

Estimates

The preparation of half-year financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these consolidated half-year financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2013, except as outlined below:

Tax losses

As at the end of the half- year, it is now considered probable that sufficient taxable profits will be available to utilise the accumulated tax losses, which were previously unrecognised. As such a deferred tax asset for those tax losses has been recognised in full as at 31 December 2013. Historical performance and expected future performance have been considered in determining the probability.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Revenue Recognition

Revenue is measured at the fair value of the gross consideration received or receivable. The company recognises revenue when the amount of revenue can be reliable measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the company's activities. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

Sale of goods

Revenue from the sale of goods and disposal of other assets is recognised when persuasive evidence, usually in the form of an executed sales agreement, or an arrangement exists, indicating there has been a transfer of risks and rewards by the company, the quantity and quality of the goods has been determined with reasonable accuracy, the price can be reasonably estimated, and collectability is reasonably assured.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The company recognises revenue when the risks and rewards transfers to the buyer which is typically the point at which the ore is loaded onto the ship. The sales agreement allows for an adjustment to the sale price based on a survey of the goods by the customer, therefore the recognition of the sales revenue is based on the most recently determined estimate of product specifications.

Additionally, the sales price is determined on a provisional basis at the end of sale and adjustments to the sales price may subsequently occur depending on the movements in quoted market or contractual iron ore prices to the date of final pricing. The date of final pricing is typically when a notice of readiness is received when the vessel has arrived at its final destination. Revenue on provisionally priced sales is recognised based on the estimated fair value of the total consideration receivable.

Other income

Interest income is recognised on a time proportionate basis using the effective interest method.

Mine Properties

Once a mining project has been established as commercially viable and technically feasible, expenditure other than that on land, buildings, plants and equipment is transferred and capitalised as mine property. Mine property costs include pre-production development costs, development excavation, development studies and other subsurface expenditure pertaining to that area of interest. Costs related to surface plant and equipment and any associated land and buildings are accounted for as property, plant and equipment.

Mine property costs are accumulated in respect of each separate area of interest. Costs associated with commissioning new assets in the period before they are capable of operating in the manner intended by management, are capitalised. Mine property costs incurred after the commencement of production are capitalised to the extent they are expected to give rise to future economic benefits.

When an area of interest is abandoned or the Directors decide that it is not commercial or technically feasible, any accumulated cost in respect of that area is written off in the financial period the decision is made. Each area of interest is reviewed at the end of each accounting period and accumulated cost written off to the profit or loss to the extent that they will not be recovered in the future. Mine property costs are amortised evenly over the life of economically recoverable reserves once production commences.

Mine property assets are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purpose of impairment testing, mine property is allocated to the cash-generating unit to which the development activity relates. The cash generating unit shall not be larger than the area of interest.

Inventories

Inventories are valued at the lower of cost and net realisable value. Costs are determined primarily on the basis of weighted average costs. Costs for raw materials and stores is the purchase price and for partly processed and saleable products cost is derived on an absorption costing basis. For this purpose the costs of production include:

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

- labour costs, materials and contractor expenses which are directly attributed to the extraction and processing of ore;
- production overheads, including attributable mining overheads

Stockpiles represent ore that has been extracted and is available for further processing. If there is significant uncertainty as to when the stockpiled ore will be processed, it is expensed as incurred. Where the future processing of this ore can be predicted with confidence (e.g. because it exceeds the mines cut-off grade) it is valued at the lower of cost and net realisable value. Quantities are assessed primarily through surveys and volume conversions.

Income Tax

The income tax expense or revenue for the financial year is the tax payable on the current financial period's table income based on the national income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is determined using tax rates (and Laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Financial instruments

Financial assets and financial liabilities are recognised when a group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets at FVTPL
Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.
A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group; or
- manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 139 'Financial Instruments: Recognition and Measurement' permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item.

Loans and receivables
Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period. For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.
In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

<u>Derecognition of financial assets</u>
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards o ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.
On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying

amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities and equity instruments

<u>Classification as debt or equity</u>
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.
Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial guarantee contract liabilities
A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract issued by a group entity are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:
• the amount of the obligation under the contract, as determined in accordance with AASB 137 'Provisions, Contingent Liabilities and Contingent Assets'; and
• the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

Financial liabilities
Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL
Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.
A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition
- inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 139 'Financial Instruments: Recognition and Measurement' permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item.

Other financial liabilities
Other financial liabilities, including borrowings and trade and other payables, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Effective interest method
The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition. Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments
The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross currency swaps. Further details of derivative financial instruments are disclosed in note 13.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives
Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Hedge accounting
The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk. Note 13 sets out details of the fair values of the derivative instruments used for hedging purposes.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Cash flow hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

NOTE 3 – OTHER INCOME

	6 Months to	
	31 Dec 2013	31 Dec 2012
	$	$
Other income		
Interest revenue	29,961	705,633
Profit on farm-out of exploration tenement interest	-	591,329
Other	14,909	6,539
Total	44,870	1,303,501

NOTE 4 – OTHER EXPENSES

	6 Months to	
	31 Dec 2013	31 Dec 2012
	$	$
The loss before income tax includes the following specific expenses:		
Cost of sales		
Mining, load, haul, dump, drilling, blasting and crushing	726,239	-
Haulage	413,219	-
Port loading and transhipment	617,913	-
Royalties	14,481	-
Site administration	260,822	-
Total	2,032,674	-
Administration expenses		
Directors Fees	106,622	144,013
Occupancy expenses	190,567	127,126
Salary & wages	894,706	947,364
Corporate costs	1,266,957	848,624
Hedge losses	6,489,705	-
Other	803,022	755,695
Total	9,751,579	2,822,822

NOTE 4 OTHER EXPENSES (cont'd)

Finance Cost

Refer to commentary at note 8 below

Shipping and marketing

Revenue from the sale of goods is recognised net of shipping & marketing costs totalling $497,622.

NOTE 5 – INCOME TAX BENEFIT	**31 Dec 13**	31 Dec 12
	$	$
(a) The components of income tax (expense)/ benefit comprise:		
Current Tax (expense)/benefit	-	-
Deferred tax (expense)/benefit	8,057,226	-
Total tax (expense)/benefit	8,057,226	-

	31 Dec 13	31 Dec 12
	$	$
(b) Amounts charged or credited directly to equity		-
Capital raising transaction costs	(2,008,937)	
Cash flow hedges	(11,990,669)	-
Total	(13,999,606)	-

(c) Numerical reconciliation of income tax benefit to prima facie tax payable:		
Profit/(Loss) from continuing operations before income tax expense	(12,779,876)	(3,153,007)
Prima facie tax (expense) / benefit at 30% (2013: 30%)	3,833,963	945,902
Add/(less):		
Tax losses not recognised	-	(945,902)
Benefit arising on initial recognition of tax balances	4,228,938	-
Non-deductible expense items	(5,675)	-
Income tax (expense)/ benefit	8,057,226	-

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate since incorporation.

NOTE 5 – INCOME TAX BENEFIT (cont'd)

	31 Dec 13	30 June 13
	$	$
(d) Recognised deferred tax assets:		
Tax losses	47,837,096	-
Financial Instruments	11,990,669	-
Provisions	1,681,480	-
Other	1,833,986	-
Total deferred tax assets	63,343,231	-
(e) Recognised deferred tax liabilities:		
Exploration & development	(41,284,362)	-
Other	(2,038)	-
Total deferred tax liabilities	(41,286,400)	-
(f) Unrecognised tax assets:		
Capital losses	1,031,130	1,031,130
Revenue Losses	-	25,404,192
	1,031,130	26,435,322

	31 Dec 13	31 Dec 12
	$	$
(g) Movements in recognised deferred tax balances:		
Balance at the beginning of the period	-	-
Recognised in income	8,057,226	-
Recognised in equity	13,606,107	
Closing balance	21,663,333	-

The transition of the Roper Bar Iron Ore Project from construction to operations in December 2013, together with forecast operating profit from operations in the future demonstrates it is now probable that sufficient taxable profits will be available to utilise the accumulated tax losses which were previously unrecognised. As such, a deferred tax asset has been recognised for those tax losses in full as at 31 December 2013.

NOTE 6 – EXPLORATION AND DEVELOPMENT EXPENDITURE INCURRED

	6 Months to	
	31 Dec 2013	31 Dec 2012
	$	$
(a) Exploration		
Costs brought forward 30 June	31,370,278	25,415,037
Expenditure incurred during the half year*	152,293	6,731,580
NT Government contributions	-	(81,570)
Expenditure written off during half year	-	(1,055,964)
Closing Balance	31,522,571	31,009,083

**Expenditure of $109,659 was incurred on Roper Bar tenements (31 December 2012: $4,162,095).*

The recovery of the carry forward amounts of exploration assets is dependent on the successful development and commercial exploitation or sale of the respective tenement interests.

(b) Development & Construction		
Costs brought forward 30 June	128,255,334	12,731,596
Expenditure incurred during the half year	131,760,182	44,860,990
Amortisation of development expenditure	-	-
Transfers to Mine Properties (note 7)	(260,015,516)	-
Closing Balance	-	57,592,586

The recovery of the carry forward of development and construction assets is dependent on the successful completion of those works and the commercial exploitation for sale and shipment of the iron ore.

During the period, the Roper Bar project commenced production as an iron ore mine. As such, all related development and construction expenditure has been reclassified to Mine properties and disclosed in note 7.

NOTE 7 – MINE PROPERTIES

	Total $
Half Year ended 31 December 2013	
Net carrying amount at 1/7/13	-
Transfers from exploration expenditure	-
Transfers from development and construction expenditure	260,015,516
Impairment write-downs	-
Amortisation	(1,810,950)
Net carrying amount at 31/12/13	258,204,566
At 31 December 2013	
Cost	260,015,516
Accumulated amortisation and impairment	(1,810,950)
Net carrying amount	258,204,566

All expenditure for mine development is included in mine properties. Mine properties are recorded at historical cost.

The recoverable amount has been estimated as the assets value in use, using the present value of future cash flows based on available reserves calculated by the Company's geologists in accordance with Industry guidelines. As a result of this assessment, no impairment was deemed necessary.

NOTE 8 – INTEREST BEARING LIABILITIES

	31-Dec 2013 $	30-Jun-2013 $
Current		
Project finance facility	70,650,000	30,000,000
Finance lease liability	1,658,938	-
Non-current		
Project finance facility	10,000,000	-
Finance lease liability	9,857,233	-
	92,166,171	30,000,000

During the 6 month period to 31 December 2013, the company borrowed monies for the purpose of constructing the Mine site, Roper Bar haul road, Stockyard and Bing Bong Port Facility. The Directors signed an agreement with Macquarie Bank Limited to increase the project debt finance facility limit to $80.65m. Settlement of the facility occurred in October 2013.

NOTE 8 – INTEREST BEARING LIABILITIES (CONT'D)

During the period a sale and leaseback arrangement was entered into with FE Accommodation Pty Ltd in relation to the mining camp at the Roper Bar mine site. The lease is a finance lease, with fixed monthly repayments for a 5 year term. WDRL has an option to extend the lease for a further 5 year term.

NOTE 9 - ISSUED CAPITAL

	31 Dec 2013	**31 Dec 2013**	31 Dec 2012	31 Dec 2012
	No.	**$**	No.	$
Issued share capital:				
Fully paid ordinary shares	**499,665,257**	**225,681,893**	360,853,631	148,187,775
Movement in issued shares during the half year:				
Balance at 30 June	360,853,631	148,274,983	234,819,203	64,459,621
Issued at 70 cents (Entitlement Offer)	-	-	2,326,826	1,628,778
Issued at 70 cents (Placement)	-	-	84,000,000	58,800,000
Issued at 70 cents (Underwriting of Entitlement Offer).	-	-	19,555,094	13,688,566
Issued - exercise of options	21,125,000	7,521,048	3,800,000	1,282,254
Issued - exercise of placement options	10,000,000	4,952,180	16,352,508	11,446,756
Issued at 55 cents (Placement)	31,639,686	17,401,827	-	-
Issued at 65 cents (Placement)	76,046,940	49,430,511	-	-
Costs associated with issue of shares	-	(1,892,633)	-	(3,579,790)
Tax effect of capital raising costs	-	2,008,937	-	-
Share premium arising from share options exercised	-	-	-	452,005
Share premium arising from share options lapsed	-	-	-	9,585
Balance at end of financial period	**499,665,257**	**227,696,853**	360,853,631	148,187,775

NOTE 10 - SHARE BASED PAYMENTS

During the half year no new options have been granted (comparative half year to 31 December 2012: $NIL).

NOTE 11 – SEGMENT REPORTING

The Consolidated Entity operates in the mineral exploration industry and the development from successful exploration in one geographic location, the Northern Territory of Australia.

Segment revenues and results

The Consolidated Entity commenced mining operations at its Roper Bar Iron Ore Project during the 6 month period ended 31 December 2013. All revenue recognised during the period relates to this project. There were no inter-segment sales in the current year (2012: Nil).

Segment assets and liabilities

The following is an analysis of company assets by reportable operating segment for the period under review.

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the company that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.
The company's reportable segments under AASB 8 are therefore as follows:

- Exploration: Non Roper Bar & other corporate assets
- Roper Bar: Development, construction & Mine Operations

Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the Company's accounting policies. Segment assets represent the assets in each segment. This is the measure reported to the chief operating decision maker for the purpose of resource allocation.

Segment Revenue:	**31-Dec 2013**	**31-Dec 2012**
Exploration: Non Roper Bar & other corporate income	-	-
Roper Bar: Development, construction & Mine Operations	2,630,488	-
Consolidated total revenue	2,630,488	-

Segment Assets:	**31-Dec 2013**	**31-Dec 2012**
Exploration: Non Roper Bar & other corporate assets	7,654,470	6,173,879
Roper Bar: Development, construction & Mine Operations	409,920,962	137,171,663
Consolidated total assets	417,575,432	143,345,542

NOTE 12 – COMMITMENTS FOR EXPENDITURE AND CONTINGENT LIABILITIES

There were no material changes to commitments for expenditure and contingent liabilities from those disclosed in the annual report for the period ended 30 June 2013 other than as set out below.

Exploration Expenditure Commitments:

The Consolidated Entity has certain obligations to perform exploration work and expend minimum amounts of money on mineral exploration tenements.

These obligations will vary from time to time, subject to statutory approval. The terms of current and future joint ventures, the grant or relinquishment of licences and changes to licence areas at renewal or expiry will alter the expenditure commitments of the company.

Total expenditure commitments at balance date in respect of minimum expenditure requirements not provided for in the financial statements are approximately:

NOTE 12 – COMMITMENTS FOR EXPENDITURE AND CONTINGENT LIABILITIES (CONT'D)

	31 Dec 2013	30-Jun 2013
	$	$
Not later than one year:	1,388,511	1,248,620
Later than one year but not later than two years:	679,515	831,506
Later than two years but not later than five years:	715,436	753,708
Later than five years	2,270,126	2,704,518
	5,053,588	5,538,352

NOTE 13 FINANCIAL INSTRUMENTS

WDRL was required to undertake an initial hedging program as part of the Macquarie Bank Project Finance facility. Management have hedged 2.0 million tonnes of forecasted $US iron ore sales from December 2013 to September 2014 using a series of Iron Ore commodity swaps and forward exchange contracts.

WDRL has elected to apply hedge accounting under AASB 139 for two types of hedge relationships:

- Cash flow hedge of the variability in the cash flows due to movements in the benchmark iron component of the iron ore sales pricing; and
- Cash flow hedge of the variability in AUD equivalent revenue due to movements in the USD/AUD exchange rate.

This has resulted in unrealised gains or losses on WDRLs hedges being deferred to the cash flow hedge reserve to the extent they are effective. The objective of the hedges is to reduce earnings and cash flow volatilities arising from fluctuations in the iron ore prices and the $US/$A exchange rate. This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

<u>Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis.</u>

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used).

NOTE 13 FINANCIAL INSTRUMENTS (CONT'D)

Financial Assets / Financial Liabilities	Fair Value as at:		Fair Value Hierarchy	Valuation Techniques and key inputs	Significant unobservable inputs	Relationship of observable inputs to fair value
	31/12/13	30/6/13				
Foreign currency forward contracts	Liabilities $14,180,892	nil	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
Commodity forward contracts	Liabilities $32,277,711	nil	Level 2	Discounted cash flow. Future cash flows are estimated based on forward commodity prices (from observable forward commodity prices at the end of the reporting period) and contract forward prices, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A

There were no transfers between Level 1 and 2 in the period. The directors consider the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values. The above fair value assessment includes the intrinsic credit margin associated with undertaking the hedge program.

NOTE 14 – EVENTS SUBSEQUENT TO REPORTING DATE

On 13 January 2014, Western Desert Resources Ltd awarded its mining services contract to Theiss Pty Ltd for a 3 year term.

On 20 February 2014, Thor Mining Ltd announced that it had completed the exploration and evaluation expenditure necessary to enable the acquisition of 29% of the Spring Hill Gold Project from Western Desert Resources Ltd. Pursuant to the Sale, Purchase & Option Agreement, the consideration payable to Western Desert Resources Ltd in return for its stake in the Spring Hill Gold Project is 5,000,000 shares in Thor Mining Ltd and additional shares in Thor Mining Ltd to the value of $500,000. Based on a consideration of the book value of Western Desert Resources Ltd stake in the Spring Hill Gold Project, the directors are satisfied that no impairment write down is required.

On 10 March Western Desert Resources Ltd secured additional short term working capital bridge funding of $12 million from Macquarie Bank Ltd, and obtained a deferral of the scheduled March 2014 Quarter debt repayment. Short term working capital bridge funding will be repaid in full from fully underwritten renounceable rights issue proceeds announced to the market on 11 March 2014, ensuring drawn project finance remains at $80.65m at the end of April 2014. On 11 March 2014 the company announced to the market a fully underwritten renounceable rights issue of $60m.

Other than as disclosed above, no material subsequent events have occurred since 31 December 2013 to the date of this report.