



Precious Metal Resources Limited

ACN 145 105 148

Interim Financial Report for the half-year ended 30 June 2014

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2013 and any public announcements made by Precious Metal Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Corporate Directory

Precious Metal Resources Limited

ACN 145 105 148
ABN 88 145 105 148

Registered and Corporate Office

Level 2
Hudson House
131 Macquarie Street
Sydney NSW 2000
Telephone: +61 2 9251 7177
Fax: +61 2 9251 7500
Website: www.pmrl.com.au

Auditors

K.S. Black & Co
Level 6
350 Kent Street
Sydney NSW 2000
Telephone: +61 2 8839 3000

Lawyers

Piper Alderman
Level 23, Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000
Telephone: +61 2 9253 9999

Bankers

Australia & New Zealand Banking Group Limited
Level 16,
20 Martin Place
Sydney NSW 2000
Telephone: +61 2 9227 1818

St George Bank Limited
Level 14, 182 George St
Sydney NSW 2200
Telephone: +61 2 9236 2230

Directors

Rado Jacob Rebek (Chief Executive Officer)
Bruce Dennis
Frank Licciardello

Joint Company Secretaries

Henry Kinstlinger
Julian Rockett

Share Registry

Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne VIC 3001
Australia
Telephone: 1300 850 505

ASX Code – PMR

Precious Metal Resources Limited shares are listed on the Australian Securities Exchange.

This financial report covers the Consolidated Entity consisting of Precious Metal Resources Limited and its controlled entities.

Precious Metal Resources Limited is a company limited by shares, incorporated and domiciled in Australia.

Review of Operations

Corporate

On 20 February 2014 Rado Jacob Rebek was appointed Chief Executive Officer replacing Michael Leu who remained as a director.

On 4 April 2014 shareholders approved the acquisition of the Peel Fault gold tenements from Mount Adrah Gold Limited for the issue of 2 million Precious Metal Resources Limited (**PMR**) shares.

On 9 April 2014 PMR announced a corporate restructure with Sovereign Gold Company Limited (**SOC**) to rationalise and simplify the structure and assets of each company. Both PMR and SOC have separately entered into Joint Venture agreements and Memoranda of Understanding (**MoU**) with Jiangsu Geology and Engineering Co. Ltd. (**SUGEC**) of Nanjing, China. PMR currently has a \$2 million Joint Venture agreement and \$8 million Memoranda of Understanding with SUGEC with respect to EL4474, EL5339 and EL7679 (**PMR SUGEC Tenements**). Shareholders approved the transfer of this interest to SOC on 18 August 2014.

Following the shareholder meeting on 18 August 2014 the following steps are being implemented in order to rationalise the corporate structure and facilitate effective management time and focus on the various exploration project areas held by PMR and SOC. These steps will be completed on 1 September 2014 to comply with the requirements of the Corporations Act 2001 and the Listing Rules:

1. SOC to acquire the PMR SUGEC Tenements;
2. SOC to relinquish control of PMR;
3. PMR would conduct a selective reduction of capital, whereby 64,000,000 shares in PMR, held by SOC would be cancelled;
4. SOC would then acquire the PMR SUGEC Tenements for consideration of 1 million SOC Shares (in satisfaction of Listing Rule 10.7).

At the conclusion of the transactions, PMR will have 23 million shares on issue (currently 87 million). The independent expert concluded that overall the proposed transactions when considered together, are fair and reasonable to the non associated shareholders of PMR.

Exploration

Gibsons Mine

During the quarter, results were received from the final four diamond drill holes of the six-hole program conducted at the historic Gibson's Mine within the Halls Peak base metal field, in northern NSW. A detailed study of drill cores and assay results of diamond drill holes in the historic Gibson's zinc-lead-copper-silver mine area was completed.

Gibson's Mine at Halls Peak is located on EL 4474 which, subject to shareholders approval, will be transferred to SOC (**ASX: 9 April 2014**).

The mineralised intervals reported from diamond drill holes DDH HP 026, 027 (**ASX Releases 3 and 15 January 2014**) and 028 and 029 are shallow and have the potential as a direct shipping ore to smelters.

DDH HP 028 intersected the four base metal zones identified in HP026 and HP027, providing useful information about their configuration and copper, lead, zinc and silver grades.

DDH HP 029 was collared near the portal of the "Dry Tunnel" to attempt an intersection of Barker's Lode. Barker's Lode was intersected at shallow depth with high Ag, Cu, Pb and Zn grades.

DDH HP 028

- 1.8 metres (from 1.60 – 3.40m downhole) at 12.76% Zn, 7.06% Pb, 7.13% Cu, 224.3g/t Ag
- 1.5 metres (from 33.9 – 35.4m downhole) at 28% Zn, 9.6% Pb, 2.6% Cu, 62.9g/t Ag
- 3.2 metres (from 42.0 – 45.2 m downhole) at 19.7% Zn, 6.7% Pb, 1.57% Cu, 40.4g/t Ag

DDH HP 029

- 1.8 metres (from 8.60 – 10.40m downhole) at 19.98% Zn, 10.69% Pb, 0.9% Cu, 41.4g/t Ag

DDH HP 030

- 0.4 metres (from 40.60 – 40.80m downhole) at 6.47% Cu, 0.22% Zn, 30.3g/t Ag

Previously reported drill hole results

Following are some results from holes reported earlier.

DDH HP 026

- 1.48 metres (from 1.62 to 3.1 m downhole at an average grade of 19.2% Zn, 10.7% Pb, 5.66% Cu and 509 g/t Ag
- 1.0 metre (from 37.3 to 38.3m downhole) at 32.8% Zn, 6.7% Pb, 2.5% Cu and 48 g/t Ag
- 1.3 metres (from 41.2 to 42.5 m downhole) at 34.5% Zn, 11.3% Pb, 1.98% Cu and 68 g/t Ag

DDH HP 027

- 1.9 metres (from 53.80 – 55.70 downhole) at 27.1% Zn, 8.7% Pb, 1.5% Cu, 59.0g/t Ag
- 1.55 metres (from 40.9 to 42.45 m downhole) at average grade of 23.2% Zn, 6.7% Pb, 6.9% Cu and 120 g/ t Ag

New targets for drill testing in the Panama Hat Goldfield near Broken Hill

Gold mineralisation of up to 4.5 grams/tonne (g/t) were obtained in samples collected by the company geologist from mullock heaps taken from old gold mining shafts.

The best results were obtained from samples representing gossanous (= limonitic) rocks. Gossanous rocks are the result of weathering and oxidation of sulphide-rich mineralised rocks.

Assays of up to 0.1% Cu and 3.7ppm Ag indicate potential for copper and silver associated with gold in sulphide zone at depth.

Mining was undertaken on the historic Panama Hat Goldfield from about 1945 to 1950. Gold values reportedly averaged 11 g/t to 12 g/t, with reports of some samples returning up to 180 g/t. Mining probably stopped because of a combination of lack of water and a low gold price.

Field work, including sampling and assaying of mineralised rocks from mullock heaps from old mine shafts, led the company's geologist to the conclusion that there is potential for large volumes of weathered and oxidised mineralised rocks which warrant drill testing.

Qualifying statements

The information is extracted from the following reports entitled:

3 January 2014 Promising results – initial Halls Peak drilling

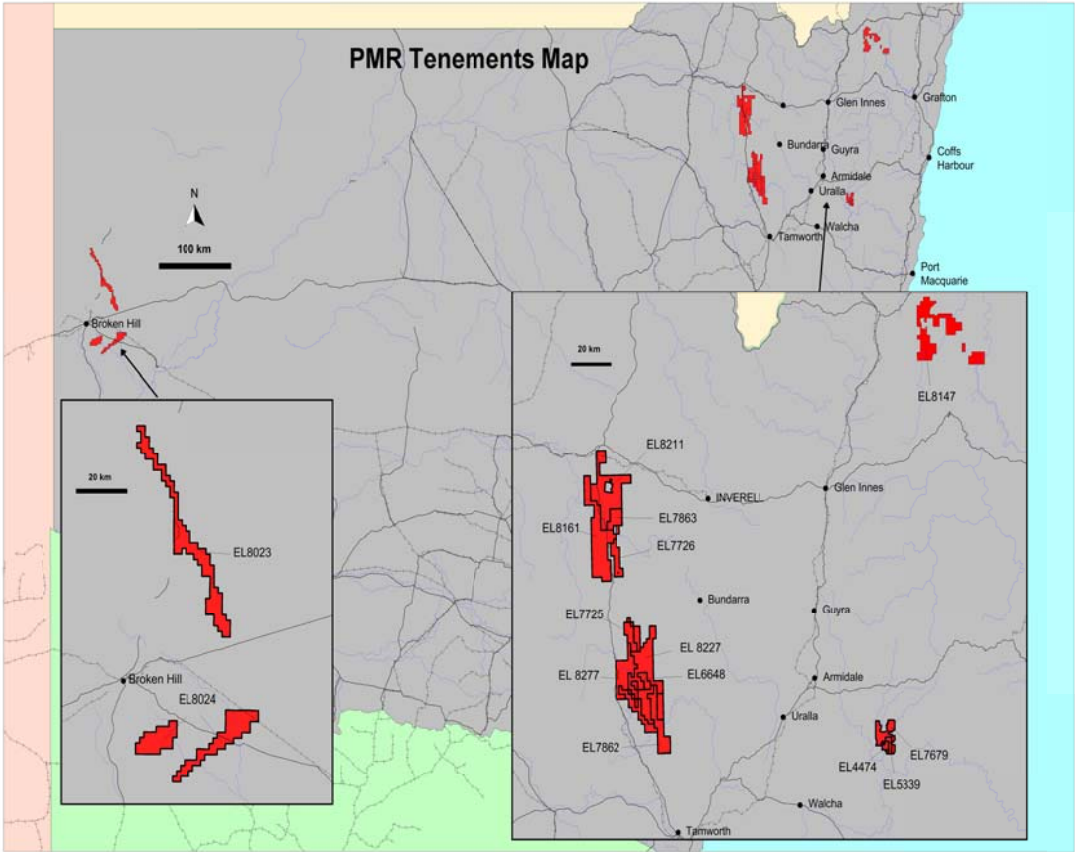
15 January 2014 Halls Peak – Base metal mineralization continuity confirmed

5 May 2014 Halls Peak – Completed drill holes continue to impress with further high grades

and are available to view on <http://www.pmrl.com.au/ASX-Releases.htm>. The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

The information in this report that relates to Exploration Information is based on information compiled by Peter Kennewell who is a member of the Australasian Institute of Mining and Metallurgy. Mr Kennewell is a qualified geologist and was a director of Precious Metal Resources Limited.

Mr Kennewell has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity, which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of exploration Results, Mineral Resources and Ore Resources. Mr Kennewell has consented to the inclusion in this announcement of the Exploration Information in the form and context in which it appears.



Location map of PMR exploration licences

Directors' Report

Your directors present their report together with the financial statements of the parent entity and the consolidated entity (referred to hereafter as the **Group**) consisting of Precious Metal Resources Limited (**Company**) and the entities it controlled at the end of or during the period ended 30 June 2014 and the Auditor's Review Report thereon.

Principal activities	The principal continuing activities of the Group during the course of the period were conducting mineral exploration and development programs.
Consolidated results	<p>The net consolidated loss of the Group for the six months ended 30 June 2014 was \$431,387 (2013: Loss \$329,719).</p> <p>Total Shareholders' Funds as at 30 June 2014 are \$0.92 million.</p> <p>Additional information on the operations of the Group is disclosed in the Review of Operations section of this report.</p>
Review of operations	Information on the operations and financial position of the Group and its business strategies and prospects are set out in the Review of Operations on pages 2 to 4 of this report.
Dividends	The Directors of the Company do not recommend that any amount be paid by way of dividend. The Company has not paid or declared any amount by way of dividend since the commencement of the financial year.

Directors

The following persons were directors of the Company during the whole of the period and up to the date of this report, unless otherwise stated:

Jacob Rado Rebek	Executive Director and Chief Executive Officer	
Frank Licciardello	Non-Executive Director	(Appointed 18 August 2014*)
Bruce Dennis	Non-Executive Director	
John Dawkins AO	Non-Executive Chairman	(Resigned 18 August 2014*)
John J Foley	Non-Executive Deputy Chairman	(Resigned 18 August 2014*)
Michael Leu	Non-Executive Director	(Resigned 18 August 2014*)
Peter Kennewell	Executive Director	(Resigned 18 August 2014*)
Peter J Meers	Non-Executive Director	(Resigned 18 August 2014*)

* All changes to directorships as part of the shareholder meeting on 18 August 2014

Resignations of Directors are related to the restructure and reflect the fact that PMR is no longer controlled by SOC.

Subsequent Events

At the date of this report there are no other matters or circumstances, other than noted above and in the Review of Operations, which have arisen since 30 June 2014 that have significantly affected or may significantly affect:

- the operations, in financial half-year subsequent to 30 June 2014, of the Group;
- the results of those operations; or
- the state of affairs, in financial half-year subsequent to 30 June 2014, of the Group.

Environmental Regulations

The Group is subject to significant environmental regulation in respect of its exploration activities as follows:

PMR's operations in the State of New South Wales involve exploration activities. These operations are governed by the Environment Planning and Assessment Act 1979.

PMR operates within the resources sector and conducts its business activities with respect for the environment while continuing to meet the expectations of the shareholders, employees and suppliers.

PMR aims to ensure that the highest standard of environmental care is achieved, and that it complies with all relevant environmental legislation. The Directors are mindful of the regulatory regime in relation to the impact of PMR's activities on the environment.

To the best of the directors' knowledge, the Group has adequate systems in place to ensure compliance with the requirements of all environmental legislation described above and is not aware of any breach of those

requirements during the financial year and up to the date of the Directors' Report.

Directors' Report cont'd

PMR Environmental Code of Practice for Mineral Exploration

PMR is committed to conducting its exploration programs by following industry best practice in accordance with published government guidelines and codes.

The following policy is specific to exploration on Group exploration projects.

Access to Land

Prior to the commencement of any work, PMR makes contact with landholders/leaseholders and discusses the general aims and types of work likely to be conducted.

Discussion with landowners, leaseholders and Native Title Claimants is ongoing. It commences prior to any work being conducted and continues throughout the program and beyond the cessation of exploration work.

PMR establishes conditions of access with landholders and where practicable, signs a written access agreement that sets out conditions and includes a schedule of agreed compensation payments.

PMR endeavours to provide landholders with ample warning prior to commencing any work and landholders are kept informed upon commencement, during and upon completion of an exploration program.

PMR has good relationships with the principal landowners where exploration activities are currently being undertaken. To-date, the company has not been denied access for exploration purposes. However, some paddocks will become out of bounds during the lambing season which extends from early September to late October. This period is not expected to impinge on the current exploration program.

Should there ever be friction, PMR will attempt to settle the matter without a need to begin the arbitration process.

Type of Land

The type of land is determined and its inhabitants are assessed to identify areas of particular environmental concern including identification of sensitive areas or areas prone to erosion, water catchment, heritage sites, and areas home to vulnerable and endangered species.

Land use is taken into consideration and land under cultivation is not disturbed without the express consent of the landholder.

Tenement List

Tenement No.	Location	Expiry Date	Area (Sq kms)
New South Wales			
EL 4474*	Halls Peak	12 Jan 2015	12
EL 5339*	Halls Peak	29 Jan 2017	15
EL 7679*	Halls Peak	11 Jan 2015	32
EL 8023	Broken Hill	29 Nov 2014	300
EL 8024	Broken Hill	29 Nov 2014	300
EL 8147	Timbarra	7 Aug 2016	297
EL 6648	Peel Fault	18 Oct 2014	27
EL 7863	Peel Fault	10 Nov 2016	30
EL 7862	Peel Fault	10 Nov 2016	123
EL 7725	Peel Fault	16 Mar 2015	48
EL 7726	Peel Fault	16 Mar 2015	69
EL 8161	Peel Fault	4 Sept 2015	30
EL 8211	Peel Fault	11 Dec 2016	300
EL 8277^	Peel Fault	24 Jun 2017	297
EL 8227	Peel Fault	29 Jan 2017	285

Notes:

* Subject to Farm-in. These tenements are to be transferred to SOC pursuant to the proposed corporate restructure.

^ Exploration Licence Application 4897 granted and converted to EL 8277

Directors' Report cont'd**Auditor's Independence Declaration**

A copy of the independence declaration by the auditor K.S. Black & Co under section 307C is included on page 8 of this half year financial report.

Signed in accordance with a resolution of the Directors:



Rado Jacob Rebek
Managing Director



Bruce Dennis
Director

Sydney
29 August 2014

Level 6, 350 Kent Street
Sydney NSW 2000

87-91 Lyons Road
Drummoyne NSW 2047

K.S. Black & Co.

Chartered Accountants
ABN 57 446 398 808

20 Grose Street
North Parramatta NSW 2151

PO Box 2210
North Parramatta NSW 1750

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

TO THE DIRECTORS OF PRECIOUS METAL RESOURCES LIMITED

In connection with the review of Precious Metal Resources Limited for the half year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

This declaration is in respect of Precious Metal Resources Limited and the entities it controlled during the half year ended 30 June 2014.

KS Black & Co
Chartered Accountants

Faizal Ajmat
Partner

Sydney, 29 August 2014

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF PRECIOUS METAL RESOURCES LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Precious Metal Resources Limited (the company) and Precious Metal Resources Limited and Controlled Entities (the consolidated entity) which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flow for the half year ended on that date, notes comprising a summary of significant accounting policies, other 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.

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 (including the Australian Accounting Interpretations) and the Corporations Act 2001 (as applicable) 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 procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the company and consolidated entity's financial position as at 30 June 2014, and of their performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001 (as applicable). As the auditor of Precious Metal 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 enquires, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Precious Metal Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Level 6, 350 Kent Street
Sydney NSW 2000

87-91 Lyons Road
Drummoyle NSW 2047

K.S. Black & Co.

Chartered Accountants

ABN 57 446 398 808

20 Grose Street
North Parramatta NSW 2151

PO Box 2210
North Parramatta NSW 1750

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF PRECIOUS METAL RESOURCES LIMITED (Cont'd)

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 Precious Metal Resources Limited and Precious Metal Resources Limited and Controlled Entities is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2014 and of their performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

KS Black & Co
Chartered Accountants

Faizal Ajmat
Partner

Sydney, 29 August 2014



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scheme approved
under Professional
Standards Legislation

Phone 02 8839 3000 Fax 02 8839 3055
www.ksblack.com.au



**Chartered
Accountants**

Declaration by Directors

The Directors of the Company declare that:

1. The financial statements and notes, set out on pages 12 to 27 , are in accordance with the *Corporations Act 2001*, and:
 - i give a true and fair view of the financial position of the consolidated entity as at 30 June 2014 and of its performance for the half-year ended on that date; and
 - ii comply with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.
2. In the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



Rado Jacob Rebek
Managing Director



Bruce Dennis
Director

Sydney
29 August, 2014

Statement of Profit or Loss and other Comprehensive Income

for the Half-Year Ended 30 June 2014

	Notes	Consolidated 30 Jun 2014 \$	30 Jun 2013 \$
REVENUE FROM CONTINUING OPERATIONS			
Other income	3	77,923	34,754
EXPENSES			
Administration expenses	3	(454,613)	(362,898)
Finance expenses		(54,697)	(1,575)
PROFIT/(LOSS) FROM OPERATIONS BEFORE INCOME TAX		(431,387)	(329,719)
EXPENSE			
Income tax expense		-	-
NET PROFIT/(LOSS) FOR THE PERIOD		(431,387)	(329,719)
Other Comprehensive Income		-	-
Other comprehensive income before income tax		-	-
Income tax expense		-	-
Other comprehensive income for the period		-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		(431,387)	(329,719)
EARNINGS PER SHARE		Cents	Cents
Basic earnings/(losses) per share (cents per share)		(0.50)	(0.39)
Diluted earnings/(losses) per share (cents per share)		(0.46)	(0.36)

This Statement of Profit or Loss and other Comprehensive Income is to be read in conjunction with the notes to the financial report.

Statement of Financial Position

as at 30 June 2014

	Notes	Consolidated	
		30 Jun 2014	31 Dec 2013
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	4	62,523	207,246
Trade and other receivables		190,014	493,125
Total current assets		252,537	700,371
Non-current assets			
Trade and other receivables		-	-
Mining tenements	5	902,910	745,700
Financial assets		72,143	72,143
Equipment		684	801
Other non-current assets		799,998	799,998
Total non-current assets		1,775,735	1,627,642
Total Assets		2,028,272	2,328,013
LIABILITIES			
Current liabilities			
Trade and other payables		62,400	940,109
Employee benefits provision		11,994	14,312
Total current liabilities		74,394	954,421
Non-current liabilities			
Trade and other payable		1,028,120	-
Employee benefits provision		2,236	11,385
Total non-current liabilities		1,030,356	11,385
Total Liabilities		1,104,750	965,806
Net Assets		923,522	1,362,207
EQUITY			
Issued capital	6	3,666,667	3,673,965
Reserves		179,532	179,532
Accumulated losses		(2,922,677)	(2,491,290)
Total Equity		923,522	1,362,207

The above Statement should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

for the Half-Year Ended 30 June 2014

Consolidated	Notes	Issued Capital	Options Reserve	Accumulated Losses	Total Equity
		\$	\$	\$	\$
Balance at 31 December 2012		2,873,965	179,532	(1,199,260)	1,854,237
Shares issuing Cost		-	-	-	-
Profit for the period		-	-	(329,719)	(329,719)
Balance at 30 June 2013		2,873,965	179,532	(1,528,979)	1,524,518
Balance at 30 June 2013		2,873,965	179,532	(1,528,979)	1,524,518
Share Issued		800,000	-	-	800,000
Loss for the period		-	-	(962,311)	(962,311)
Balance at 31 December 2013	6	3,673,965	179,532	(2,491,290)	1,362,207
Balance at 31 December 2013		3,673,965	179,532	(2,491,290)	1,362,207
Shares issuing cost		(7,298)	-	-	(7,298)
Loss for the period		-	-	(431,387)	(431,387)
Balance at 30 June 2014	6	3,666,667	179,532	(2,922,677)	923,522

The above Statement should be read in conjunction with the accompanying notes

Statement of Cash Flows

for the Half-Year Ended 30 June 2014

		Consolidated	
	Notes	30 Jun 2014	30 Jun 2013
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		1,443	1,796
Interest paid		(35)	-
Payment for exploration and evaluation expenditures		(236,617)	(143,612)
Payments for administration expenses		(309,665)	(343,434)
NET CASH FLOWS USED IN OPERATING ACTIVITIES		(544,874)	(485,250)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for tenements		(21,380)	-
Payments for property, plant and equipment		-	-
Repayment from other parties		-	511,900
NET CASH FLOWS (USED IN)/PROVIDED BY INVESTING ACTIVITIES		(21,380)	511,900
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issues/placements, net of issue costs		(7,298)	-
Advance from other parties		428,829	-
NET CASH FLOWS PROVIDED BY/(USED IN) FINANCING ACTIVITIES		421,531	-
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(144,723)	26,650
Cash and cash equivalents at the beginning of the reporting period		207,246	174,357
CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD	4	62,523	201,007

This Statement of Cash Flow is to be read in conjunction with the notes to the financial report.

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

Reporting Entity

Precious Metal Resources Limited (the “**Company**”) is a company domiciled in Australia. The consolidated financial report of the Company as at and for the six months ended 30 June 2014 comprises the Company and its subsidiaries (together referred to as the “**consolidated entity**”).

Statement of Compliance

The consolidated financial report is a general purpose financial report which has been prepared in accordance with AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*.

Estimates

The preparation of the financial report 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporation Act 2001*.

Statement of Compliance

Compliance with Australian Accounting Standards Board (AASB's) ensures that the financial report of Precious Metal Resources Limited also complies with International Financial Reporting Standards (“IFRS”).

Critical accounting estimates

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below: Options valuation

Refer to Note for estimates and assumptions used to calculate the valuation of options.

Critical judgements

Management has made the following judgements when applying the Group's accounting policies:

Capitalisation of exploration costs

The Group follows the guidance of AASB 6 Exploration for and Evaluation of Mineral Resources when determining if exploration costs incurred can be capitalised. This determination requires significant judgement. In making this judgement, the Group evaluates if any one of the following conditions is met:

- The exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and
- Exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the areas of interest are continuing.

NOTES TO THE FINANCIAL STATEMENTS continued**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

If one of the above conditions is met then the Group has made the judgement to capitalise the associated exploration expenses.

Historical cost convention

These financial statements have been prepared on an accruals basis and are based on the historical cost convention except where noted in these accounting policies.

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

(b) Principles of consolidation**Subsidiaries**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Precious Metal Resources Limited (the “parent entity”) as at report date and the results of all subsidiaries for the year then ended. Precious Metal Resources Limited and its subsidiaries together are referred to in this financial report as the Group.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from the entity’s activities generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The financial performance of those activities is included only for the period of the year that they were controlled.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

Intercompany transactions, balances and unrealised gains on transactions between consolidated entity companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Joint Ventures

Interest in joint venture entities are accounted for in the consolidated financial statements using the proportionate consolidation method and are carried at cost by the parent entity. Under the proportionate consolidated method, the share of income and expenses of the jointly controlled entity is combined line by line with similar items in the consolidated Statement of Comprehensive Income and the share of assets and liabilities are recognised in the consolidated balance sheet.

Business Combination

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or business under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

NOTES TO THE FINANCIAL STATEMENTS continued**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent arrangement is also included, subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

Goodwill

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- i. The consideration transferred;
- ii. Any non-controlling interest; and
- iii. The acquisition date fair value of any previously held equity for a business combination plus the acquisition date fair value of any previously held equity holdings shall form the cost of the investment in the separate financial statements.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity holdings shall form the cost of the investment in the separate financial statements.

Fair value remeasurements in any pre-existing equity holding are recognised in profit or loss in the period in which they arise. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the non-controlling interest. The purchase method of accounting is used to account for the acquisitions of subsidiaries by the Group.

Under the full goodwill method, the fair value of the non-controlling interests is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interests is recognised in the consolidated financial statements.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposal of.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

NOTES TO THE FINANCIAL STATEMENTS continued**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****(c) Segment reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments. Reporting to management by segments is on this basis.

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised for the major business activities as follows:

Interest Revenue

Interest revenue is recognised as it accrues taking into account the effective yield on the financial asset.

Other Income

Income from other sources is recognised when proceeds or the fee in respect of other products or service provided is receivable. All revenue is stated net of the amount of goods and services tax (GST).

(e) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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 liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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

The Company and its wholly owned entities are part of a tax-consolidated group under Australian taxation law. Precious Metal Resources Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

NOTES TO THE FINANCIAL STATEMENTS continued**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The amounts receivable/payable under tax funding arrangements are due upon notification by the entity which is issued soon after the end of each financial year. Interim funding notices may also be issued by the head entity to its wholly owned subsidiary. These amounts are recognised as current intercompany receivables or payables.

(f) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis except for the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, and are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(g) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting period. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(h) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include cash on hand and at call deposits with banks or financial institutions, and investment in money market instruments maturing within less than three months, net of bank overdrafts.

(i) Trade and other receivables

Trade receivables are recognised initially at original invoice amounts and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 60 days from the date of recognition.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that entities in the Group will not be able to collect all amounts due according to the original terms of receivables.

(j) Financial Instruments**Recognition and Initial Measurement**

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

NOTES TO THE FINANCIAL STATEMENTS continued**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- (a) the amount at which the financial asset or financial liability is measured at initial recognition;
- (b) less principal repayments;
- (c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- (d) less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

i. Financial assets at fair value through profit or loss

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after reporting date. (All other loans and receivables are classified as non-current assets.)

NOTES TO THE FINANCIAL STATEMENTS continued**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***iii. Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after reporting date. (All other investments are classified as current assets.)

If during the period the Group sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

iv. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to be disposed of within 12 months after reporting date. (All other financial assets are classified as current assets.)

v. Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, and reference to similar instruments and option pricing models.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the statement of Profit or Loss and other Comprehensive income.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(k) Tenement exploration, valuation and development costs

Costs incurred in the exploration for, and evaluation of, tenements for suitable resources are carried forward as assets provided that one of the following conditions is met:

- the carrying values are expected to be justified through successful development and exploitation of the area of interest; or

NOTES TO THE FINANCIAL STATEMENTS continued**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- exploration activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of recoverable mineral resources, and active and significant operations in relation to the area are continuing.

Expenses failing to meet at least one of the aforementioned conditions are expensed as incurred.

Costs associated with the commercial development of resources are deferred to future periods, provided they are, beyond any reasonable doubt, expected to be recoverable. These costs are amortised from the commencement of commercial production of the product to which they relate on a straight-line basis over the period of the expected benefit. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

(l) Trade and other payables

These amounts represent liabilities for goods and services which are unpaid, and were provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(m) Restoration and rehabilitation provisions

Both for close down and restoration and for environmental clean-up costs from exploration programs, if any, a provision will be made in the accounting period when the related disturbance occurs, based on the net present value of estimated future costs.

(n) Employee Benefits**(i) Wages, salaries and annual leave**

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

(o) Contributed Equity

Ordinary shares are classified as equity.

(p) Share based payments

Ownership-based remuneration is provided to employees via an employee share option plan.

Share-based compensation is recognised as an expense in respect of the services received, measured on a fair value basis.

The fair value of the options at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

NOTES TO THE FINANCIAL STATEMENTS continued**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance date, the Group revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

(q) Earnings per share (EPS)

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for costs of servicing equity (other than dividends), the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(r) New Accounting Standards for Application

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. We have reviewed these standards and interpretations and there are none having any material effect.

NOTES TO THE FINANCIAL STATEMENTS continued

3. REVENUE AND EXPENSES

Specific Items

Profit/(loss) before income tax expense/(benefit) includes the following revenues and expenses whose disclosure is relevant in explaining the performance of the consolidated entity:

	Consolidated 30 Jun 2014 \$	30 Jun 2013 \$
Other income		
Interest income	1,443	27,567
Contribution received for funded expenditures	-	-
Others	76,480	7,187
	<u>77,923</u>	<u>34,754</u>
 Administrative expenses		
Employee and on costs	121,412	99,800
Exploration professional fee	58,160	12,529
Other administrative expenses	275,041	250,569
	<u>454,613</u>	<u>362,898</u>

4. CASH AND CASH EQUIVALENTS

	Consolidated 30 Jun 2014 \$	31 Dec 2013 \$
Cash at bank and on deposit	20,767	13,393
Cash held in trust-tenement guarantee	41,756	193,853
	<u>62,523</u>	<u>207,246</u>

5. MINING TENEMENTS

	Consolidated 30 Jun 2014 \$	31 Dec 2013 \$
Tenement interest and capitalised exploration expenditures	902,910	754,700
	<u>902,910</u>	<u>754,700</u>

The ultimate recoupment of costs carried forward for exploration and evaluation of assets is dependent on the successful development and commercial exploration or sale of the respective areas.

NOTES TO THE FINANCIAL STATEMENTS continued

6. ISSUED CAPITAL

	Consolidated 30 Jun 2014 Number of Shares	31 Dec 2013 Number of Shares	Consolidated 30 Jun 2014 \$	31 Dec 2013 \$
Ordinary shares Issued	87,000,000	87,000,000	3,666,667	3,673,965

(a) Movements in ordinary share capital during the period:

Consolidated Date	Details	No. of shares	Issue price \$	\$
31 December 2013	Balance	87,000,000	-	3,673,965
	Share issuing cost	-	-	(7,298)
30 June 2014	Balance	87,000,000	-	3,666,667

(b) Options

There have been no options issued or granted over unissued shares during the reporting period.

(c) Terms and Conditions

Each ordinary share participates equally in the voting rights of the Company. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

7. COMMITMENTS

	Consolidated 30-Jun-2014 \$	31-Dec-2013 \$
Exploration expenditure commitments		
Tenement exploration expenditure	1,198,001	981,875
Tenement lease payment	61,580	42,820
	<u>1,259,581</u>	<u>1,024,695</u>

The minimum exploration expenditure commitments and lease payments on the Company's exploration tenements total approximately \$1.25 million over remaining term of tenements.

Remuneration expenditure commitments

Salary and other remuneration commitments under long-term employment contracts existing at reporting date not recognised as liabilities:

Within one year	-	13,625
Later than one year but not later than 5 years	-	-
Later than 5 years	-	-
	<u>-</u>	<u>13,625</u>

NOTES TO THE FINANCIAL STATEMENTS continued**COMMITMENTS continued****Executive employment agreement**

The company has entered into a geological services agreement with Michael Leu for fixed remuneration per day. The term of the contract is 2 years.

The company has entered into a geological services agreement with Mr Peter Kennewell for fixed remuneration. The agreement will be expired in August 2014.

Services agreements

The company has entered into a management service agreement with Hudson Corporate Limited pursuant to which Hudson Corporate Limited has agreed to provide its management, registered office, administrative accounting, secretarial and compliance services.

The term of the Services Agreement is two years and the fee payable is that amount agreed between the parties from time to time. The terms of the Service Agreement provide that Hudson Corporate Limited shall act in accordance with the directors of the Board.

There are no other material commitments as at the date of this report.

8. CONTINGENT LIABILITIES

There are no other material contingent liabilities as at the date of this report.

No material losses are anticipated in respect of any of the above contingent liabilities.

9. SEGMENT REPORTING

The consolidated entity operates one business being the mining and exploration of gold, minerals and related development projects in Australia.

10. EVENTS SUBSEQUENT TO BALANCE DATE

At the date of this report there are no other matters or circumstances, other than noted above and in the Review of Operations, which have arisen since 30 June 2014 that have significantly affected or may significantly affect:

- the operations, in the financial half-year subsequent to 30 June 2014, of the consolidated entity;
- the results of those operations; or
- the state of affairs, in the financial half-year subsequent to 30 June 2014, of the consolidated entity.