Cobar Consolidated Resources Limited

ABN 67 118 684 576

Interim Report
for the half-year ended 31 December 2013

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The 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 30 June 2013 and any public announcements made by Cobar Consolidated Resources Limited during the interim period and in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

Corporate Directory

Directors	Dr George A. Lefroy Chairman Daniel Laurente Non-executive Director Dr Kevin Tuckwell Non-executive Director
Company Secretary	Claire Dorothy Miller
Principal registered office in Australia	Level 10, 420 St Kilda Road, Melbourne Victoria 3004
Share Register	Link Market Services Ltd Level 4, 333 Collins Street, Melbourne Victoria 3000
Auditor	PricewaterhouseCoopers Freshwater Place Level 19, 2 Southbank Blvd, Southbank Victoria 3006 Australia
Solicitors	Lewis Holdway Commercial Lawyers 20 Queen Street, Melbourne Victoria 3000 Australia
Bankers	Commonwealth Bank of Australia Level 14, 385 Bourke Street, Melbourne Victoria 3000
Stock Exchange listings	Cobar Consolidated Resources Limited shares are listed on the Australian Securities Exchange (ASX). Home exchange is Melbourne. ASX Code: CCU
Website address	www.ccrlimited.com.au

Directors' Report

The Directors present their report, together with the interim financial statements, on the consolidated entity (referred to hereafter as the Group) consisting of Cobar Consolidated Resources Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2013.

The following persons were Directors of Cobar Consolidated Resources Limited during the part or whole of the financial half-year and up to the date of this report:

Dr George A. Lefroy, appointed Chairman on 18 December 2013
Dr Richard H. Mazzucchelli, ceased to be a director on 4 November 2013
Mr Gary Armor, ceased to be a director on 18 December 2013
Mr John A. Dreyer, ceased to be a director on 18 December 2013
Mr Daniel Laurente, joined as a director on 18 December 2013
Dr Kevin Tuckwell, joined as a director on 18 December 2013

Principal Activities

The Company's principal activities over the course of the financial half-year were operating the Wonawinta Silver Project and exploration for base and precious metals. A detailed Review of Operations follows the Directors' Report.

Dividends

No dividends were paid in respect to the financial half-year.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non-audit services

Non-audit services were not provided by the auditor PricewaterhouseCoopers during the half year ended 31 December 2013.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8.

This report is made in accordance with a resolution of Directors.

Dr George A. Lefroy
Chairman

Melbourne
28 February 2014

Review of Operations

Overview

Silver production improved steadily over the half year ended 31 December 2013 and by December the processing plant was operating at design capacity of 200,000oz per month. Notwithstanding the improved silver production the Company's cash position remained tight. In September, the Company borrowed A$3m from its 35% shareholder, Magna Resources Corporation, to support its working capital position.

On 21 February 2014 the Company announced an $8m Share Purchase Plan. Patersons Securities Limited is lead manager to the transaction and will be seeking underwriting for the fund raising.

Major lender Commonwealth Bank of Australia (CBA) agreed to defer scheduled repayments of $2.6m due on 21 February 2014 to the latter of 31 March 2014 or the receipt of proceeds from the Share Purchase Plan. CBA has also advised that the balance outstanding under the Company's project finance facility be repaid by 30 June 2014 and the rehabilitation bond be replaced with a bond from another financial institution.

Production

During the 6 months ended 31 December 2013, 352,573 tonnes of ore was mined at an average grade of 96g/t silver and 346,940 tonnes of ore was processed at an average grade of 109g/t silver. The higher grade of ore processed relative to ore mined reflected the treatment of stockpiled oversize ore.

Ore was mined initially from the Boundary Pit and transitioned to the Manuka Pit during November.

A ball mill was installed and commissioned over May and June 2013 and was fully operational by July. This enabled treatment of oversize and harder ores, which had previously been stockpiled. Monthly silver production progressively improved over the half year and in December the processing plant achieved a production level of 205,000oz.

Contained silver in dore produced for the half year was 847,923 ounces and silver sold was 835,713 ounces.

Around 400,000oz of silver was estimated to be contained in oversize ore stocks as at 31 December 2013 and this will continue to progressively treated with run of mine ore over 2014.

Silver recovery for the half year was 75%, which was lower than expected. Poor recoveries were experienced through August to November from ore mined in the base of the Boundary Pit. This is believed to be the result of fine silver sulphide minerals in the ore which could not be recovered by cyanidation. Recoveries improved significantly when mining transitioned to the clay oxide ores in the Manuka Pit.

A new higher capacity retort was installed in September 2013. The additional retort capacity has eliminated the need to process any silver concentrate off site.

Finance

From a low of US$18.61 on 27 June, the silver price rallied to US$24.74 on 28 August but then declined steadily to close the half year at US$19.50 on 31 December.

The average silver price received for the Company's silver sales during the half was A$25/oz. The average price benefitted from the Company's hedging position, where the final remaining sold forward position of 275,000oz at A$29/oz was closed out progressively during the half year.

Commercial production at the Wonawinta Silver Mine was declared effective 1 December 2013. From 1 December 2013, operating and development costs and sales revenue will no longer be capitalized and will instead be expensed or recorded as revenue.

Corporate

The Company has undergone Board and management renewal over recent months.

- Claire Miller was appointed Company Secretary in November 2013.
- Dr Kevin Tuckwell and Daniel Laurente were appointed as new Non-executive directors in December, following the resignations of John Dreyer and Gary Armor.
- Brad Glynne was appointed Chief Financial Officer in December 2013 following the retirement of Alan Knights.

Significant Events since 31 December 2013

A revised Mineral Resource Ore Reserve Statement was released on 21 February.

The Company has estimated a proven and probable ore reserve of 9.2Moz. The revised reserves support a mine life of approximately four years at current production rates. In addition, a stock of low grade ore will accumulate over the life of the mine and there will be over 1Moz of silver contained in these stocks which will be processed after the Ore Reserves have been exhausted based on current assumptions. With the inclusion the low grade stocks this gives a mine life of approximately 5 years.

The Company has reviewed the carrying value of its principal asset, the Wonawinta Silver Mine, in light of the revised mine life, relative to the January 2012 Resource Reserve estimate. An impairment of $23.5 million has been reflected in these financial statements.

Auditor's Independence Declaration

As lead auditor for the review of Cobar Consolidated Resources for the half-year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Cobar Consolidated Resources Limited and the entities it controlled during the period.

Paul Bendall
Partner
PricewaterhouseCoopers

28 February 2014

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Interim Financial Report

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Consolidated statement of comprehensive income

	Note	Half Year 2013 $	2012 $
Revenue from mining operations		4,190,686	105,738
Cost of sales		(3,631,644)	-
Gross Profit/(Loss)		**559,043**	**105,738**
Expenses			
Administration expenses		(924,747)	(647,489)
Corporate expenses		(1,406,845)	(1,203,147)
Consulting fees		(1,013,766)	(190,832)
Share based payments		(157,562)	(391,502)
Depreciation and amortisation expense		(1,749,626)	(62,841)
Impairment charge		(23,500,000)	-
Profit/(loss) before tax for the period		**(28,193,504)**	**(2,390,073)**
Income tax (expense)/benefit		(1,397,867)	777,066
Profit/(loss) after tax for the period		**(29,591,371)**	**(1,613,007)**
Profit / (Loss) is attrubutable to:			
Owners of Cobar Consolidated Resources Ltd		**(29,591,371)**	**(1,613,007)**
		Cents per Share	**Cents per Share**
Earnings/(Loss) per share			
Basic Earnings/(Loss) per share		(8.97)	(0.72)
Diluted Earnings/(Loss) per share		(8.97)	(0.72)
Profit for the half year		**(29,591,371)**	**(1,613,007)**
Other Comprehensive Income			
Items that may be subsequently reclassified to profit or loss :			
Change in the fair value of cash flow hedges		(2,634,171)	(3,628,387)
Release of Gain/(Loss) on restructured hedge contracts transferred to Mine Properties		(627,521)	166,117
Total comprehensive income for the the half year		(32,853,063)	(5,075,277)

As the Group declared commercial production from 1 December 2013, the revenue and cost of sales shown in the above statement are for December 2013 period only.

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

	Note	31-December 2013 $	30-June 2013 $
Current Assets			
Cash and cash equivalents		812,897	6,083,856
Trade and other receivables		589,407	563,430
Inventories		5,606,548	2,522,637
Other financial assets		121,006	119,876
Derivative financial instruments		-	3,031,712
Other current assets		186,651	370,918
Total Current Assets		**7,316,509**	**12,692,430**
Non-Current Assets			
Property, plant, and equipment	4	22,209,453	29,942,972
Intangible assets	7	218,836	262,783
Exploration and evaluation	6	6,597,077	6,360,972
Mine properties and development	5	23,090,473	35,552,696
Derivative financial Instruments		-	731,389
Other non-current assets		86,868	86,868
Total Non-Current Assets		**52,202,707**	**72,937,680**
Total Assets		**59,519,216**	**85,630,110**
Current Liabilities			
Trade and other payables		12,423,476	6,998,471
Interest Bearing Borrowings	9	12,930,092	7,094,038
Other provisions		510,159	447,582
Total Current Liabilities		**25,863,727**	**14,540,091**
Non Current Liabilities			
Interest Bearing Borrowings	8	50,783	4,898,584
Provisions		5,314,016	5,174,134
Total Non-Current Liabilities		**5,364,799**	**10,072,718**
Total Liabilities		**31,228,526**	**24,612,809**
Net Assets		**28,290,690**	**61,017,301**
Equity			
Issued capital		91,030,955	91,001,080
Reserves		6,161,139	9,326,249
Retained earnings		(68,901,404)	(39,310,028)
Total Equity		**28,290,690**	**61,017,301**

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

Consolidated statement of changes in equity

	Contributed Equity	Retained Earnings	Reserves	Total
	$	$	$	$
Balance At 1 July 2012	**64,400,189**	**(8,827,115)**	**8,247,328**	**63,820,402**
Loss for the period	-	(1,613,007)	-	(1,613,007)
Comprehensive income for the period	-	-	(4,232,941)	(4,232,941)
Total Comprehensive Income for the period	-	(1,613,007)	(4,232,941)	(5,845,948)
Transactions with owners in their capacity as owners				
Issue of share capital	15,032,511	-	-	15,032,511
Cost of capital raising	(539,000)	-	-	(539,000)
Employee share options expense	-	-	342,612	342,612
Employee share scheme	48,890	-	-	48,890
	14,542,401	-	342,612	14,885,013
Balance At 31 December 2012	**78,942,590**	**(10,440,122)**	**4,356,999**	**72,859,467**
Balance At 1 July 2013	**91,001,080**	**(39,310,033)**	**9,326,249**	**61,017,296**
Loss for the period	-	(29,591,371)	-	(29,591,371)
Comprehensive income for the period	-	-	(3,261,692)	(3,261,692)
Total Comprehensive Income for the period	-	(29,591,371)	(3,261,692)	(32,853,063)
Transactions with owners in their capacity as owners				
Issue of share capital	-	-	-	-
Cost of capital raising	(31,107)	-	-	(31,107)
Employee share options expense	-	-	96,582	96,582
Employee share scheme	60,982	-	-	60,982
	29,875	-	96,582	126,457
Balance At 31 December 2013	**91,030,955**	**(68,901,404)**	**6,161,139**	**28,290,690**

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

Consolidated statement of cash flows

	2013 $	2012 $
Cash flows from Operating Activities		
Cash received from customers	4,111,189	-
Payments to suppliers and employees	(1,095,879)	(2,041,469)
Interest paid	(481,170)	(931,831)
Interest received	11,822	105,738
Net cash provided by /(used in) Operating Activities	**2,545,962**	**(2,867,562)**
Cash flows from Investing Activities		
Payments for Property, Plant, and Equipment	(434,404)	(3,869,488)
Payments for Mine Properties (pre production expenditure)	(24,822,108)	(26,542,934)
Sale of pre production silver	16,746,582	9,473,084
Payments for Intangibles	(28,032)	(78,593)
Payments for Exploration and Evaluation	(236,105)	(188,011)
Net cash provided by / (used in) Investing Activities	**(8,774,067)**	**(21,205,942)**
Cash flows from Financing Activities		
Proceeds from the issue of shares	-	15,571,500
Payment for capital raising expenses	(31,107)	(539,000)
Finance lease payments	(11,747)	(10,835)
Repayment of Borrowings	(2,000,000)	(770,000)
Proceeds from Borrowings	3,000,000	7,400,000
Net cash provided by/ (used in) Financing Activities	**957,146**	**21,651,665**
Net Increase/(Decrease) in Cash Held	(5,270,959)	(2,421,839)
Cash and cash equivalents at beginning of the year	6,083,856	12,039,539
Cash and cash equivalents at the end of the year	**812,897**	**9,617,700**

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

Notes to the consolidated financial statements

Cobar Consolidated Resources Limited (the Company) is a limited company incorporated in Australia. The addresses of its registered office and principal place of business are disclosed in the introduction to the interim report. The principal activities of the Company are described in the Directors' Report.

1 Basis of preparation of half-year report

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2013 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

This condensed consolidated 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 30 June 2013 and any public announcements made by Cobar Consolidated Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

The accounting policies and methods adopted are consistent with those of the previous financial year and corresponding interim reporting period.

(a) Impact of standards issued but not yet applied by the entity

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect in particular the group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed.

(b) Going Concern Consideration

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

During the half year, the Group's largest shareholder Magna Resources Corporation (MRC) provided a working capital facility of $ 3 million. Since then MRC has extended the maturity of this loan to 30 June 2014.

As at the reporting date of 31 December 2013, the Group had cash of $ 0.8 million, a net current liabilities position of $ 18.2 million and had a net cash outflow of $ 5.3 million for the half year ended on that date. The Group's banker, Commonwealth Bank of Australia (CBA), has previously consented to the deferment of principal repayments in December 2013, January and February 2014 until the earlier of receipt of proceeds from the Company's current capital raising (see below) or 31 March 2014 and has accelerated the repayment of the remaining outstanding balances to 30 June 2014.

On 21 February 2014 the Group announced a capital raising initiative through a Share Purchase Plan (SPP) offering to current shareholders. The target amount is $ 8 million and the use of funds will be repayment of part of the CBA loan, as well working capital, primarily for the payment of outstanding creditor invoices.
The ability of the Group to continue as a going concern and meet its debts and liabilities as they fall due is dependent on being successful in:

(a) raising new capital through the SPP;
(b) repaying the CBA loans through a further capital raising and/or a refinancing with another financial institution;
(c) negotiating either an extension or refinancing of the MRC loan;
(d) negotiating extended credit terms with major creditors; and
(e) generating operating surpluses from future mining operations at the Wonawinta Silver Project by achieving planned silver production levels within budgeted operating expenses and realising forecast silver prices.

As a result of the matters discussed above, there are material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Note 1. Summary of significant accounting policies

Basis of preparation (continued)

The Directors believe that the Group will be successful in the above matters and accordingly, have prepared the financial report on a going concern basis.

The financial report does not contain any adjustments relating to the recoverability or classification of assets nor to the amounts or classifications of recorded assets or liabilities that might be necessary should the consolidate entity not be able to continue as a going concern.

(c) Compliance with IFRS

The consolidated financial statements of the Cobar Consolidated Resources Limited Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(d) New and amended standards adopted by the Group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, amendments made to AASB 101 *Presentation of Financial Statements* effective 1 July 2012 now require the statement of comprehensive income grouped into those that are not permitted to be classified to profit and loss in a future period and those that may have to be reclassified if certain conditions are met.

The Group has adopted the following new and revised accounting standards, amendments and interpretations as of 1 July 2013:

AASB 11 - Joint Arrangements
AASB 12 - Disclosure of Interests in Other Entities
AASB 13 - Fair Value Measurement
AASB 119 – Employee Benefits

The adoption of these new and revised standards did not have a material impact on the Group's financial statements.

(e) Early adoption of standards

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 January 2014.

(f) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

(g) Critical Accounting Estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates, it also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2 Segment information

(a) Description of segments

Operating segments are reported in a manner consistent with the internal management reporting provided to the Chief Executive Officer who has identified the three business segments as follows:

- Wonawinta Silver Project
- Mineral exploration
- Corporate and all other activities

(b) Segment information

The segment information provided for the reportable segments for the half-year ended 31 December 2013 is as follows:

Half Year 2013	Corporate $	Exploration $	Wonawinta $	Total $
Total Segment Revenue	9,224	-	4,181,462	4,190,686
Revenue from external customers	**9,224**	**-**	**4,181,462**	**4,190,686**
Adjusted EBITDA	(3,574,063)	-	(22,564,944)	(26,139,007)
Depreciation & Amortisation	(62,974)	-	(1,686,652)	(1,749,626)
Impairment charge	-	-	(23,500,000)	(23,500,000)
Total Segment Assets	**2,764,558**	**6,597,077**	**45,263,681**	**54,625,315**
Total Assets includes:				
Additions to non-current assets (other than financial assets and deferred tax)	4,893	236,105	462,021	703,019
Total Segment Liabilities	(625,222)	-	(30,603,304)	(31,228,526)

Half Year 2012	Corporate $	Exploration $	Wonawinta $	Total $
Total Segment Revenue	105,738	-	-	105,738
Revenue from external customers	**105,738**	**-**	**-**	**105,738**
Adjusted EBITDA	(2,403,823)	-	-	(2,403,823)
Depreciation & Amortisation	(62,841)	-		(62,841)
Total Segment Assets	**10,713,325**	**5,626,805**	**88,755,631**	**105,095,761**
Total Assets includes:				
Additions to non-current assets (other than financial assets and deferred tax)	32,052	188,011	21,897,169	22,117,232
Total Segment Liabilities	(617,740)	-	(31,618,554)	(32,236,294)

(i) Adjusted EBITDA
The performance of the operating segments is based on a measure of adjusted EBITDA. The measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, depreciation, legal expenses and goodwill impairments when the impairment is the result of an isolated, non-recurring event. Furthermore, the measure excludes the effects of equity-settled share-based payments and unrealised gains/(losses) on financial instruments. Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

A reconciliation of adjusted EBITDA to operating loss before income tax is provided as follows:

	Half-Year	
	2013	2012
	$	$
Adjusted EBITDA	(26,139,007)	(2,403,823)
Interest revenue	9,704	105,738
Depreciation & amortisation expenses	(1,749,626)	(62,841)
Legal expenses	(157,012)	(29,147)
Share options granted to directors and employees	(157,562)	(391,502)
Loss before income tax from continuing operations	(28,193,504)	(2,781,575)

3 Critical accounting estimates and judgements

(a) Commercial Production

Capitalisation of costs incurred in the development and preproduction phase is to cease when the related mining property has reached operating levels intended by management. Costs incurred prior to this point, including depreciation of related plant and equipment, are capitalised and proceeds from sales during this period are offset against costs capitalised.

Operating levels are considered to be reached when operational commissioning of major mine and plant components is completed, operating results are being achieved consistently for a period of time and there are indicators that these operating results will be continued. Other factors include one or more of the following:

- A significant portion of the plant capacity is achieved and a steady state is achieved.
- A predetermined reasonable period of time has passed.
- Mineral recoveries have reached a predetermined level

The Directors declared that commercial production commenced effective 1 December 2013. All operating income and expenses incurred from this date have been treated as income and expense in the Profit and Loss.

(b) Impairment of capitalised exploration and evaluation expenditure

Exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological change, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices and foreign exchange rates.

The carrying value of exploration and evaluation expenditure requires management to make estimates and judgements, in particular whether current available information, permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. The Directors believe that currently available information does not suggest that there are any impairment triggers.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

(c) Net realisable value of inventories

The Group reviews the carrying value of its inventories at each reporting date to ensure that the cost does not exceed net realisable value. Estimates of net realisable value includes a number of assumptions, including commodity price expectations, foreign exchange rates and costs to complete inventories to a saleable product. The inventories values include

- Run of mine ore
- Work in progress (ore in circuit) and
- Finished goods (concentrate and metal)

(d) Impairment of property, plant and equipment and mine properties and development

The Group performs an impairment assessment when there is an indication of a possible impairment. Impairment assessments are performed using information from internal Board approved budgets as well external sources, including industry analysts and analysis performed by external parties. In assessing the recoverable amount, the Group makes a number of impairment assumptions, including commodity price expectations, foreign exchange rates, reserves and resources and expectation regarding future operating performance which is subject to risk and uncertainty. Changes in circumstances may affect these estimates and the recoverable amount. If the carrying amount is assessed to be impaired, the impairment charge is recognised in the income statement. Conversely, where a prior period asset impairment has reversed the carrying amount of the asset is increased to the lower of its recoverable amount and pre-impairment value, adjusted for any depreciation that would have been recognised on the asset had the initial impairment not occurred.

Non-current assets are tested for impairment when events or changes in circumstances suggest that the carrying amount may not be fully recoverable. During the half year, the group identified indicators of potential impairment. Firstly, the trading price of the company's shares declined such that the company's market capitalization was below the carrying value of net assets. Secondly, market prices of silver declined significantly to levels below prices used in the company's forecasts. Delay in the declaration of commercial production due to significant modifications required to the processing plant at Wonawinta Silver Project is also an internal indicator of impairment.

The impairment indicators identified by the group are relevant to mining assets and property plant and equipment relating to the Wonawinta Silver Project. The Wonawinta Silver Project is a single cash generating unit (CGU) for impairment testing purposes.

The recoverable value of the Wonawinta Silver Project has been assessed using the Fair Value Less Costs to Sell (FVLCS) approach, based on discounted cash flows and the directors' judgement of the general industry outlook. The group determined that an impairment charge of $23.5 million is required, as the carrying value exceeded the estimated recoverable value. The FVLCS assessment was based on the following key assumptions:

- Production profile and costs per the recently revised Wonawinta Life of Mine Plan (LoMP).
- Average long term prices used for silver over the life of mine are A$23 per ounce.
- Pre-tax real discount rates of 9.6%.
- Directors estimate of residual value of assets and potential for converting additional resources to economic reserves.

Future changes in the assumptions on which these estimates are based may give rise to a material adjustment to the carrying value of the Wonawinta Silver Project, with commodity prices, exchange rates and the discount rates having the key direct impacts on the recoverable value. A 5% decrease in the silver price, in isolation, would cause the estimated recoverable amount to drop by approximately A$7.6m. An increase of 1% in the discount rate, in isolation, would reduce the estimated recoverable value by A$1.2m.

The inter-relationship of all other key assumptions upon which estimated future cash flows are based is such that it is impracticable to reasonably estimate the extent of possible effects of a change in the key assumptions in isolation.
It is reasonably possible, on the basis of existing knowledge, that should outcomes during the next financial year significantly differ from the assumptions made with respect to current and future projects, the Wonawinta Silver Project CGU could require an adjustment to its carrying value.

(e) Hedge Costs

The release of amounts from the hedge reserve during the commissioning phase are capitalised through the mine properties, flowing through earnings as depreciation in future periods. The amounts reported through comprehensive income have been shown net of tax.

(f) Rehabilitation Provision

The Group records the present value of the estimated cost of legal and constructive obligations to restore operating locations in the period in which the obligation incurred. The nature of the restoration activities includes dismantling and removing structures, rehabilitating mines, dismantling operating activities, closure of plant and waste sites and restoration, reclamation and revegetation of affected areas.

Typically the obligation arises when the asset is installed or the ground/environment is disturbed at the production location. When the liability is initially recorded, the present value of the estimated cost is capitalised by increasing the amount of the related mining assets. Over time, the discounted liability is increased for the change in the present value based on the discount rates that reflect the current market assessments and the risks specific to the liability.

4 Property , Plant and Equipment

The following table represents the property, plant and equipment as at 31 December 2013 -

	Land $	Furniture Fittings and Equipment $	Plant & Machinery $	Computer Equipment $	Motor vehicles $	Total $
At 30 June 2013						
Cost	1,907,142	86,328	27,405,959	292,895	555,881	30,248,205
Accumulated depreciation and Impairment	-	(13,247)	-	(116,890)	(175,097)	(305,234)
Net book value	**1,907,142**	**73,081**	**27,405,959**	**176,005**	**380,784**	**29,942,971**
Half-year ended 31 December 2013						
Opening net book amount	1,907,142	73,081	27,405,959	176,005	380,784	29,942,971
Additions	-	-	433,029	5,852	-	438,881
Disposals	-	-	-	(4,476)	-	(4,476)
Impairment	-	-	(10,803,000)	-	-	(10,803,000)
Transfer from Mine Properties	-	-	3,008,901	-	-	3,008,901
Depreciation charge	-	(4,255)	(280,551)	(35,330)	(53,688)	(373,824)
Closing net book amount	**1,907,142**	**68,826**	**19,764,338**	**142,051**	**327,096**	**22,209,453**
At 31 December 2013						
Cost	1,907,142	86,328	30,847,889	294,271	555,881	33,691,511
Accumulated depreciation and Impairment	-	(17,502)	(11,083,551)	(152,220)	(228,785)	(11,482,058)
Net book value	**1,907,142**	**68,826**	**19,764,338**	**142,051**	**327,096**	**22,209,453**

The carrying value of the assets above includes plant and equipment under construction expenditure which has been transferred from mine properties to plant and equipment during the half year ended 31 December 2013.

5 Mine Properties

The following table represents the mine properties as at 31 December 2013 -

	Mine Properties in Development $
At 30 June 2013	
Cost	64,090,696
Accumulated depreciation and Impairment	(28,538,000)
Net book value	**35,552,696**
Half-year ended 31 December 2013	
Opening net book amount	35,552,696
Additions	21,194,498
Preproduction Sales	(16,746,582)
Transfer to plant and equipment	(3,008,901)
Impairment	(12,697,000)
Depreciation charge	(1,204,238)
Closing net book amount	**23,090,473**
At 31 December 2013	
Cost	65,529,711
Accumulated depreciation and Impairment	(42,439,238)
Net book value	**23,090,473**

The carrying value of mine properties and development includes pre production revenue from the sale of silver during the commissioning phase, this is deducted from capitalised costs in accordance with AASB 16 paragraph 17 (e).

6 Exploration and Evaluation

The following table represents the value of exploration and evaluation as at 31 December 2013 -

	Exploration and Evaluation $
At 30 June 2013	
Cost or fair value	6,360,972
Accumulated depreciation	-
Net book value	**6,360,972**
Half-year ended 31 December 2013	
Opening net book amount	6,360,972
Additions	236,105
Re-classification of costs	-
Depreciation charge	-
Closing net book amount	**6,597,077**
At 31 December 2013	
Cost or fair value	6,597,077
Accumulated depreciation	-
Net book value	**6,597,077**

The ultimate recoupment of exploration and evaluation expenditure is dependent upon successful development and commercial exploitation or alternatively the sale of the respective area of interest at an amount at least equal to the book value. The Directors have reviewed the carrying values of each area of interest as at the balance date.

7 Intangible Assets - Software

The following table represents the value of intangible assets as at 31 December 2013 -

	2013 $
At 1 July 2013	
Cost	483,122
Accumulated Depreciation	(220,339)
Net Book Amount	**262,783**
Half year ended 31 December	
Opening net book amount	262,783
Additions	28,032
Depreciation charge	(71,979)
Closing Net Book Amount	**218,836**
At 31 December 2013	
Cost	511,154
Accumulated Depreciation	(292,318)
Net Book Amount	**218,836**

Intangible assets are amortised over a useful life of 4 years.

8 Fair Value Measurement of Financial Instruments

(a) Fair Value Hierarchy

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities(level 1)
(b) inputs other than quoted prices included within level 1 that are observable for the assets or liability, either directly or indirectly (level 2), and
(c) inputs for assets or liability that are not based on observable market data(unobservable inputs)(level 3).

The following table represents the Group's financial assets and liabilities measured and recognised at fair value at 31 December and 30 June 2013.

At 31 December 2013	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Financial assets at fair value through the profit or Loss				
Trading derivatives	-	-	-	-
Total Assets	-	-	-	-
At 30 June 2013				
	Level 1 **$**	**Level 2** **$**	**Level 3** **$**	**Total** **$**
Assets				
Financial assets at fair value through the profit or Loss				
Trading derivatives	3,763,101	-	-	3,763,101
Total Assets	**3,763,101**	-	-	**3,763,101**

All the trading derivatives were closed out during the period to December 2013.

(b) Fair Value Measurement of Other Financial Instruments

The Group had the following financial instruments which are not measured at fair value in the balance sheet. These had the following fair values as at 31 December 2013 :

Non Current Borrowings	Carrying Amount	Fair Value
	$	$
Finance Lease Liabilities	50,873	58,027
Total	**50,873**	**58,027**

9 Changes to financial liabilities

The following table represents the value of financial liabilities as at 31 December 2013 -

Contractual maturities of financial liabilities (excludes interest)	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying Amount (assets)/ liabilities
At 31 December 2013	$	$	$	$	$	$	$
Non-derivatives							
Trade/Other Payables & Accruals	12,423,476	-	-	-	-	12,423,476	12,423,476
Borrowings (Including interest cost)	12,905,000	-	-	-	-	12,905,000	12,905,000
Finance lease liabilities	12,277	12,816	27,342	23,440	-	75,875	75,875
Total non-derivatives	**25,340,753**	**12,816**	**27,342**	**23,440**	**-**	**25,404,351**	**25,404,351**
At 30 June 2013							
Non-derivatives							
Trade/Other Payables & Accruals	6,998,471	-	-	-	-	6,998,471	6,998,471
Borrowings (Including interest cost)	3,930,000	3,140,000	4,835,000	-	-	11,905,000	11,905,000
Finance lease liabilities	11,761	12,277	26,193	37,391	-	87,622	87,622
Total non-derivatives	**10,940,232**	**3,152,277**	**4,861,193**	**37,391**	**-**	**18,991,093**	**18,991,093**

Financing arrangements
The group's undrawn borrowing facilities were as follows:

	31-Dec-13	30-Jun-13
	$	$
Floating Rate		
Expiring within 1 year (bank overdrafty & bill facility)	-	-
Expiring beyond 1 year (bank loans)	285,000	285,000
	285,000	285,000

During the period the Group repaid $2.0m of the working capital facility under the project funding facility with CBA. Magna Resources Corporation, the Group's primary shareholder, provided a $3.0m bridging loan facility, which is repayable in June 2014. The borrowings with the CBA have been reclassified as repayable in less than six months in line with the agreement to defer the principal payments due at 31 December 2013, 31 January 2014 and 28 February 2014 to the 31 March 2014 or earlier as funds become available through the Share Placement Plan. The remaining borrowings from the CBA are to be repaid by 30 June 2014 in line with an agreed acceleration of repayments.

10 Equity securities issued

	2013 Shares	2012 Shares	2013 $	2012 $
Issues of ordinary shares during the half year				
Contribution of equity net of transaction costs	-	25,067,613	-	14,493,511
Employee Share Option Plan- exercised	-	-	-	-
Net movement	**-**	**25,067,613**	**-**	**14,493,511**
Movements in treasury shares during the half year				
Employee share scheme	469,090	75,215	60,982	48,890
Net movement	**469,090**	**25,142,828**	**60,982**	**14,542,401**

11 Contingencies

(a) Contingent assets

There are no contingent assets at the balance sheet date.

(b) Contingent liabilities

The Group had contingent liabilities at 31 December 2013 in respect of :

Bank Guarantees
Silver Corporation of Australia Pty Ltd has provided a bank guarantee to the NSW government of $5.5m to cover the cost of the rehabilitation of the Wonawinta site as per the mining lease. It also provided a bank guarantee of $0.2m to Cobar Shire Council to cover the agreement to reinstate the shire roads on closure of the mine.

12 Deed of Cross Guarantee

Cobar Consolidated Resources Limited (Group Company) and Silver Corporation of Australia Pty Ltd (subsidiary) are parties to a Deed of Cross Guarantee under which each company guarantees the debts of the other. By entering into the deed, the wholly-owned entity as been relived from the requirement to prepare a financial report and Directors Report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

The subsidiary had $ 532,704 of cash at 31 December 2013.

13 Related party transactions

The parent entity within the Group is Cobar Consolidated Resources Limited

Transactions with Director Related Entities
Searchtech Pty Ltd, a company associated with Dr Richard Mazzucchelli, received for the reported period, consultancy fees of $7,251.

14 Events occurring after the reporting period

Significant events after the reporting period are set out below.

A revised Mineral Resource Ore Reserve Statement was released on 21 February.

The Company has estimated a proven and probable ore reserve of 9.2Moz. The revised reserves support a mine life of approximately four years at current production rates. In addition, a stock of low grade ore will accumulate over the life of the mine and there will be over 1Moz of silver contained in these stocks which will be processed after the Ore Reserves have been exhausted. With the inclusion the low grade stocks this gives a mine life of approximately 5 years.

On 21 February 2014 the Company also announced an $8m Share Purchase Plan. Patersons Securities Limited is lead manager to the transaction and will be seeking underwriting for the fund raising.

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 10 to 24 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the financial half-year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Dr. George A. Lefroy
Chairman

Melbourne
28 February 2014

Independent auditor's review report to the members of Cobar Consolidated Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Cobar Consolidated Resources Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Cobar Consolidated Resources Limited group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that 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 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 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 Cobar Consolidated 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.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

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 Cobar Consolidated 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;

b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our conclusion, we draw attention to Note 1 in the half-year financial report, which indicates that the Group's banker has accelerated the repayment of remaining outstanding balances to 30 June 2014. The company's ability to continue as a going concern is therefore dependent on being successful in raising new capital through the Share Purchase Plan. These conditions, along with other matters set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the half-year financial report.

PricewaterhouseCoopers

PricewaterhouseCoopers

P Bendall

Melbourne

Paul Bendall
Partner

28 February 2014

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