

ELSMORE RESOURCES LIMITED
ABN 35 145 701 033

FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2013

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

Your directors' present their report on Elsmore Resources Limited ('the Company') and its consolidated entity (known collectively as 'the Group') for the half-year ended 31 December 2013.

Directors

The names of the Directors of the Company at any time during or since the end of the half year are:

Joseph Chung

John Gaffney

Patrick Johnson (appointed 29 December 2013)

Ashley Howard (appointed 11 November 2013 and resigned 12 March 2014)

Gregory Artup (resigned 27 December 2013)

Zoran Nedimovic (appointed 13 February 2014 and resigned 12 March 2014)

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

Company Secretary is Mr John Gaffney.

Principal Activities

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

Review of Operations

The Group's net loss after income tax for the half-year was \$2,306,924 principally due to a provision for doubtful debts of \$1,859,000 and an impairment of goodwill of \$300,000. (31 December 2012: \$23,448).

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

During the half year, the Company achieved a number of key results which are outlined as follows:

- Issue of 250,000 and 125,000 ordinary shares on 23 December 2013 respectively to Joseph Chung and Gregory Artup in lieu of the sum of \$75,000 pursuant to the Sorolao Asset Purchase Agreement.
- Issue of 1,500,000 ordinary shares to Joseph Chung on 23 December 2013 in lieu of the payment to him of \$300,000 pursuant to the Auramatrix shares sale agreement.
- The company entered into a service agreement on 27 December 2013 with Periwinkle Investment Pty Ltd on an ongoing basis, which agreement is now concluded. The Company is presently considering its options in relation to ongoing corporate advisory services.

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

Significant Changes in the State of Affairs

On 23 December 2013, the Company issued 11,030,000 shares at a price of \$0.20 per share raising \$2,206,000 from an Initial Public Offering.

Events After the End of Interim Period

Legal proceedings by the Company

The Company in its 31 December 2013 Quarterly Cashflow Report reported that the Group had a cash balance of \$2,202,000 of which \$2,206,000 were from IPO share proceeds when the Company listed on 23 December 2013.

This IPO share proceeds of \$2,206,000 together with an additional amount of \$3,000 (collectively 'the Funds') were held in the name of the Company's bank account in trust by Periwinkle Investment Pty Ltd, a corporate advisory and capital raising services entity.

The Funds however have not been injected to the Company for operations.

On 24 February 2014 the Company commenced legal proceedings in the NSW Supreme Court against Mr Howard and, on 10 March 2014, against Periwinkle Investments Pty Ltd ('Periwinkle').

On 11 March 2014 the Company settled the proceedings against Mr Howard and Periwinkle in principle, subject to certain payments being made and other step taken by 9 July 2014. The proceedings have been adjourned to 25 July 2014 at which, subject to the satisfaction of the foregoing, it is anticipated that the proceedings will be discontinued.

An amount of \$349,949.85 was recovered by the Company on 12 March 2014.

Mr Howard resigned as director of the Company on 12 March 2014.

On 10 April 2014 there was a default under the in principle settlement. The Company is considering its position and will take further steps as advised.

By request date 20 February 2014, the Company voluntarily requested that trading of its shares on the ASX be suspended whilst it considered its financial position relating to the matters resulting in the legal proceedings mention at note 12. The suspension is presently ongoing and anticipated to be on place till 29th August 2014.

Going Concern

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

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

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

ELSMORE RESOURCES LIMITED AND CONTROLLED ENTITY

ABN 35 145 701 033

Directors' Report

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

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

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

Auditor's Independence Declaration

The Auditor's Independence Declaration is set out on page 14 and forms part of the Directors' Report for the half year ended 31 December 2013.

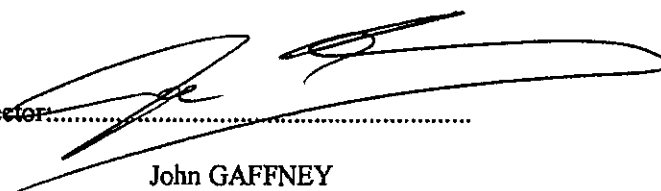
Signed in accordance with a resolution of the Directors.

Director:.....



Joseph CHUNG

Director:.....



John GAFFNEY

Date: 1 May 2014

ELSMORE RESOURCES LIMITED ABN 35 145 701 033

Directors' Declaration

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

1. the financial statements and notes are in accordance with the Corporations Act 2001 and:
 - (a) give a true and fair view of the financial position as at 31 December 2013 and of the performance for the financial year ended on that date of the consolidated group; and
 - (b) comply with Accounting Standards and the Corporations Regulations 2001; and
2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Director:

John GAFFNEY

Director:

Joseph CHUNG

Dated: 1 May 2014

ELSMORE RESOURCES LIMITED ABN 35 145 701 033
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 31 December 2013

	Note	Consolidated 31.12.2013 \$	Parent 31.12.2012 \$
Revenue - other income	4	<u>5,000</u>	<u>20,000</u>
Administration expenses		(120,699)	(38,586)
Occupancy expenses		(23,200)	(3,568)
Finance costs		(9,025)	(1,294)
Impairment of goodwill on acquisition		(300,000)	
Provision for doubtful debts	7&12	<u>(1,859,000)</u>	
Profit (loss) before income tax		(2,306,924)	(23,448)
Income tax (credit) attributable to operating profit (loss)			
Loss after income tax		<u>(2,306,924)</u>	<u>(23,448)</u>
Other comprehensive income			
Other comprehensive income for the period, net of tax			
Total comprehensive income for the period attributable to the owners of parent entity		<u>(2,306,924)</u>	<u>(23,448)</u>
Earning per share			
From continuing operations			
Basic earnings/(loss) cents per share		(0.0242)	(0.007)
Diluted earnings (loss) cents per share		(0.0242)	(0.007)

The accompanying notes form part of these financial statements.

ELSMORE RESOURCES LIMITED ABN 35 145 701 033

Statement of Financial Position As At 31 December 2013

	Note	Consolidated 31.12.2013 \$	Consolidated 30.6.2013 \$
<hr/>			
Current Assets			
Cash and cash equivalents	6	7,722	9,999
Trade and other receivables	7	359,157	5,267
Total Current Assets		<u>366,879</u>	<u>15,266</u>
Non-Current Assets			
Property, plant and equipment		1,629,327	1,432,499
Other assets		74,583	4,583
Total Non-Current Assets		<u>1,703,910</u>	<u>1,437,082</u>
Total Assets		<u>2,070,789</u>	<u>1,452,348</u>
Current Liabilities			
Trade and other payables		226,343	102,311
Financial liabilities	8	434,679	214,346
Total Current Liabilities		<u>661,022</u>	<u>316,657</u>
Current Liabilities			
Deferred tax liabilities		264,600	264,600
Total Non-Current Liabilities		<u>264,600</u>	<u>264,600</u>
Total Liabilities		<u>925,622</u>	<u>581,257</u>
Net Assets (Liabilities)		<u><u>1,145,167</u></u>	<u><u>871,091</u></u>
Equity			
Issued capital	9	5,660,116	3,079,116
Accumulated losses		(4,514,949)	(2,208,025)
Total Equity (Deficiency)		<u><u>1,145,167</u></u>	<u><u>871,091</u></u>

The accompanying notes form part of these financial statements.

ELSMORE RESOURCES LTD ABN 35 145 701 033**Statement of Changes in Equity
For the Half-Year Ended 31 December 2013**

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

Parent	Ordinary Shares \$	Retained Earnings \$	Total \$
Balance at 1 July 2012	645,060	(323,819)	321,241
Loss for the period		(23,448)	(23,448)
Shares issued during the period			
Balance at 31 December 2012	<u>645,060</u>	<u>(347,267)</u>	<u>297,793</u>

The accompanying notes form part of these financial statements

ELSMORE RESOURCES LIMITED ABN 35 145 701 033**Statement of Cash Flows****For the half-year ended 31 December 2013**

	Consolidated 31.12.2013 \$	Parent 31.12.2012 \$
Cash Flows From Operating Activities		
Finance costs	(9,024)	
Proceeds from option fee income		20,000
Payments to suppliers and employees	(50,768)	(82,939)
Interest received	5,000	
Net cash provided by (used in) operating activities (note 4)	<u>(54,792)</u>	<u>(62,939)</u>
Cash Flows From Investing Activities		
Payments for purchase of investments	(350,000)	
Payments for property, plant and equipment	(198,583)	(256,719)
Funds deposited for performance bonds	<u>(20,000)</u>	
Net cash provided by (used in) investing activities	<u>(568,583)</u>	<u>(256,719)</u>
Cash Flows From Financing Activities		
Proceeds from share issue	2,581,000	
IPO share proceeds recoverable (Note 12)	(2,209,000)	
Proceeds of borrowings	<u>247,830</u>	<u>330,694</u>
Net cash provided by (used in) financing activities	<u>619,830</u>	<u>330,694</u>
Net (decrease) increase in cash and cash equivalents held	(3,545)	11,036
Cash and cash equivalents at the beginning of half-year	(1,078)	(3,549)
Cash and cash equivalents at the end of the half-year; net of overdraft	<u><u>(4,623)</u></u>	<u><u>7,487</u></u>

The accompanying notes form part of these financial statements.

Note 1: Corporate Information

The financial report of Elsmore Resources Limited ("the Company") and its controlled entity ("the Group" or "consolidated entity") for the half-year ended 31 December 2013 was authorised for issue in accordance with a resolution of the directors on 19 March 2014.

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

The address of the registered office is Level 13, 370 Pitt Street, Sydney NSW 2000.

Note 2: Basis Of Preparation

(a) Basis of preparation

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

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

The half year financial report should be read in conjunction with the most recent annual financial report for the period ended 30 June 2013.

It is also recommended that the half year financial report be considered together with any public announcements made by Elsmore Resources Limited during the half year ended 31 December 2013 in accordance with the continuous disclosure obligations arising under the ASX Listing Rules.

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

From 1 July 2013 the consolidated entity has adopted all Australian Accounting Standards and Interpretations effective for annual periods beginning on or before 1 July 2013. The adoption of new and amended standards and interpretations had no impact on the financial position or performance of the consolidated entity.

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

(b) Going Concern

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

(i) the ability to vary the consolidated entity's cost structure and in turn the levels of cash outflow dependent on the timing of its exploration activities; and

(ii) the ability to obtain funding through various banking/loan facilities or equity issues as required.

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

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

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

Note 3: Segment Information

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

ELSMORE RESOURCES LIMITED ABN 35 145 701 033

Notes to the Financial Statements

For the half-year ended 31 December 2013

	Consolidated 31.12.2013 \$	Consolidated 31.12.2012 \$
Note 4: Revenue		
Option fee income		20,000
Interest income	5,000	
	<u>5,000</u>	<u>20,000</u>

Note 5: Loss

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

Charging as Expenses:

Depreciation of non-current assets	1,755	2,319
	<u>1,755</u>	<u>2,319</u>

	Consolidated 31.12.2013 \$	Consolidated 30.06.2013 \$
Note 6: Cash and Cash Equivalents		
Bank account	60	387
Cash on hand	7,662	9,632
	<u>7,722</u>	<u>9,999</u>

Note 7: Trade and other receivables

GST, prepayments & others	9,157	5,267
Others receivable - IPO share proceeds recoverable	2,209,000	
Less: provision for doubtful debts	(1,859,000)	
	<u>359,157</u>	<u>5,267</u>

Note 8: Financial liabilities

Loan from director	420,334	203,269
Bank overdraft	14,345	11,077
	<u>434,679</u>	<u>214,346</u>

ELSMORE RESOURCES LIMITED ABN 35 145 701 033**Notes to the Financial Statements****For the half-year ended 31 December 2013****Note 9: Issued Capital**

	Consolidated	Parent
	\$	\$
(a) Issued and paid up capital:		
Fully paid ordinary shares	<u>5,660,116</u>	<u>3,079,116</u>
(b) Movements in issued capital during the period were as follows:		
	Number	\$
Issued and paid up capital: 31 December 2013	<u>95,316,870</u>	<u>5,660,116</u>
Ordinary shares		
Opening balance at 1 July 2013	80,133,620	3,079,116
Add: Share issued for balance payment in the acquisition of subsidiary and assets purchase agreement	1,875,000	375,000
Shares from initial public offering ('IPO')	11,030,000	2,206,000
Shares issued for pre IPO corporate advisory services and post IPO marketing services	2,278,250	455,650
Shares issue costs		<u>(455,650)</u>
Total shares on issue at 31 December 2013	<u>95,316,870</u>	<u>5,660,116</u>

Note 10: Dividends

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

Note 11: Contingent Liabilities

There are no contingent liabilities as at 31 December 2013.

Note 12: Events after the End of the Interim Period

Legal proceedings by the Company

The Company in its 31 December 2013 Quarterly Cashflow Report reported that the Group had a cash balance of \$2,202,000 of which \$2,206,000 were from IPO share proceeds when the Company listed on 23 December 2013.

ELSMORE RESOURCES LIMITED ABN 35 145 701 033

Notes to the Financial Statements

For the half-year ended 31 December 2013

This IPO share proceeds of \$2,206,000 together with an additional amount of \$3,000 (collectively 'the Funds') were held in the name of the Company's bank account in trust by Periwinkle Investment Pty Ltd, a corporate advisory and capital raising services entity.

The Funds however have not been injected to the Company for operations.

On 24 February 2014 the Company commenced legal proceedings in the NSW Supreme Court against Mr Howard and, on 10 March 2014, against Periwinkle Investments Pty Ltd ('Periwinkle').

On 11 March 2014 the Company settled the proceedings against Mr Howard and Periwinkle in principle, subject to certain payments being made and other step taken by 9 July 2014. The proceedings have been adjourned to 25 July 2014 at which, subject to the satisfaction of the foregoing, it is anticipated that the proceedings will be discontinued.

An amount of \$349,949.85 was recovered by the Company on 12 March 2014.

Mr Howard resigned as director of the Company on 12 March 2014.

On 10 April 2014 there was a default under the in principle settlement. The Company is considering its position and will take further steps as advised.

Note 13: Company Shares in Suspension

By request date 20 February 2014, the Company voluntarily requested that trading of its shares on the ASX be suspended whilst it considered its financial position relating to the matters resulting in the legal proceedings mention at note 12. The suspension is presently ongoing and anticipated to be on place till 29th August 2014.

Note 14: Correction of Errors

The share capital as at 30 June 2012 as per 2012 half year accounts and 2013 financial report should be \$645,060. These have been previously stated at \$3,200,000. The change arose from reinstatement of the value of plant & equipment at its fair value. The amendments however do not have an impact on the Company's profit and loss.

Note 15: Company Details

The principal place of business of the company is:

1306/370 Pitt Street
Sydney NSW 2000
Australia

Level 6
350 Kent Street
Sydney NSW 2000

K.S. Black & Co.

ABN 57 446 399 808

Level 1, 460 Church Street
North Parramatta NSW 2151

PO Box 2210
North Parramatta NSW 1750

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ELSMORE RESOURCES LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Elsmore Resources Limited (the company) and Elsmore Resources Limited and controlled entities (the consolidated entity) which comprises the statement of financial position as at 31 December 2013, 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 half-year end or from time to time during the half-year.

Director's Responsibility for the Half-Year Financial Report

The Directors of Elsmore Resources Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards AASB 134 Interim Financial Reporting and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of 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 31 December 2013, 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 the auditor of Elsmore 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 Elsmore Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ELSMORE RESOURCES LIMITED (Cont'd)

Basis for Disclaimer of Auditor's Conclusion

As disclosed in note 12 to the financial report, Elsmore Resources Limited settled the proceedings against its former director, Mr Ashley Howard ('Mr Howard') and Periwinkle Investments Pty Ltd ('Periwinkle') by entering into a Deed of Settlement dated 12 March 2014 for certain payments to be made by Mr Howard and Periwinkle and other steps taken by 9 July 2014. On 10 April 2014, there was a default under the in principle settlement and the company is considering its position as at the date of this report.

The following information remain outstanding at the date of our review report:

- St George Bank Statement for Account No. 439 104 535 from 13 December 2013 to date of review report;
- St George bank confirmation response;
- Independent confirmation from Mr Howard and Periwinkle acknowledging the signing of Deed of Settlement dated 12 March 2014;
- Financial information showing ability of Mr Howard, Periwinkle and their related parties to be able to meet the certain payments stipulated in the Deed of Settlement;
- No information on how the remaining unpaid balance per Deed of Settlement will be recovered following default under the in principle settlement on 10 April 2014; and
- Revised cash flow forecast to support the entity's ability to continue as a going concern in light of the default of settlement deed.

Accordingly, as at the date of this report, we express no conclusion on the carrying value of cash and cash equivalents of \$7,722, trade and other receivables of \$359,157, completeness of financial liabilities of \$434,679, completeness of transactions recorded in the general ledger and appropriateness of going concern assumption used in the half-year financial report.

Disclaimer of Auditor's Conclusion

Based on our review, which is not an audit, because of the limitation on the scope of our work, as described in the preceding paragraph, and the effect of such adjustments, if any, as might have been determined to be necessary had the limitation not existed, we are unable to and do not express a conclusion that we have not become aware of any matter that makes us believe that the half-year financial report of Elsmore Resources Limited and Elsmore 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 31 December 2013 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 the Corporations Regulations 2001.

KS Black & Co
Chartered Accountants



Faizal Ajmat
Partner
Sydney, 1 May 2014

Level 6
350 Kent Street
Sydney NSW 2000

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AUDITOR'S INDEPENDENCE DECLARATION
UNDER S307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS ELSMORE RESOURCES LIMITED

In connection with the review of Elsmore Resources Limited for the half-year ended 31 December 2013, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- 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 Elsmore Resources Limited and the entities it controlled during the half-year.

KS Black & Co
Chartered Accountants



Faizal Ajmat
Partner
Sydney, 1 May 2014



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**Chartered
Accountants**