INOVA RESOURCES LIMITED
(formerly IVANHOE AUSTRALIA LIMITED)

ACN 107 689 878

ABN 20 107 689 878

Condensed Interim Financial Statements for the three month and nine month periods ended 30 September 2013

Contents

Condensed consolidated interim statement of profit or loss and comprehensive income for the three month and nine month periods ended 30 September 2013

	Note	Consolidated			
		Three months ended		Nine months ended	
		30 September 2013 $'000	30 September 2012 $'000	30 September 2013 $'000	30 September 2012 $'000
Revenue		44,390	21,766	141,623	43,305
Interest revenue		558	406	1,370	3,136
Operating expenses (excluding items shown separately)	4	(49,639)	(17,787)	(163,140)	(42,636)
Impairment loss on Osborne Copper-Gold assets	9	(19,811)	-	(63,014)	-
Evaluation expenses		(1,589)	(11,286)	(7,466)	(43,248)
Exploration expenses		(2,792)	(8,824)	(9,993)	(38,965)
Administration expenses		(4,977)	(4,704)	(10,769)	(18,404)
Depreciation expenses (non-operating)		(538)	(685)	(1,659)	(1,979)
Rehabilitation expense		(290)	-	(868)	-
Finance costs		(24)	(1,350)	(75)	(1,399)
Royalty costs		(1,749)	(790)	(5,750)	(1,760)
Share of gain / (losses) of associate		-	551	-	247
Impairment of associates		-	(1,344)	-	(3,022)
Impairment of other financial assets	7	-	-	(2,148)	-
Gain on sale of assets held for sale		-	971	-	971
Other expenses		(354)	(272)	(191)	(547)
Loss before tax		(36,815)	(23,348)	(122,080)	(104,301)
Income tax (expense)/ benefit		27	-	251	(577)
Loss for the period		(36,788)	(23,348)	(121,829)	(104,878)
Other comprehensive income					
Revaluation of other financial assets				836	(1,922)
Income tax relating to components of other comprehensive income				(251)	577
Other comprehensive loss for the period (net of tax)				585	(1,345)
Total comprehensive loss for the period				(121,244)	(106,223)
Loss per share					
From continuing and discontinued operations:					
Basic (cents per share)				(11.1)	(18.9)
Diluted (cents per share)				(11.1)	(18.9)

Notes to the condensed consolidated financial statements are included on pages 7 to 14.

Condensed consolidated interim statement of financial position as at 30 September 2013

	Note	Consolidated 30 September 2013 $'000	Consolidated 31 December 2012 $'000
Current assets			
Cash and cash equivalents	5	23,925	45,809
Trade and other receivables		7,630	7,443
Inventories	6	19,964	30,882
Total current assets		**51,519**	**84,134**
Non-current assets			
Other receivables		168	225
Other financial assets	7	882	2,193
Property, plant and equipment	9	83,309	155,002
Intangible assets		13,904	13,904
Bank security deposits	8	24,684	24,881
Total non-current assets		**122,947**	**196,205**
Total assets		**174,466**	**280,339**
Current liabilities			
Trade and other payables		27,391	22,461
Provisions		5,932	3,475
Borrowings		947	-
Total current liabilities		**34,270**	**25,936**
Non-current liabilities			
Provisions		39,441	39,288
Total non-current liabilities		**39,441**	**39,288**
Total liabilities		**73,711**	**65,224**
Net assets		**100,755**	**215,115**
Equity			
Issued capital	10	675,297	662,023
Reserves		22,308	28,113
Accumulated losses		(596,850)	(475,021)
Total equity		**100,755**	**215,115**

Notes to the condensed consolidated financial statements are included on pages 7 to 14.

Condensed consolidated interim statement of changes in equity for the nine months ended 30 September 2013

	Consolidated					
	Issued capital and contributed equity $'000	Share option reserve $'000	Investment revaluation reserve $'000	Share based payments reserve $'000	Accumulated losses $'000	Total $'000
Balance at 1 January 2012	**577,567**	**18,918**	**1,188**	**12,819**	**(364,793)**	**245,699**
Loss for the period	-	-	-	-	(104,878)	(104,878)
Revaluation of other financial assets	-	-	(1,345)	-	-	(1,345)
Total comprehensive income for the period (net of tax)	-	-	**(1,345)**	**-**	**(104,878)**	**(106,223)**
Recognition of share-based payments	-	-	-	7,023	-	7,023
Performance rights exercised	8,263	-	-	(8,263)	-	-
Balance at 30 September 2012	**585,830**	**18,918**	**(157)**	**11,579**	**(469,671)**	**146,499**
Balance at 1 January 2013	**662,023**	**18,918**	**(522)**	**9,717**	**(475,021)**	**215,115**
Loss for the period	-	-	-	-	(121,829)	(121,829)
Revaluation of other financial assets	-	-	585	-	-	585
Total comprehensive income for the period (net of tax)	**-**	**-**	**585**	**-**	**(121,829)**	**(121,244)**
Entitlement offer	4,464	-	-	-	-	4,464
Recognition of share-based payments	-	-	-	2,564	-	2,564
Performance rights exercised	8,954	-	-	(8,954)	-	-
Share issue costs	(144)	-	-	-	-	(144)
Balance at 30 September 2013	**675,297**	**18,918**	**63**	**3,327**	**(596,850)**	**100,755**

Notes to the condensed consolidated financial statements are included on pages 7 to 14.

Condensed consolidated interim cash flow statement
for the three month and nine month periods ended 30 September 2013

		Consolidated			
		Three months ended		Nine months ended	
	Note	30 September 2013 $'000	30 September 2012 $'000	30 September 2013 $'000	30 September 2012 $'000
Cash flows from operating activities					
Sales revenue		44,390	19,295	141,623	40,834
Payments to suppliers and employees		(49,716)	(57,981)	(145,181)	(152,063)
Interest received		567	190	1,044	2,652
Interest and finance costs paid		(24)	(1,114)	(75)	(1,163)
Net cash used in operating activities		(4,783)	(39,610)	(2,589)	(109,740)
Cash flows from investing activities					
Refund / (payment) for security deposits	8	-	-	197	-
Payment for property, plant and equipment	9	(5,021)	(17,258)	(24,759)	(63,236)
Net cash used in investing activities		(5,021)	(17,258)	(24,562)	(63,236)
Cash flows from financing activities					
Proceeds from borrowings		1,705	19,091	1,705	19,091
Repayment of borrowings		(758)	-	(758)	-
Proceeds from sale of assets held for sale		-	4,610	-	4,610
Proceeds from issues of equity securities		-	-	4,464	-
Share issue costs		-	-	(144)	-
Net cash provided by financing activities		947	23,701	5,267	23,701
Net (decrease) / increase in cash and cash equivalents		(8,857)	(33,167)	(21,884)	(149,275)
Cash and cash equivalents at the beginning of the period		32,782	50,311	45,809	166,419
Cash and cash equivalents at the end of the period	5	23,925	17,144	23,925	17,144

Notes to the condensed consolidated financial statements are included on pages 7 to 14.

Notes to the condensed consolidated financial statements

1. Significant accounting policies

Statement of compliance

The interim financial report for the nine months ended 30 September 2013 has been prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*.

Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Any subsequent changes to IFRS that are given effect in the group's annual consolidated financial statements for the year ending 31 December 2013, could result in restatement of these interim financial statements.

The interim report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed consolidated interim financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Certain comparative amounts have been re-presented to conform to the current year's presentation to enhance comparability.

Amounts in the condensed consolidated financial statements are rounded off to the nearest thousand dollars, unless otherwise stated.

Critical accounting estimates and judgements

Preparing the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities, income and expense. Note 2 of the consolidated financial statements as at 31 December 2012 identifies the areas of critical accounting estimation and judgement.

In preparing the condensed consolidated interim financial report, significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied in the consolidated financial statements as at 31 December 2012.

During the three months ended 30 September 2013, the Group assessed the recoverable amount of the Osborne Copper-Gold operations using a value in use approach. Based on the assessment during the quarter, an impairment loss of $19.8 million was recognised on the Osborne Copper-Gold assets (Note 9).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

The determination of value in use requires management to make estimates and assumptions about items such as expected production and sales volumes, broker consensus commodity prices, exchange rates, depletion of the current declared reserves and resources, operating costs and discount rates.

The Group notes that it is reasonably possible, on the basis of existing knowledge, that the outcomes within the next financial year that are different from the judgements, estimates and assumptions noted above could require a material adjustment to the carrying value of the Osborne Copper-Gold operations.

Significant accounting policies

The accounting policies and methods of computation adopted in the preparation of the interim financial report are consistent with those adopted and disclosed in the company's 2012 annual financial report for the financial year ended 31 December 2012.

Adoption of new and revised Accounting Standards

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2013 reporting periods. At the date of these condensed consolidated financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• IFRS 9 'Financial Instruments'	1 January 2015	31 December 2015

The Group's assessment of the impact of these new standards and interpretations is set out below.

IFRS 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, and impacts the current accounting treatment for financial liabilities that are designated at fair value through profit or loss. There will be no impact on the Group as the available for sale assets are not held for trading and the Group does not have any such financial liabilities.

1. Significant accounting policies (cont'd)

Financial risk management – liquidity risk

The Group's operating plans are dependent on generating positive cash flows from its Osborne Copper-Gold operations. These cash flows may vary from expectations due to changes in production (volume, grade and/or recovery), costs and external market factors. The Group will consider various forms of funding including the sale of project interests, equity issuance and/or debt issuance should operating cash flows be insufficient to meet the liquidity needs of the Group. The Group will also require additional funding to progress its development projects.

2. Segment information

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

During the year ended 31 December 2012, the Group changed its operating segments. The prior period comparatives have been restated to reflect the change. The Group's reporting segments are:

- Copper-Gold
- Molybdenum-Rhenium
- Exploration
- Administration

The Copper-Gold and Molybdenum-Rhenium business operations undertake mineral development and extraction activities on the Group's mining leases. Exploration activities are undertaken on the Group's mining leases and exploration tenements, and also include joint venture arrangements located in the Cloncurry region of Queensland, Australia and in the Tennant Creek region of Northern Territory, Australia. Administration provides overall support for the Group and is responsible for the treasury function and managing the investment in Emmerson Resources Limited. The following is an analysis of the Group's revenue and results by reportable operating segments for the periods under review:

	Consolidated			
	Revenue (iv)		Segment loss (iii)	
	Nine months ended		Nine months ended	
	30 September 2013 $'000	30 September 2012 $'000	30 September 2013 $'000	30 September 2012 $'000
Continuing operations				
Copper / Gold (i)	141,623	43,305	(98,351)	(32,832)
Molybdenum / Rhenium (ii)	-	-	(744)	(10,897)
Exploration	-	-	(9,993)	(38,965)
Administration	1,370	3,136	(10,769)	(18,404)
Total of all Segments	**142,993**	**46,441**	**(119,857)**	**(101,098)**
Unallocated items				
Finance costs			(75)	(1,399)
Share of profits of associate			-	247
Impairment of associates			-	(3,022)
Impairment of other financial assets			(2,148)	-
Gain on assets held for sale			-	971
Income tax expense			251	(577)
Loss for the period			**(121,829)**	**(104,878)**

(i) The revenue reported above represents the sales revenue generated from external customers. The Group is domiciled in Australia and the total revenue from external customers is generated from the following geographic locations, based on the ultimate country of destination of the product:

	30 September 2013 $'000	30 September 2012 $'000
Australia	1,571	1,776
China	119,194	20,373
Japan	-	21,156
South Korea	20,858	-
Total revenue from external customers	**141,623**	**43,305**

2. Segment information (continued)

(ii) The Molybdenum-Rhenium segment costs for the nine months ended September 2012 include the costs of the Merlin exploration decline which have been classified as evaluation expenses in the statement of comprehensive income.

(iii) Segment loss represents the loss incurred by each segment including impairment losses of $63.0 million (30 September 2012: nil) (Note 9), and without the allocation of share of profits of associate, interest revenue, finance costs, gain on sale of assets held for sale, impairment of associates and income tax expense. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

(iv) Treatment, refining and shipping costs relating to the copper-gold revenue are included in operating expenses as disclosed in Note 4.

3. Results for the period

Inova Resources completed the development of the Starra 276 underground mine in February 2013 and continued to ramp up production through to 30 September 2013.

Production at the Osborne Copper-Gold operation increased during the quarter following the increasing production and processing of ore from the Starra 276 mine. During the nine months ended 30 September 2013, Inova Resources mined 1,072,756 tonnes of ore from the Kulthor, Osborne and Starra 276 underground mines. Ore milled for the nine months ended 30 September 2013 totalled approximately 1,081,311 tonnes. Recovery rates during the nine month period averaged 86.5% for copper and 66.8% for gold.

The plant produced 57,982 dry metric tonnes of concentrate for the nine month period containing 14,047 tonnes of copper. Gold production in both concentrate and doré totalled 18,003 ounces for the nine month period. Inova Resources recognised product sales revenue of $141.6 million for the nine months ended 30 September 2013 (30 September 2012: $43.3 million) from sales of concentrate and doré.

In 2013, Inova Resources expects to mine between 1,400,000 and 1,600,000 tonnes from the Osborne operation's three mines.

In February 2013, Inova Resources successfully placed the shortfall from the 2012 Entitlement Offer. The shortfall shares from the placement were issued at the Entitlement Offer price of A$0.48 per share. Inova Resources issued approximately 9.3 million shares and received proceeds of approximately A$4.5 million, to complete the total A$80 million (gross) capital raising.

On 29 August 2013, Chinese private company Shanxi Donghui Coal Coking & Chemicals Group Co., Ltd (Shanxi Donghui) launched a conditional off-market takeover offer (Offer) to acquire all the ordinary shares in Inova Resources.

Inova Resources' majority shareholder, Canadian company Turquoise Hill Resources, entered into a pre-bid acceptance deed with Shanxi Donghui, under which Turquoise Hill agreed to accept into the Offer for 14.9% of the shares in the Company, unless a superior proposal emerges prior to accepting the Offer and Shanxi Donghui does not match that proposal. Subsequently, Turquoise Hill informed Inova Resources that it intends to accept the remainder of its shares into the Offer once it accepts for its 14.9%.

In its response to the Offer, Inova Resources issued a Target's Statement (sent to shareholders on 27 September 2013) in which the Recommending Directors recommend that at such time as the Offer has become unconditional and Turquoise Hill Resources Limited has accepted the Offer for all of its shares, then shareholders should accept the Offer, in the absence of a superior proposal.

During October 2013, Shanxi Donghui's Offer has received Australian foreign investment approval and has also received approval from the Chinese National Development and Reform Commission (NDRC) and Chinese Regulators (MOFCOM).

On 1 November 2013, Turquoise Hill confirmed that they have accepted the Offer for all of its shares in Inova, and Shanxi Donghui has now declared the Offer unconditional. Shanxi Donghu has now received 67.08% acceptances under the Offer and will have effective control of Inova Resources.

4. Operating expenses

	Consolidated			
	Three months ended		Nine months ended	
	30 September 2013 $'000	30 September 2012 $'000	30 September 2013 $'000	30 September 2012 $'000
Mining costs	(24,095)	(14,289)	(62,622)	(32,877)
Concentrators and plant operations	(4,526)	(3,308)	(12,670)	(7,151)
Site administration and maintenance overheads	(8,550)	(5,115)	(27,638)	(9,751)
Change in inventory ore and concentrate (Note 6)	11,072	12,351	13,427	21,278
Inventory adjustment (Note 6)	(7,283)	-	(25,567)	-
Concentrate haulage costs	(2,755)	(2,143)	(7,752)	(2,990)
Treatment, refining and shipping costs	(3,116)	(1,609)	(11,353)	(2,761)
Depreciation and amortisation (ii)	(10,386)	(3,674)	(28,965)	(8,384)
Total operating (including commissioning expenses (i))	**(49,639)**	**(17,787)**	**(163,140)**	**(42,636)**

(i) These costs are attributable to the Osborne Copper-Gold operations and include the treatment, refining and shipping costs of the copper concentrate for the respective nine month periods. The nine month period to 30 September 2012 also includes the commissioning phase of the Osborne Copper-Gold project operations start up with initial production on 1 March 2012.

(ii) The assets for the Osborne Copper-Gold operations are being depreciated using a unit of production method based on Copper-Gold production and the reserves for each mine. This depreciation expense relates to the depreciation of property, plant and equipment related to the Osborne/Mt Dore sites specifically used in the Osborne Copper-Gold operations. Depreciation on assets not specifically related to operations is shown separately in the consolidated statement of comprehensive income.

5. Cash and cash equivalents

	Consolidated	
	30 September 2013 $'000	31 December 2012 $'000
Cash at bank	23,925	45,809

6. Inventories

	Consolidated	
	30 September 2013 $'000	31 December 2012 $'000
Ore	4,117	1,723
Concentrate (at NRV)	9,908	21,627
Consumables and spare parts	5,939	7,532
	19,964	**30,882**

Inventory expense

Inventories recognised as an expense during the nine months to 30 September 2013 and included in 'changes in inventory ore and concentrate' amounted to $13.4 million (30 September 2012: $21.3 million). This includes costs of $2.8 million (30 September 2012: $nil) of Starra ore previously capitalised in mine property and development (Note 9).

The write down of inventories to net realisable value included in "inventory adjustment" amounted to $25.6 million (30 September 2012: nil). These expenses have been included in 'operating expenses' in the statement of profit or loss and comprehensive income (Note 4).

7. Other financial assets

	Consolidated	
	30 September 2013 $'000	**31 December 2012 $'000**
Non-current		
Available for sale shares	882	2,193
	882	**2,193**
Reconciliation of movement in investments available for sale:		
Balance at start of period	2,193	4,635
Impairment loss (i)	(2,148)	-
Reversal of accumulated other comprehensive income	746	-
Revaluation of other financial assets (ii)	91	(2,442)
Balance at end of period	**882**	**2,193**

On 16 April 2009, the Group announced that it had entered into a private placement investment in, and a joint-venture agreement with, Emmerson Resources Limited ('Emmerson'). Emmerson is an Australian mineral exploration company listed on the ASX. The private placement consisted of 22.61 million units at a price of $0.13 per share and for a cost of $2,939,000 which represents the fair value of the private placement. This resulted in the Group holding approximately 10% of Emmerson common shares.

(i) During the six month period ended 30 June 2013 an impairment charge of $2.1 million (31 December 2012: nil) was recorded on the available for sale investment in Emmerson due to a prolonged and significant decline in the fair value of the investment. The fair value was determined by reference to an active market. The impairment loss on available for sale assets was recognised in profit and loss.

(ii) The fair value at 30 September 2013 of $882,000 (31 December 2012: $2,193,000) has been determined by reference to the price of $0.039 per share quoted on the ASX as at 30 September 2013. The gain on available for sale assets during the three month period ended 30 September 2013 was recognised in equity.

8. Bank security deposits

	Consolidated	
	30 September 2013 $'000	**31 December 2012 $'000**
Relating to:		
Office Leases (i)	317	514
Mining Lease Rehabilitation (ii)	23,145	23,145
Gas Supply Arrangements (iii)	1,222	1,222
	24,684	**24,881**

(i) The Group provided a bank guarantee to the lessors for the leases of premises in Melbourne and Townsville. The deposit is held with the bank as the underlying security.

(ii) The Group is required to provide a bank guarantee to the Queensland Department of Mines and Energy to ensure the Group is in compliance with relevant provisions of the Mineral Resources Act 1989, the Environmental Protection Act 1994 and Other Legislation Amendment Act 2000. The deposit is held with the bank as the underlying security.

(iii) The Group provided a bank guarantee in support of its gas supply arrangements. The deposit is held with the bank as the underlying security (Note 11).

9. Property, plant and equipment

	Consolidated				
	Leasehold land	Buildings	Plant and equipment at cost	Mine property and development	Total
	$'000	$'000	$'000	$'000	$'000
Gross carrying amount					
Balance at 1 January 2012	**1,351**	**15,239**	**53,461**	**10,758**	**80,809**
Additions	-	429	16,355	70,818	87,602
Adjustment to rehabilitation provision (i)	-	-	3,430	-	3,430
Disposals	-	-	-		-
Balance at 31 December 2012	**1,351**	**15,668**	**73,246**	**81,576**	**171,841**
Transfers	-	-	(1,755)	1,755	-
Additions	-	-	8,493	16,266	24,759
Disposals	-	-	-	(2,814)	(2,814)
Balance at 30 September 2013	**1,351**	**15,668**	**79,984**	**96,783**	**193,786**
Accumulated depreciation and impairment losses					
Balance at 1 January 2012	**(378)**	**(614)**	**(2,885)**	**-**	**(3,877)**
Disposals	-	-	-	-	-
Depreciation expense	(47)	(1,837)	(7,742)	(3,336)	(12,962)
Balance at 31 December 2012	**(425)**	**(2,451)**	**(10,627)**	**(3,336)**	**(16,839)**
Transfers	-	-	25	(25)	-
Depreciation expense (ii)	(37)	(1,962)	(9,644)	(18,981)	(30,624)
Impairment loss	-	(5,147)	(24,563)	(33,304)	(63,014)
Balance at 30 September 2013	**(462)**	**(9,560)**	**(44,809)**	**(55,646)**	**(110,477)**
Net book value					
As at 31 December 2012	**926**	**13,217**	**62,619**	**78,240**	**155,002**
As at 30 September 2013	**889**	**6,108**	**35,175**	**41,137**	**83,309**

(i) In 2012, the Group submitted a revised plan of operations in April 2012 and changed its estimate of the discount rate used to calculate the present value of the rehabilitation and dismantling provisions. These changes resulted in an increase to the capitalised portion of the rehabilitation assets.

(ii) Depreciation expense relates to the depreciation of property, plant and equipment of non-operating assets and assets specifically used in the Osborne Copper-Gold operations.

Impairment Loss

During the six months ended 30 June 2013, the Group assessed the recoverable amount of the Osborne Copper-Gold operations as a single cash-generating unit ("CGU") due to decreases in commodity prices and increases in mining costs, and recognised an impairment loss of $43.2 million. During the three months ended 30 September 2013, a further assessment was performed as a result of the downward revision of the mineral reserves in the Starra 276 mine, recognising a further $19.8 million impairment loss.

The recoverable amount of the CGU was estimated based on its value in use, assuming that operations would carry through until the end of the 2015 calendar year based on the current approved mine plan for the Osborne Underground, Kulthor and Starra 276 mines. The estimate of value in use was determined using a post-tax real discount rate of 7.97%.

Based on the two assessments during the year, the net carrying amount of the CGU was cumulatively determined to be $63.0 million higher than its recoverable amount, and an impairment loss was recognised. The impairment loss was allocated pro rata to the Osborne Copper-Gold assets as follows:

	Net carrying amount	Accumulated impairment to 30-Sep-13	Impairment for the three months ended 30-Sep-13
	$'000	$'000	$'000
Buildings	9,688	5,147	1,628
Plant and equipment	48,312	24,563	7,778
Mine Property and Development	64,403	33,304	10,405
Total	**122,403**	**63,014**	19,811

10. Issued capital and contributed equity

	Consolidated	
	30 September 2013 $'000	31 December 2012 $'000
Ordinary shares	670,295	657,021
Contributed equity	5,002	5,002
	675,297	**662,023**

	Consolidated			
	Nine months ended 30 September 2013		Twelve months ended 31 December 2012	
	No.	$'000	No.	$'000
Ordinary shares				
Balance at beginning of period	714,483,151	657,021	552,385,295	572,565
Entitlement offer (i)	9,299,676	4,464	157,387,024	75,546
Share issue costs	-	(144)	-	(2,365)
Performance rights exercised	5,882,834	8,954	4,710,832	11,275
Balance at end of period	**729,665,661**	**670,295**	**714,483,151**	**657,021**

Ordinary shares carry one vote per share and carry the right to dividends.

(i) Entitlement Offer: On 21 November 2012, the Group launched a 3 for 10 accelerated non-renounceable entitlement offer to eligible shareholders at a fixed price of $0.48 per share. On 30 November 2012, the Group completed the placement and issued $75,546,000 of new fully paid ordinary shares.

In February 2013, the Company successfully placed the shortfall from the pro-rata entitlement offer which was closed in December 2012. The shortfall shares from the placement were issued at the entitlement offer price of $0.48 per share. The company has issued 9,299,676 ordinary shares and received proceeds of $4,464,000.

11. Contingent liabilities

	Consolidated	
	30 September 2013 $'000	31 December 2012 $'000
Guarantees		
Details and estimates of maximum amounts of contingent liabilities are as follows:		
Office leases (i)	-	514
Gas supply arrangements (ii)	1,222	1,222
	1,222	**1,736**

(i) The Group provided a bank guarantee to the lessor for the lease of premises in Melbourne and Townsville. A deposit is held with the bank as the underlying security (Note 8). As at 30 September 2013, the Group has recognised a current provision for the payout of the lease on the Melbourne premises.

(ii) The Group provided a bank guarantee in support of its gas supply arrangements. A deposit is held with the bank as the underlying security (Note 8).

12. Commitments

	Consolidated 30 September 2013 $'000	Consolidated 31 December 2012 $'000
(a) Exploration commitments		
In order to maintain current rights of tenure to exploration and mining tenements there is an annual exploration expenditure requirement up until the expiry.		
These obligations, which are subject to renegotiation upon expiry, are not provided for in the financial statements and are payable:		
- Not longer than 1 year	3,888	4,655
- Longer than 1 year and not longer than 5 years	26,676	28,677
- Longer than 5 years	-	-
	30,564	**33,332**
(b) Operating leases		
These obligations are not provided for in the financial report and are payable.		
Non- cancellable operating rentals are as follows:		
- Not longer than 1 year	217	374
- Longer than 1 year and not longer than 5 years	-	811
- Longer than 5 years	-	-
	217	**1,185**
(c) Capital commitments - Property, Plant and Equipment (i)		
- Not longer than 1 year	-	1,488
- Longer than 1 year and not longer than 5 years	-	-
- Longer than 5 years	-	-
	-	**1,488**

(i) These obligations are not provided for in the financial report and are committed to incur in future periods and includes underground mine development

	30 September 2013 $'000	31 December 2012 $'000
(d) Operating commitments (ii)		
- Not longer than 1 year	9,733	7,250
- Longer than 1 year and not longer than 5 years	-	-
- Longer than 5 years	-	-
	9,733	**7,250**

(ii) These obligations are calculated in accordance with minimum contractual commitment payable to suppliers and contractors in the event the Group terminates the operating contracts prior to completion of agreed scope of works.

13. Subsequent events

There have not been any other matters or circumstances that have arisen since the end of the financial period that have significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.