
CLASSIC MINERALS LIMITED
ABN: 77 119 484 016

HALF YEAR REPORT
31 DECEMBER 2013

CLASSIC MINERALS LTD

ABN 77 119 484 016

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CLASSIC MINERALS LTD

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COMPANY INFORMATION

Directors

Mr Justin Douch
(Managing Director)

Mr Kent Hunter
(Non Executive Director)

Mr Stan Procak
(Non Executive Director)

Company Secretary

Mr Kent Hunter

Registered Office

Suite 7 Level 1, 30 Hasler Road
Osborne Park WA, 6107
Telephone: (08) 9445 3008
Facsimile: (08) 9242 9295
Email: admin@classicminerals.com.au

Auditors

Bentleys
Level 1, 12 Kings Park Road
West Perth WA 6005

Telephone: (08) 9226 4500
Facsimile: (08) 9226 4300

Bankers

National Australia Bank
226 Main Street,
Osborne Park, WA, 6107

Share Registry

Advanced Share Registry Limited
150 Stirling Highway
Nedlands 6009 WA

Telephone: (08) 9389 8033
Facsimile: (08) 9389 7871

Stock Exchange Listing

The Company is listed on the Australian Securities
Exchange Ltd (ASX)
Home Exchange: Perth, Western Australia

Website

www.classicminerals.com.au

Australian Securities Exchange Code:

CLZ, CLZO

CLASSIC MINERALS LTD

ABN 77 119 484 016

DIRECTORS' REPORT

The directors of Classic Minerals Ltd submit herewith the financial report for the half-year ended 31 December 2013. In order to comply with the provisions of the *Corporations Act 2001* the directors report as follows:

Directors

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

Mr Justin Douch
Mr Kent Hunter (appointed 29 November 2013)
Mr Stan Procak
Mr Paul Lambrecht (resigned 29 November 2013)

Unless otherwise stated, all directors were in office for the period under review, and up to the date of this report.

Review of Operations

The loss for the six month period ended 31 December 2013 is \$2,520,179 (31 December 2012 loss \$1,318,944) As at 31 December 2013 Classic Minerals Ltd ("Classic" or "the Company") had 207,687,713 shares and 100,512,607 options on issue all of which are quoted.

Exploration activities

Classic's exploration activities during the six-month period under review have concentrated on its flagship Fraser Range tenement, where an airborne electromagnetic survey was completed in May 2013.

This survey delineated 18 targets and fourteen targets were drilled with RC Drilling in August and September 2013. One hole was drilled per target. Several holes intersected sulphide mineralisation, with one hole intersecting one metre of 1.95% Copper.

Follow-up holes were drilled into the Copper prospect called Alpha, and delineated a north plunging, west dipping pyrrhotite Copper zone up to 12 metres thick, and Nickel and Copper Sulphides. This was drilled in November and December 2013 and is shown to be a north-east plunging mineralised zone 30 metres wide and 140m long. Nickel grades were up to 1.2% and Copper grades were up to 1.4%. The mineralisation is open to the north east and downhole geophysics has been used to better define the conductor.

In the last six months, a total of 56 RC holes were drilled, and the drill samples were analysed for base metals and some for gold.

Further drilling is planned for 2014 to delineate these two deposits and explore other electromagnetic and aeromagnetic targets.

CLASSIC MINERALS LTD

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DIRECTORS' REPORT

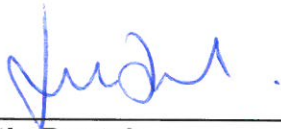
Events Post 31 December 2013

On 19 February 2014, the Company successfully raised \$1.5m through the placement of 25m shares to sophisticated and professional investors.

Auditor's Declaration

The auditor's independence declaration under s.307C of the Corporations Act 2001 is included on page 4 of the half-year financial report.

This report is signed in accordance with a resolution of the board of directors.



Justin Douch
Managing Director
14 March 2014

To the Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

As lead audit director for the review of the financial statements of Classic Minerals 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.

Yours faithfully



BENTLEYS
Chartered Accountants



MARK DELAURENTIS CA
Director

DATED at PERTH this 14th day of March 2014

Independent Auditor's Review Report

To the Members of Classic Minerals Limited

We have reviewed the accompanying half-year financial report of Classic Minerals Limited ("the Company") which comprises the condensed statement of financial position as at 31 December 2013, the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other selected explanatory information and the directors' declaration.

Directors Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

Independent Auditor's Review Report

To the Members of Classic Minerals Limited (Continued)



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 Classic Minerals Limited is not in accordance with the *Corporations Act 2001* including:

- a. giving a true and fair view of the Company's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- b. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matters

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our conclusion, we draw attention to Note 1(c) in the half-year financial report which indicates that the Company incurred a loss of \$2,520,179 during the half-year ended 31 December 2013. This condition, along with other matters as set forth in Note 1(c), indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Company 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 half-year financial report.

Carrying Value of Intangible Asset

Without qualifying our conclusion, we draw attention to Note 6 in the half-year financial report which indicates a carrying amount of marketing rights to iron ore of \$1,000,000. The Company is entitled to 30% of the total proceeds from the eventual sale of iron ore. The recoverability of this intangible asset is therefore dependent upon the sale of iron ore for an amount greater than \$3,333,333. Given the material uncertainty surrounding the outcome of the realisation of this right and due to the fact there has not been an independent valuation of this asset, this has cast significant doubt in relation to the carrying amount of these marketing rights.

BENTLEYS
Chartered Accountants

MARK DELAURENTIS CA
Director

DATED at PERTH this 14th day of March 2014

CLASSIC MINERALS LTD

ABN 77 119 484 016

DIRECTORS' DECLARATION FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 8 to 16 are in accordance with the *Corporations Act 2001*, including:
 - a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - b) giving a true and fair view of the Company's financial position as at 31 December 2013 and of its performance for the half-year ended on that date.
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.



Justin Douth
Managing Director
14 March 2014

CLASSIC MINERALS LTD

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CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

		31 December 2013	31 December 2012
	Note	\$	\$
Revenue		509,568	7,306
Finance Income	4	16,608	
Advertising and marketing expenses		(36,422)	-
Auditor's remuneration		(40,310)	(49,027)
ASX Listing Fees and filing fees		(36,353)	-
Commissions		(166,714)	(20,461)
Consultant Fees		(249,083)	-
Depreciation		(23,931)	(4,809)
Directors' fees		(178,298)	-
Employee benefits expenses		(305,815)	(299,270)
Exploration expenditure		(1,291,430)	(381,032)
Insurance		(14,731)	-
Legal and professional fees		(72,815)	(233,829)
Occupancy costs		(75,506)	(20,484)
Other administrative expenses		(122,389)	(54,761)
Share Registry expenses		(14,176)	-
Share based payment costs		(140,664)	(137,145)
Travel and marketing expense		(12,429)	(125,432)
Loan forgiven	4	(265,289)	-
Loss before income tax expense		(2,520,179)	(1,318,944)
Income tax expense		-	-
Loss for the period		(2,520,179)	(1,318,944)
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss:			
Movement in 'Available-for-sale' financial reserve		3,053	-
Total comprehensive income for the period		(2,517,126)	(1,318,944)
Loss attributable to:			
Members of the Company		(2,520,179)	(1,318,944)
		(2,520,179)	(1,318,944)
Total comprehensive income attributable to:			
Members of the Company		(2,517,126)	(1,318,944)
		(2,517,126)	(1,318,944)
Loss per share			
Basic and diluted (cents per share)		(0.012)	(1.33)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CLASSIC MINERALS LTD

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CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

		31 December 2013	30 June 2013
	Note	\$	\$
Current assets			
Cash and cash equivalents		368,466	1,284,830
Trade and other receivables	4	81,250	588,702
Financial Assets		-	300,000
Available-for-sale financial assets		229,720	266,667
Other assets		239,672	75,000
Total current assets		919,108	2,515,199
Non-current assets			
Property, plant and equipment	5	379,655	213,274
Other assets		-	215,641
Exploration, evaluation and development		131,300	-
Intangible Assets	6	1,000,000	-
Total non-current assets		1,510,955	428,915
Total assets		2,430,063	2,944,114
Current liabilities			
Trade and other payables		600,609	663,259
Employee Provisions		70,247	29,753
Borrowings		23,066	13,368
Total current liabilities		693,922	706,380
Non-current liabilities			
Other liabilities		116,787	62,898
Total non-current liabilities		116,787	62,898
Total liabilities		810,709	769,278
Net assets/(Liabilities)		1,619,354	2,174,836
Equity			
Issued capital	7	9,892,564	8,936,046
Reserves		1,074,846	66,667
Accumulated losses		(9,348,056)	(6,827,877)
Total equity		1,619,354	2,174,836

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

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CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Members of the Entity				Total Equity
	Issued Capital	Financial Asset Reserve	Option Premium Reserve	Accumulated Losses	
	\$	\$	\$	\$	\$
Balance at 1 July 2012	2,466,974	-	-	(3,620,961)	(1,153,987)
Loss for the period	-	-	-	(1,318,945)	(1,318,945)
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	(1,318,945)	(1,318,945)
<i>Transactions with owner, directly recognised in equity</i>					
Issue of shares	3,862,155	-	-	-	3,862,155
Cost of share issue	(237,135)	-	-	-	(237,135)
Share based payments	-	-	-	-	-
Balance at 31 December 2012	6,091,994	-	-	(4,939,906)	1,152,088
Balance at 1 July 2013	8,936,046	66,667	-	(6,827,877)	2,174,836
Loss for the period	-	-	-	(2,520,179)	(2,520,179)
Other comprehensive income	-	3,053	-	-	3,053
Total comprehensive income	-	3,053	-	(2,520,179)	(2,517,126)
<i>Transactions with owner, directly recognised in equity</i>					
Issues of shares	991,964	-	-	-	991,964
Cost of share issues	(35,446)	-	-	-	(35,446)
Issue of Options	-	-	1,005,126	-	1,005,126
Other transactions	-	-	-	-	-
Balance at 31 December 2013	9,892,564	69,720	1,005,126	(9,348,056)	1,619,354

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

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CONDENSED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	31 December 2013 \$	31 December 2012 \$
Cash flows from operating activities		
Payments to suppliers and employees	(1,126,205)	(1,067,332)
Payments for deferred exploration expenditure	(1,492,995)	(380,583)
Interest Income	-	7,306
Net cash used in operating activities	(2,619,200)	(1,440,609)
Cash flows from investing activities		
Payment for property, plant and equipment	(124,326)	(32,728)
Payment to acquire mining tenement – Doherty's	(80,000)	-
Return of deposit with Nex Metals	300,000	-
Proceeds from Sale of Mining tenements	200,000	-
Income and proceeds from sale of marketable securities	509,568	-
Purchase of shares in listed company	(100,000)	-
Net cash used in investing activities	705,242	(32,728)
Cash flows from financing activities		
Proceeds from issues of equity securities	-	3,487,875
Repayment of loans	-	(637,006)
Payment for capital raising costs	(7,532)	-
Proceeds from Option Entitlement Issue	1,005,126	-
Net cash provided by financing activities	997,594	2,850,869
Net increase in cash and cash equivalents	(916,364)	1,377,532
Cash and cash equivalents at the beginning of the half-year	1,284,830	93,937
Cash and cash equivalents at the end of the half-year	368,466	1,471,469

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2013

1. SUMMARY OF ACCOUNTING POLICIES

Significant Accounting Policies

a) Statement of Compliance

The half year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards including AASB 134 Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes comply with International Financial Reporting Standards. The half-year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the 2013 annual financial report.

b) Basis of Preparation

The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. 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.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2013 annual financial report for the financial year ended 30 June 2013, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

New Accounting Standards and Interpretation

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year include:

AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'

AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'

AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'

AASB 127 'Separate Financial Statements' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'

AASB 128 'Investments in Associates and Joint Ventures' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2013

1. SUMMARY OF ACCOUNTING POLICIES

- AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'
- AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'
- AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'
- AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle'
- AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'

The above standards have extensive disclosure requirements, however these do not affect this half year financial report apart from the application of AASB 13 in relation to financial instrument disclosures (refer note 8).

c) *Going concern*

The half-year financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlements of liabilities in the ordinary course of business. The Company incurred a loss of \$2,520,179 for the half year ended 31 December 2013 (31 December 2012: \$1,318,944 loss).

The net working capital position of the Company at 31 December 2013 was \$225,186 (30 June 2013: net working capital of \$1,808,819). Cash outflows from operations of the Company at 31 December 2013 were \$2,619,200 (31 December 2012: \$1,440,609) and the net movement in cash held during the half year was a decrease of \$916,364 (31 December 2012: \$1,377,532).

The ability of the Company to continue to pay its debts as and when they fall due is dependent upon the Company raising additional share capital and/or debt funding.

These conditions indicate a material uncertainty that may cast significant doubt about the ability of the Company to continue as a going concern.

The Directors have prepared a cash flow forecast, which indicates that the Company will have sufficient cash flows to meet all commitments and working capital requirements for the 12 month period from the date of signing this half-year financial report.

The Directors believe it is appropriate to prepare these accounts on a going concern basis because:

- The Directors have an appropriate plan to raise additional funds as and when they are required. In light of the Company's current projects, the Directors believe that the additional capital required can be raised in the market;
- On 19 February 2014, the Company completed a private placement of 25 million shares to raise \$1.5m; and
- The Directors have an appropriate plan to contain certain operating and exploration expenditure if appropriate funding is unavailable.

Should the Company not be successful in its planned capital raisings, it may be necessary to sell some of its assets, farm out exploration projects, or reduce exploration expenditure by various methods including surrendering less prospective tenements. Although the Directors believe that they will be successful in these measures, if they are not, the Company may be unable to continue as a going concern and therefore may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

CLASSIC MINERALS LTD

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2013

2. SUBSEQUENT EVENTS

On 19 February 2014, the Company completed a private placement of 25 million shares to raise \$1.5m. These shares were placed with a large group of professional investors.

3. OPERATING SEGMENTS

The company has one operating segment this is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors.

The Company operates in one operating and geographic segment being mineral exploration, and evaluation in Western Australia for the half-year periods ended 31 December 2012 and 31 December 2013.

4. TRADE AND OTHER RECEIVABLES

Balance at 30 June 2013:

	\$
CURRENT	
Receivable from Ironstone Resources Limited	200,000
Loan to John Douth	14,339
Loan to James Passaris	248,681
Receivable from Jett Holdings	27,519
Other receivables	98,163
	<u>588,702</u>
Movement in the six-month period to 31 December 2013	
Received from Ironstone Resources on 26 September 2013	(200,000)
Loan to James Passaris (a)	(248,681)
Repayment of Loan to John Douth	(14,339)
Decrease in trade and other receivables	(44,432)
Balance at 31 December 2013	<u>81,250</u>

(a) As at 30 June 2013, a total of \$248,681 was outstanding from Mr. Passaris, a member of the Company's key management personnel. During the period interest accrued on this loan balance amounted to \$16,608.

On 30/12/2013 the directors resolved to forgive the total loan amount including accrued interest of \$265,289 to Mr Passaris. This loan forgiveness has been treated as part of Mr Passaris's remuneration for the current financial period.

CLASSIC MINERALS LTD

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

5. PROPERTY, PLANT AND EQUIPMENT

	Office Equipment	Fixtures &Fittings	Plant & Equipment	Caravan	Motor Vehicle under Hire Purchase	Motor Vehicles and Quad Bikes	Mining Equipment	TOTAL
	\$	\$	\$	\$	\$	\$	\$	\$
Gross Carrying Amount								
Balance at 30 June 2013	51,485	2,452	8,863	40,025	77,500	152,441	-	332,766
Additions	17,109	9,750	-	-	139,853	49,737	47,725	264,174
Disposals	-	-	-	-	(77,500)	-	-	(77,500)
Balance at 31 December 2013	68,594	12,202	8,863	40,025	139,853	202,178	47,725	519,440
Accumulated Depreciation								
Balance at 30 June 2013	39,090	1,418	6,320	1,876	3,633	67,155	-	119,492
Depreciation expense	4,231	332	969	3,577	2,185	11,013	1,619	23,926
Depreciation Write-back	-	-	-	-	(3,633)	-	-	(3,633)
Balance at 31 December 2013	43,321	1,750	7,289	5,453	2,185	78,168	1,619	139,785
Net Book Value								
As at 30 June 2013	12,395	1,034	2,543	38,149	73,867	85,286	-	213,274
As at 31 December 2013	25,273	10,452	1,574	34,572	137,668	124,010	46,106	379,655

6. INTANGIBLE ASSETS

31 December 2013
\$

Marketing rights:

Balance at beginning of the period	-
Transferred from Other Assets – Deposit to Guide Resources Pty Ltd	200,000
Shares issued to Guide Resources Pty Ltd as consideration (Note 7)	800,000
Balance at end of the period	<u>1,000,000</u>

The Company acquired the rights to market iron ore over exploration license E28/2238 from Guide Resources Pty Ltd. Consideration was a \$225,000 cash payment (of which \$200,000 was refundable and the remaining \$25,000 was expensed) paid on 21 June 2013 and five million shares in this Company, which were issued to Guide Resources Pty Ltd on 29/08/2013. This agreement entitles the Company to 30% of the total sales proceeds of the iron ore over this exploration license.

The recoverability of this intangible asset is dependent upon the successful sale of the iron ore of Exploration License E28/2238.

As the outcome of the realisation of this right is still uncertain there remains a material uncertainty regarding the overall recoverability of this asset.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

7. ISSUED CAPITAL

Shares

The following shares were issued during the half-year reporting period ended 31 December 2013:

	Note	31 December 2013 \$	Number of Shares
At the beginning of the reporting period		8,936,046	200,455,213
Shares issued at 9 cents to Golden West Resources Limited (31 July 2013)		51,300	570,000
Shares issued at 16 cents to Guide Resources Pty Ltd (29 August 2013)	6	800,000	5,000,000
Shares issued at 6 cents (December 2013)		21,750	362,500
Shares issued at 7 cents (December 2013)		91,000	1,300,000
Less: expenses relating to the capital raisings		(7,532)	-
At the end of the reporting period		9,892,564	207,687,713

Options

On 20 August 2013, the Company announced a non-renounceable Option Entitlement issue to raise \$1,005,126 before expenses of the issue. Shareholders as at 28 August 2013 were entitled to receive one option exercisable at 20 cents on or before 30 June 2015 for every two fully paid ordinary shares held. Shareholders were required to pay \$0.01 per option. As at 31 December 2013, the Company had issued 100,512,607 options during the six-month period.

8. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of trade and other receivable and trade and other payables. These financial instruments are measured at amortised cost, less any provision for non-recovery. The carrying amount of the financial assets and liabilities approximate their fair value.

Available for sale financial assets

The Company's Available for sale financial assets are level-1 financial instruments and valued using the quoted bid prices from the Australian Securities Exchange as at the reporting date.

9. RELATED PARTY TRANSACTIONS

As disclosed in Note 6, during the period, the Company acquired the marketing rights for iron ore in relation to tenement E28/2238 from Guide Resources Pty Ltd. Mr Passaris is a director of Guide Resources Pty Ltd.

As at 30 June 2013, a total of \$248,681 was outstanding from Mr. Passaris, a member of the Company's key management personnel. During the period interest accrued on this loan amounted to \$16,608. As at 30 December 2013 the Directors resolved to forgive the loan and accrued interest owing from Mr Passaris (refer Note 4).

During the period the Company prepaid Denarda Holdings Pty Ltd \$200,000 for drilling services, which has been included in other assets (current) in the statement of financial position as at 31 December 2013. Justin Douch's father has a beneficial interest in Denarda Holdings Pty Ltd.